

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #15: Service Reviews for the Community of Yucca Valley

INITIATED BY:

San Bernardino Local Agency Formation Commission

INTRODUCTION

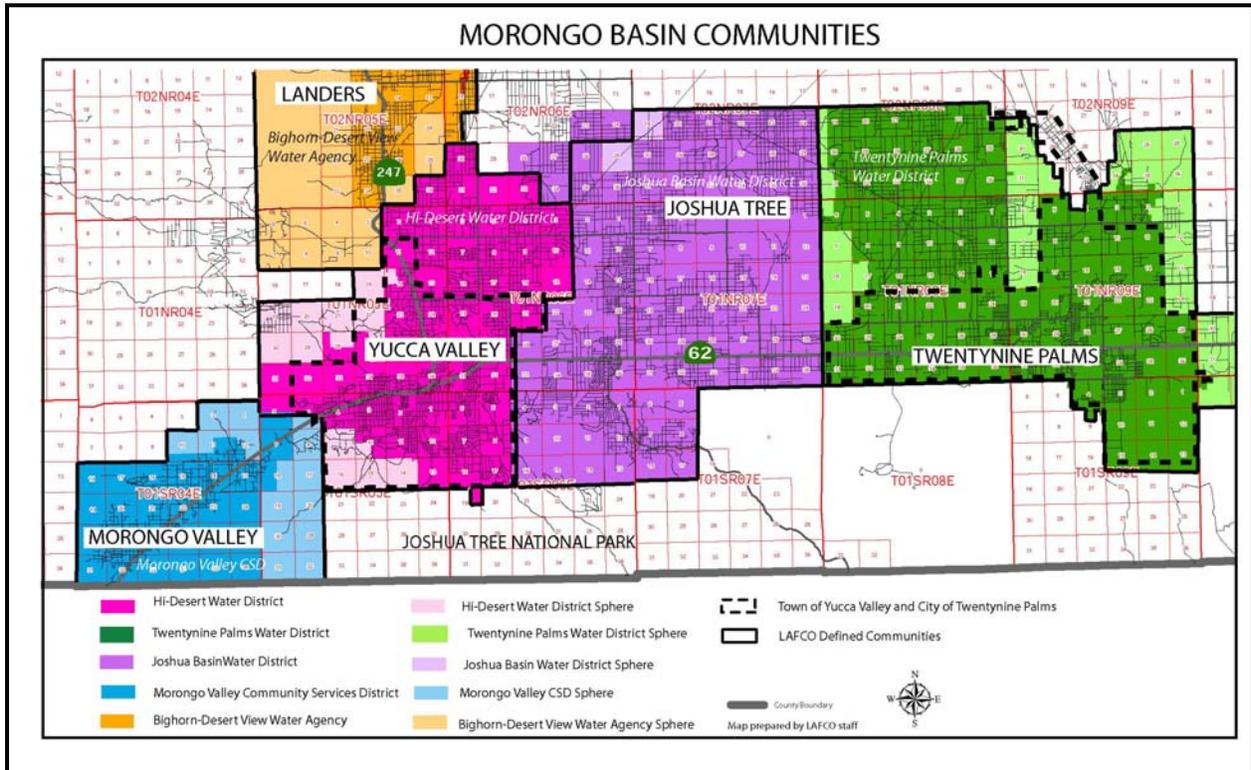
San Bernardino LAFCO has chosen to undertake its Service Reviews on a regional basis. By action taken in February 2002, the Commission divided the county into five separate regions, with the South Desert Region generally defined as beginning in the Morongo Valley, east along Highway 62 (Twentynine Palms Highway) continuing to the Colorado River, and includes the Morongo Basin, Colorado River, Interstate 15, and Interstate 40 corridor communities.

The Commission has adopted policies related to its sphere of influence program determining that it will utilize a community-by-community approach to sphere of influence identification. This report contains service reviews and sphere of influence updates for the Yucca Valley community which includes the community-based agencies of the Town of Yucca Valley and Hi-Desert Water District, and the Yucca Valley Airport District that comprises 200 acres entirely within the Town's boundaries. This report also includes service reviews for improvement zones to County Service Area 70 that provide road and television services within the Yucca Mesa area (R-26, R-29, and TV-5) and water within the Pioneertown area (W-4).

In August 2008, the Town of Yucca Valley initiated an application to expand its sphere of influence by approximately 22.4 square miles to include the Yucca Mesa area to the north and a small portion to the west. The intent was to present the proposed sphere expansion request as a part of the mandatory sphere of influence update. However, in September 2009 the Town Council rescinded its sphere expansion application due to resident opposition from within the Yucca Mesa area. The Town has revised their submission

documents for its mandatory sphere of influence update and states that no alterations to the sphere of influence are anticipated at this time.

Yucca Valley lies between the San Bernardino Mountains and Joshua Tree National Park situated along State Highway 62 (Twentynine Palms Highway) where it intersects State Highway 247. Below is a map illustrating the Yucca Valley service agencies in a regional context, a copy of which is included in Attachment #1.



The Yucca Valley community is served by multiple public agencies. The public agencies providing direct services to the residents and landowners within the community are:

- Town of Yucca Valley
- Hi-Desert Water District
- Yucca Valley Airport District
- County Service Area 70 Improvement Zones R-26, R-29, TV-5, and W-4

Regional service providers include:

- County Service Area 70 (multi-function unincorporated county-wide)
- Hi-Desert Memorial Healthcare District
- Mojave Desert Resource Conservation District
- Mojave Water Agency
- San Bernardino County Fire Protection District and its South Desert Service Zone
- San Bernardino Flood Control District

COMMUNITY HISTORY

The following narrative provides a historical perspective of the community. The first section includes information from the Yucca Valley Chamber of Commerce¹, Hi-Desert Water District², Homestead Valley Community Plan³, and Pioneertown website⁴.

The earliest known inhabitants of the Morongo Basin were the Serrano Indians. These ancient people migrated each year to higher hunting grounds by a route through Big Morongo Canyon, where water was dependable at a series of springs. The various camps they set up were eventually used by cattlemen who adopted the route through the canyon as an alternate to the lower route through Indio on their way to Arizona.

Explorers, surveyors, prospectors and rustlers came, and left, up to the 1870s. One cattleman, Mark "Chuck" Warren and his family decided to homestead in what is now known as Yucca Valley. He and his sons dug by hand the first well, which became known as "Warren's Well" (today, the well is located just north of the Yucca Valley Airport, east of Highway 247). It soon became famous for the warm hospitality and water which was available to travelers headed either east or west in the Morongo Basin. Warren's Well later became the social center of Yucca Valley and is now listed as a historic site by California.

The area was also known as "Lone Star" in the early 1900s and served as a resting point for the horse-drawn supply trains between the town of Banning and the mining areas around Twentynine Palms. A new influx of settlers came into the Basin in the 1920s. The clear air and hot, dry climate continued to attract people seeking relief from lung problems or arthritis. Development in the area started in 1923 with the first gas station at the "Lone Star Ranch." In the 1930s more gas stations and numerous food markets opened. Post World War II, development accelerated when an access route to the basin developed. The last cattle drive from Yucca Valley to Big Bear was in 1947. By that time the Basin had piped water in some areas, electricity, telephones, schools, stores, a newspaper and a paved highway. By 1949, when the small town was renamed to "Yucca Valley," a thriving community had developed on the open desert. In 1963, the access route gained highway status (Highway 62 – Twentynine Palms Highway) and opened up the area to further development.

Pioneertown started as a live-in Old West motion picture set, built in the 1940s. The movie set was designed to provide a place for the actors to live, and at the same time to have their homes used as part of the movie set. A number of Westerns and early television shows were filmed in Pioneertown, including *The Cisco Kid* and *Judge Roy Bean*. Some of the original investors in the town were Roy Rogers, Sons of the Pioneers, which the town was named after, Dick Curtis, and Russell Hayden. Gene Autry frequently taped his show at the six-lane Pioneer Bowl bowling alley,

¹ Long, Ruth. "Morongo Basin History Review", Yucca Valley Chamber of Commerce. website. Accessed 28 December 2009. Last update unknown. www.yuccavalley.org.

² Hi-Desert Water District. website. Accessed 28 December 2009. Last update unknown. www.hdwd.com.

³ County of San Bernardino. 2007 General Plan. Homestead Valley Community Plan. Adopted 13 March 2007.

⁴ Pioneertown. website. Accessed 25 January 2010. Last update 11 November 2009. www.pioneertown.com.

and according to the Morongo Basin Historical Society the bowling alley is one of the oldest in continuous use in California.

On July 11, 2006 a portion of Pioneertown was burned in the Sawtooth Complex fire, which also burned into Yucca Valley and Morongo Valley. Firefighters managed to save the historic movie set buildings, but much of the surrounding desert habitat was damaged. Among the buildings saved was the Pioneertown Motel, which was established in 1946 as part of the old movie set, and Pappy & Harriet's Pioneertown Palace, a longtime local club and landmark built within one of the original sets.

A brief history of the major governmental events for this community and its relationship with the Local Agency Formation Commission is described below, listed chronologically by end date:

- 1949 The County Board of Supervisors and the electorate approved the formation of the Yucca Valley Fire Protection District as a board-governed special district.
- 1956 The County Board of Supervisors and the electorate approved the formation of the Yucca Valley Park and Recreation District as a board-governed special district.
- 1962 The County Board of Supervisors and the electorate approved the formation of the Yucca Valley County Water District. The electorate approved the formation by a vote of 176 for and 173 against.
- 1964 The Commission approved an annexation to the Yucca Valley County Water District of two separate areas that comprised the entirety of the Starvista County Water District (LAFCO 110 and 111) and the Starvista County Water District was dissolved.
- The Yucca Valley County Water District purchased the Joshua Forest Water Company.
- 1965 The Yucca Valley County Water District purchased the Rancho Ramon and Mountain Mutual Water Companies.
- 1966 The County Board of Supervisors and the electorate approved the formation of County Service Area 45 to provide streetlighting services to Yucca Valley. The boundaries at formation comprised the commercial portion of Yucca Valley.
- 1971 The Yucca Valley County Water District changed its name to Hi-Desert County Water District.
- The Commission approves the annexation of the Yucca Mesa area to the Yucca Valley Fire Protection District (LAFCO 983).

1972 The Commission established the northern, eastern, and southern sphere boundaries of the Yucca Valley community-based districts which included the Yucca Mesa area: County Service Area 45 (LAFCO 1159), Yucca Valley Fire Protection District (LAFCO 1160), Yucca Valley Park and Recreation District (LAFCO 1161), and Hi-Desert County Water District (LAFCO 1164). However, the Commission did not establish a western sphere boundary, east of the Morongo Valley community, for the following reasons:

1. The proposed incorporation of Yucca Valley included a reorganization of the Yucca Valley community-based districts and the western boundaries for the proposed reorganization were not set at that time.
2. In between the Morongo Valley community and the Yucca Valley community was the Palm Wells County Water District encompassing less than one square mile. The Commission thought that its governmental structure should be aligned with either the Morongo Valley or Yucca Valley communities. A sphere was not granted to this district and the Commission encouraged it to negotiate with the Morongo Valley and Yucca Valley communities as to its future placement.

1971-74 In 1971, the Commission received a proposal being the first formal attempt to incorporate Yucca Valley (LAFCO 1087) and reorganize the overlaying service districts (LAFCO 1092). In 1972, a reorganization committee was formed to develop the structure in which to reorganize the overlaying service districts. After a few continuations of the LAFCO hearings, the reorganization committee came to a consensus on the manner of reorganization and the Commission approved the incorporation and reorganization applications. In 1973 the Board approved the reorganization and called for an election for incorporation and reorganization as one question on the ballot. In January 1974, the voters denied the incorporation and reorganization.

1976 When special districts were seated on the San Bernardino LAFCO Commission, all special districts were limited to the functions/services provided at that time. The affected districts responded to LAFCO's request to list their active functions and services by providing the following:

- The County identified to LAFCO that the active function for:
 - County Service Area 45 was streetlighting.
 - Yucca Valley Fire Protection District was fire [protection].
 - Yucca Valley Park and Recreation District was park and recreation.
- The Hi-Desert County Water District identified to LAFCO that the active functions were water, sewer, and park and recreation. The 1976 determination by the Commission limited the sewer function to planning and engineering in preparation to eventually provide the actual service in the future.

Pursuant to adoption of the *Rules And Regulations of The Local Agency Formation Commission Of San Bernardino County Affecting Functions And Services Of Special Districts* in 1976 and amendments thereafter, the functions and services active for districts have been specified and the procedures required to apply to the Commission for activation of any other latent powers have been defined.

1976-77 In 1976, the Commission received a proposal initiated by registered voter petition as the second formal attempt to incorporate Yucca Valley (LAFCO 1648). The Morongo Valley Community Services District opposed the west boundary of the proposed incorporation and requested that the western boundary be the top of the ridge on Twentynine Palms Highway. Following Commission approval, the Board of Supervisors called for an election. The incorporation was defeated at the November 1977 election.

Warren Valley Adjudication

Since the 1950s, the Warren Valley Groundwater Basin has experienced overdraft conditions. As significant growth occurred in the Yucca Valley area, this overdraft condition worsened and groundwater levels declined at an accelerating rate.

Concerned about the prospect of not only continuing but even significantly increasing overdraft, the Hi-Desert County Water District (HDCWD) filed a complaint for adjudication of the groundwater basin in 1976. In 1977, the Superior Court for the County of San Bernardino issued its judgment for adjudication.⁵ In the adjudication, the Court recognized the need to issue groundwater rights in excess of the Basin's safe yield so that the local economy could support the cost of a solution to the overdraft. Accordingly, overlying rights to the Basin groundwater were issued to Blue Skies Country Club (585 acre-feet per year) and the 16 minimal producers (1 AFY each); appropriative rights were issued to HDWD (896 AFY) and Yucca Water Company (726 AFY); and rights of 80 AFY were issued to the Institute of Mental Physics in the Zone of Transmission between the Warren Valley Basin and the adjacent Joshua Tree basin to the east. To administer the provisions of the adjudication judgment, the Court appointed HDCWD as the Watermaster for the Basin and ordered that the Watermaster develop a physical solution.

Adjudication resulted in the following:

- Laid the foundation for the construction of the 71-mile Morongo Basin Pipeline from the State Water Project aqueduct in Hesperia, California to Yucca Valley.

⁵ Judgment in the matter of Hi-Desert Water District vs. Yucca Water Company Ltd., Case Number 172103, San Bernardino, CA, dated 16 September 1977.

- Development of the Warren Valley Basin Management Plan-initially developed in 1991.
- Allocated pumping restrictions for all wells located in the Warren Valley Basin.

1980 The Hi-Desert County Water District changed its name to Hi-Desert Water District.

The County Board of Supervisors approves the formation of County Service Area 70 Improvement Zone W-4 to provide retail water service to the Pioneertown area.

1980-82 In 1980, a property owner-initiated petition was submitted to form the Yucca Valley Airport District (LAFCO 2061) to provide a mechanism for improvement of the airstrip and associated facilities. In February 1981, the Commission approved its formation with the following conditions:

1. The boundaries were to be those properties surrounding the airport which would directly benefit from the District's formation.
2. The Airport District was advised that it was the Commission's intent in approval of the district that the Yucca Valley Airport be acquired and improved to make the airport as safe as possible given its physical constraints.
3. That upon formation, the District proceed immediately to formulate its plans for the acquisition and improvement of the airport, apply to the FAA for all available funding, and establish an assessment proceeding to fund whatever portion is not funded by the FAA grant program. Additionally, it was understood that if the District board could not acquire the airport and complete the necessary improvements within three years from the date of its formation, the District would submit an application for dissolution to LAFCO.

In December 1981, the Board of Supervisors called for the formation of the District to be subject to an election held April 13, 1982. The electorate approved the formation of the Yucca Valley Airport District by a vote of 35 for and two against. The District consists of approximately 200 acres and is located near the geographic center of and entirely within the Town of Yucca Valley.

1982 LAFCO staff asked the Hi-Desert Water District to substantiate its claim that the District actively engaged in sewer and park and recreation services (LAFCO 2218). The District informed LAFCO staff that it had been recognized by the Colorado Regional Water Quality Control Board as the appropriate sewerage agency in the area whenever such services become necessary. The District requested that sewer be retained as an active

function so that it can devote staff time and other expenditures to conduct long-term planning for the service. The Commission retained sewer as an active function with service descriptions limited to planning and engineering.

The Commission retained the park and recreation function because the District was actively assisting the former Yucca Valley Park and Recreation District in the area.

1983 At the request of members of the public, the Commission undertook a special study of the retail water systems in the Yucca Valley community. The purpose of the study was to explore the relationship between public and private water systems in general and to specifically evaluate the relationship between the Hi-Desert Water District (serving the eastern portion of the community) and Yucca Water Company (serving the western portion). The study identified deficiencies in the Yucca Valley Company system. According to the LAFCO minutes from October 12, 1983, a staff position paper was reviewed with the California Public Utilities Commission, Yucca Valley Fire Protection District, Hi-Desert Water District, and State Health Department, all of which stated that the findings in the report were factual. As a result, the Commission recommended that the community consider the potential for consolidating the water systems, under the jurisdiction of the Hi-Desert Water District.

The Commission established the sphere of influence for the Yucca Valley Airport District (LAFCO 2233).

1984-85 In 1984, the Commission received a proposal initiated by registered voter petition as the third formal attempt to incorporate Yucca Valley (LAFCO 2304). Unlike the previous incorporation attempts, this proposal did not include the Yucca Mesa area as it was felt that support in the area was not adequate to justify inclusion. Following Commission approval, the Board of Supervisors called for an election. The incorporation was defeated at the November 1985 election by a vote of 1,465 for and 2,599 against.

1986-87 The Morongo Valley Community Services District submitted an application to expand its sphere of influence easterly to the ridge line along the top of the Twentynine Palms Highway incline (LAFCO 2422) and to annex 1.9 square miles to the east.

The placement of the sphere of influence was chosen to define the division between the two communities taking into consideration the drainage and flood paths in the area, the geography of the ridge, and establishing an easily recognizable and identifiable community division. The Yucca Valley Recreation and Park District and Yucca Valley Fire Protection District overlaid a portion of the proposed Morongo Valley CSD sphere expansion area, and these districts along with the Yucca Valley Municipal Advisory Committee opposed the sphere expansion proposal. As with the sphere establishments in 1972, there was no interagency consensus on the exact ultimate service boundaries that should be established. The prior issue of which community

the Palm Wells County Water District belonged was resolved when it was dissolved in 1981 (LAFCO 2093) and the area annexed to the Morongo Valley Community Services District.

The review by the Commission of the sphere of influence assignment for the Morongo Valley CSD in 1987 considered and defined the larger questions of the placement of these communities. LAFCO recommended and the Commission approved the sphere expansion on the basis of a community-by-community approach to spheres of influence, weighing service capabilities and communities of interest in a given area. In this case, in the long-run the Morongo CSD would be capable of providing the same level of services and the community division generally at the top of the ridge would be a readily identifiable and recognizable division. The spheres of influence for the Morongo Valley CSD and the Yucca Valley community represent the economic, environmental, geographic, and social divides of the Morongo Valley and Yucca Valley communities.

As for the annexation proposal, the Commission approved the annexation proposal of 1.9 square miles to Morongo Valley CSD, which included a detachment of 420 undeveloped acres from the Yucca Valley Recreation and Park District, CSA 45 (streetlighting), and CSA 38 (fire protection).

1989 – 90 An application was submitted by the Hi-Desert Water District and the Joshua Basin Water District to consolidate the districts into a single county water district to be known as the Monument Water District (LAFCO 2550). The primary reasons for consolidation were to encourage a coordinated approach to solving water quantity issues in the area and to promote more effective and efficient management of water resources. The LAFCO hearing was continued due to a pending recall of several of the directors of the Joshua Basin Water District and to allow time for the reorganized board of directors to formally express an opinion on the consolidation. The recall was successful; both districts requested withdrawal of the consolidation application and the Commission granted the request.

1990-91 The water system of the Yucca Water Company continued operations with deficiencies and reached a point where the water company owner agreed that immediate significant improvements were required. This determination was prompted by continued actions by the State Department of Health and the court system. As a result, the Hi-Desert Water District purchased the Yucca Water Company in 1990, adding an additional 3,000 service connections.

Shortly after, the Hi-Desert Water District initiated an application to expand its sphere of influence and annex the territory of the Yucca Water Company (LAFCO 2655 and 2656 respectively). The sphere of influence proposal aligned the Yucca Valley community (Hi-Desert Water District, Yucca Valley Fire Protection District, Yucca Recreation and Park District, and County Service Area 45) and Morongo Valley community (Morongo Valley Community Services District) spheres of influence. The net effects of the sphere adjustments were eight acres removed from the Morongo Valley

sphere and added to the Yucca Valley sphere and 25 acres removed from the Yucca Valley sphere and added to the Morongo Valley sphere. In 1991, the Commission approved the sphere of influence expansion and annexation. The annexation comprised 5.5 square miles, including the entirety of the Yucca Water Company.

1991

The Commission received a proposal initiated by registered voter petition as the fourth formal attempt to incorporate Yucca Valley (LAFCO 2661). The incorporation proposal identified the reasons for incorporation as:

1. To provide for the retention of the identity of the Community of Yucca Valley,
2. To provide the citizens of Yucca Valley with the desired and necessary municipal services, and
3. To provide such municipal services at a reasonable cost.
4. Other cited reasons were a need for local land use planning, increased law enforcement, the establishment of a secondary road system, and the retention of locally generated revenues.

Although the sphere of influence for the Yucca Valley community included the Yucca Mesa area and Yucca Mesa residents generally utilize the social, commercial, and economic services provided within Yucca Valley proper, as with the previous incorporation attempt, this proposal did not include the Yucca Mesa area as it was felt that support in the area was not adequate to justify inclusion. LAFCO staff stated that in the future, residents in Yucca Mesa would be afforded the opportunity to weigh the advantages of annexation and would be able to control their own destiny through proceedings limited to the area. Additionally, this proposal chose the name "Town of Yucca Valley" instead of "City of Yucca Valley" as more in line with the rural nature of the community.

The proposal was a reorganization that included the incorporation of the Town of Yucca Valley, dissolution of County Service Area 45 (streetlights), establishment of the Yucca Valley Park and Recreation District as a subsidiary district of the Town, detachments from County Service Area 38 (fire protection), annexations to the Yucca Valley Fire Protection District, and detachment from County Service Area 70 (unincorporated countywide).

The dissolution of the Yucca Valley Airport District was not included in the Town incorporation proposal. LAFCO researched the possibility of including the dissolution of the District and normally would have recommended it. However, the District requested that they not be dissolved as a part of the incorporation because of possible funding problems for the District and its anticipated improvements.

Following Commission approval, the Board of Supervisors called for an election. In November 1991, the electorate approved incorporation by a vote of 2,425 for and 2,414 against.

- 1993 The Town of Yucca Valley initiated a proposal to establish its sphere of influence as required by law at the request of LAFCO staff. At the time, the Town of Yucca Valley was in its infancy and had no desire to acquire the obligations of a larger sphere of influence which included establishing land use determinations. The Town requested, and the Commission established, the Town's sphere as coterminous with its boundaries, as was the Commission's practice at the time (LAFCO 2741).
- The Commission approved a Town of Yucca Valley initiated proposal to dissolve the Yucca Valley Recreation and Park District (LAFCO 2753). The boundaries of the district exceeded the boundaries of the Town by approximately six square miles. As a condition of approval, the Town was required (and agreed) to continue to provide park and recreation services, in the same manner as provided to residents of the Town, to the six square miles outside the Town's boundary.
- 1990-95 In June 1990, voters within the Morongo Basin portion of the Mojave Water Agency approved a \$66.5 million bond measure to fund a pipeline to deliver water to Yucca Valley for replenishment purposes and formed Improvement District M. Approval of this measure obligated the landowners within the area to pay for their fair share (75%) of the extension of the pipeline. Construction on the approximately 71 mile Morongo Pipeline began in 1992 and was completed in 1995 and serves the areas of Johnson Valley, Joshua Tree, Landers, and Yucca Valley. The Pipeline delivers water from Hesperia to a five million gallon reservoir in Landers. From there, water is delivered to percolation ponds in the Yucca Valley area that act as natural filtration systems where water seeps back into the ground to recharge the aquifer.
- 1996 The Commission approved a property owner initiated sphere expansion and annexation of one square mile to the Town of Yucca Valley (LAFCO 2816 and 2817). The area comprised Section 11 of Township 1 North, Range 5 East. The impetus for the sphere expansion and annexation application was that the owner of the property decided to donate the vacant land to the Town for tax purposes and the Town agreed to accept the donation. Annexation of the territory to the Town allowed the property to be designated as tax exempt.
- 2008 The reorganization of the San Bernardino County Fire Protection District (LAFCO 3000), effective July 1, 2008, included the sphere expansion and annexation of all the board-governed fire entities and unserved territory within the county to the Yucca Valley Fire Protection District and renamed the agency as San Bernardino County Fire Protection District. The Yucca Valley Fire Protection District was chosen as the agency for the reorganization because it was authorized the full range of fire/ambulance/disaster related services.
- 2008-09 In August 2008, the Town of Yucca Valley initiated an application to expand its sphere of influence by approximately 22.4 square miles to include the Yucca Mesa area to the north and a small portion to the west. The Town's

application to LAFCO indicated three reasons for its sphere expansion request:

1. To better define the Yucca Valley community,
2. Provide a mechanism to better manage the pace and quality of development taking place in the community, and
3. Encourage well planned development by providing a level of certainty as to the provision of municipal services in the future.

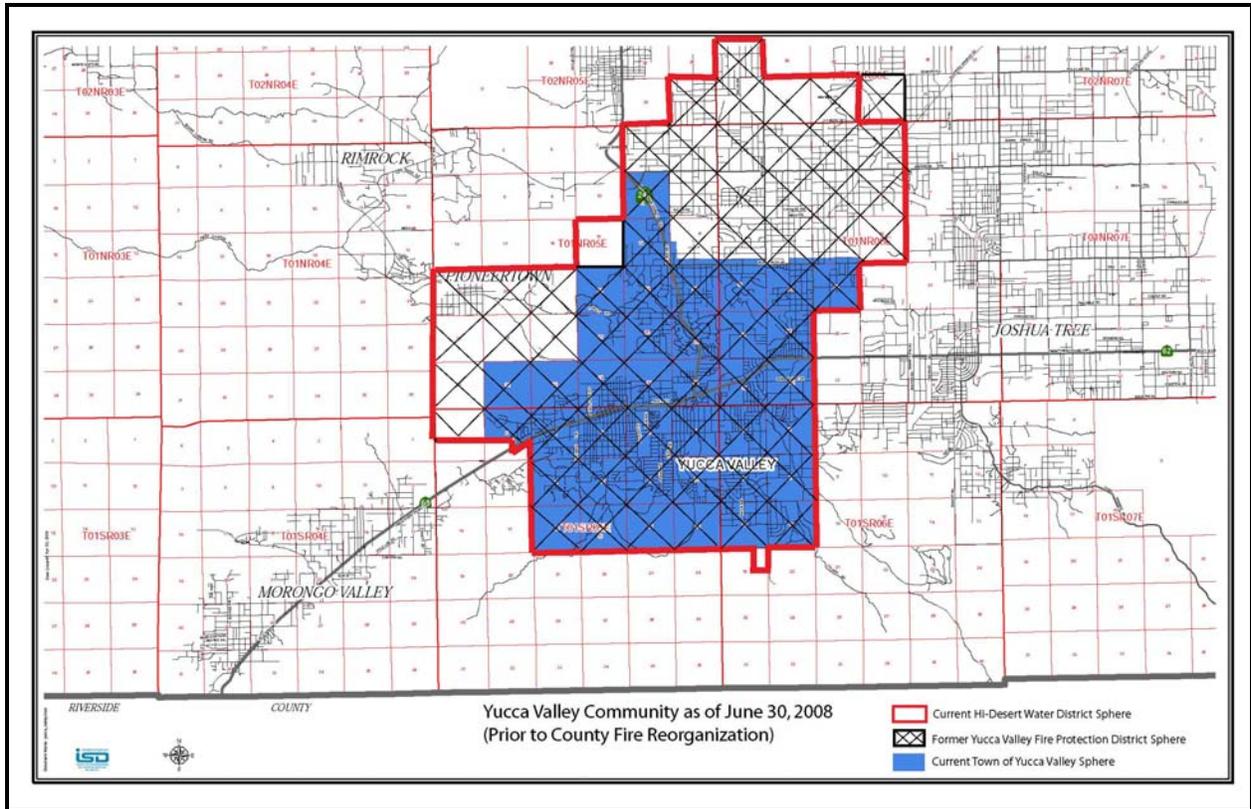
Due to resident opposition in the Yucca Mesa area, in September 2009 the Town Council rescinded its sphere expansion application.

YUCCA VALLEY COMMUNITY DISCUSSION

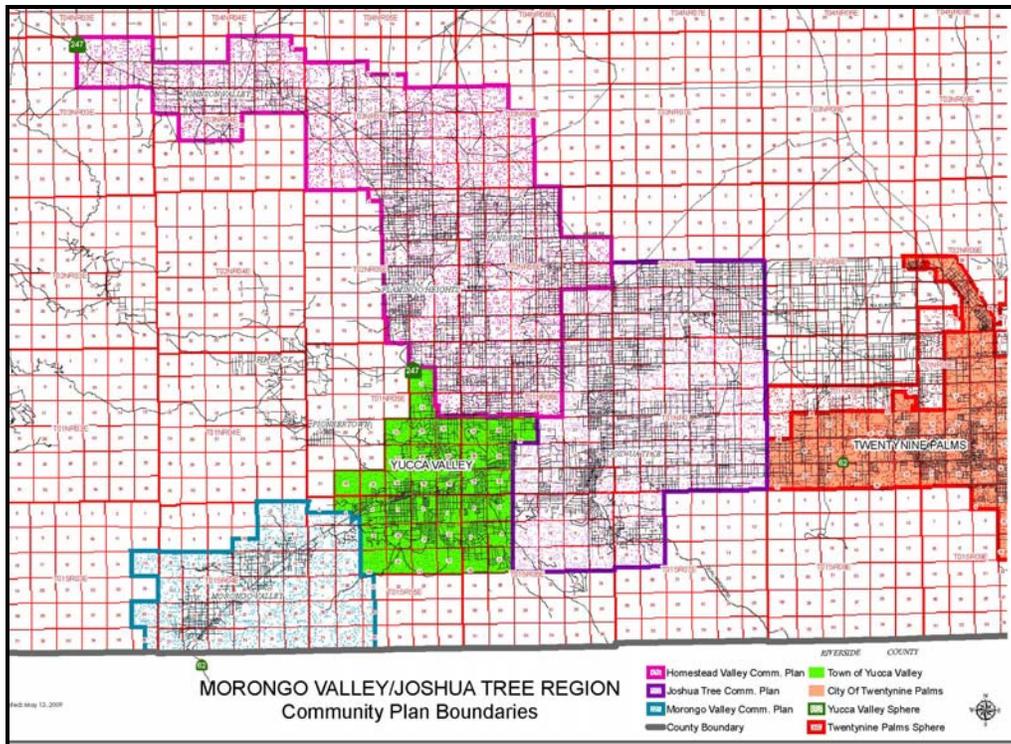
The Commission's policy guidelines for spheres of influence identify that its approach is defined as a "community-by-community" consideration. This practice employs looking at the whole of the community as defined by the existence of inter-related economic, environmental, geographic and social interests. The Commission's concept is to take this definition designating the area as the sphere of influence for all related service providers.

Defining the Yucca Valley community has been a contentious and exhausting issue going back to the earliest of LAFCO records in 1964, not just with residents but also with neighboring service providers. Since 1972, the Yucca Valley community has been defined on the north, east, and south when the Commission established spheres of influence of the of the Yucca Valley community-based districts which included the Yucca Mesa area. The western boundary of the community was defined in 1987 after decades of contention between the Yucca Valley and Morongo Valley communities.

From 1972 until 2008, the community was defined by the coterminous spheres of influence assigned to the Hi-Desert Water District and the Yucca Valley Fire Protection District. Due to the reorganization of the Yucca Valley Fire Protection District as a part of the County Fire Reorganization effective July 1, 2008, the community is currently defined by the sphere of influence of the Hi-Desert Water District. Wholly within the sphere of influence boundaries of the Hi-Desert Water District are the Town of Yucca Valley, Yucca Valley Airport District, two road improvement zones of County Service Area 70 in the Yucca Mesa area, and an improvement zone of County Service Area 70 for retail water service in the Pioneertown area. Additionally, one improvement zone of County Service Area 70 for television services extends into the Yucca Mesa area in the northern portion of the community. The first map below is of the Yucca Valley community and its agencies, with the CSA 70 improvement zones, and the second map is the Town with the former Yucca Valley Fire Protection District. Both maps are included in Attachment #1.



In 2007, the County Board of Supervisors adopted the Homestead Valley Community Plan. The southern boundary of the Community Plan extends into the Commission's definition of the Yucca Valley community and abuts the current northern boundary of the Town. The community is also bordered by the Joshua Tree Community Plan Area to the east and the Morongo Valley Community Plan Area to the southwest. A map of the community plans in the Morongo Basin with the Town of Yucca Valley identified is shown on the map below and is included in Attachment #1.

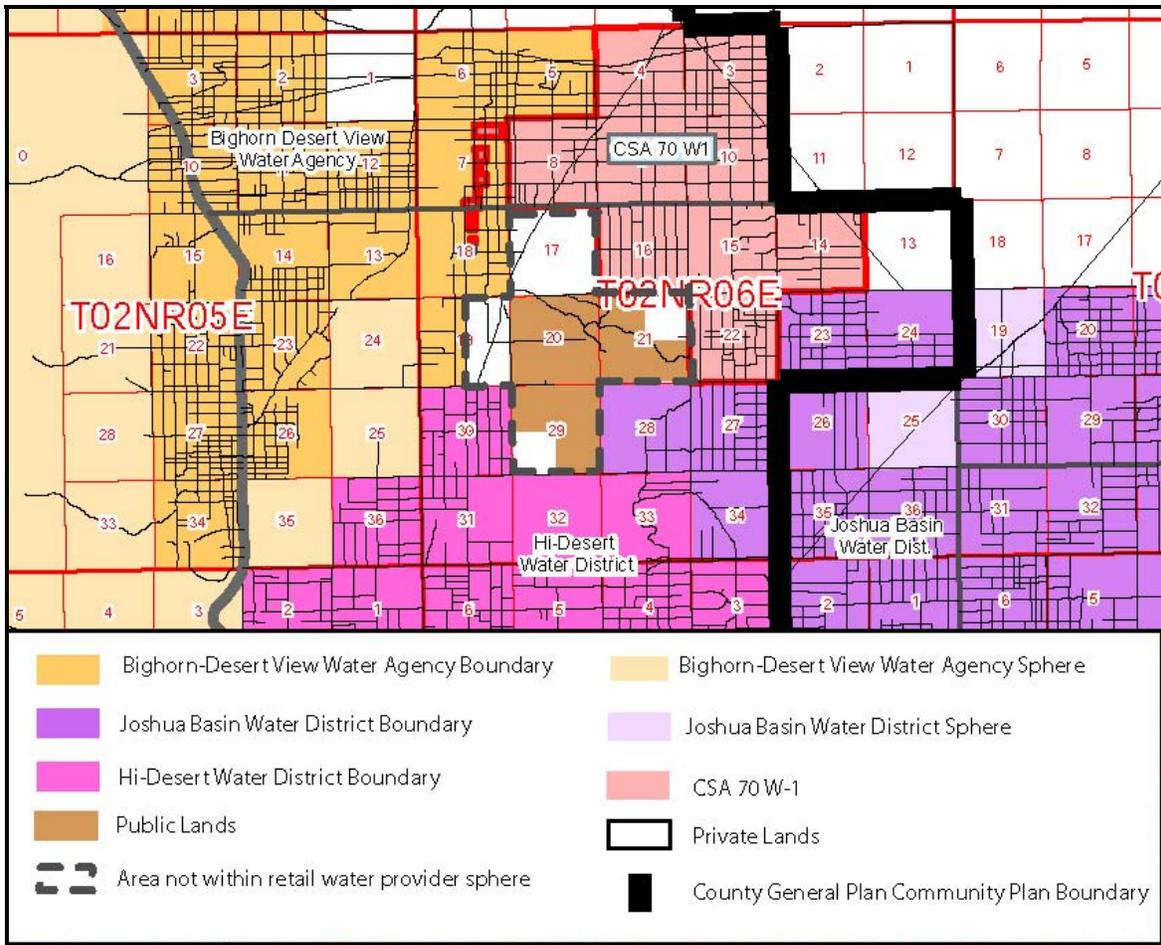


Discussion of Spheres of Influence

As with all service reviews and sphere of influence updates, staff is presenting the Commission with an analysis of the spheres of influence within a given community. A sphere of influence analysis is discussed below for the Hi-Desert Water District, Yucca Valley Airport District, and the Town of Yucca Valley.

Hi-Desert Water District

The Commission has defined the community as the sphere of influence of the Hi-Desert Water District. Generally, there is little room for sphere expansion of the District due to surrounding geography and bordering agencies. However, there is an area north of the District that is completely surrounded by a retail water agency boundary and/or sphere of influence. The surrounding agencies are the Hi-Desert Water District, Bighorn-Desert View Water Agency, Joshua Basin Water District, and County Service Area 70 Improvement Zone W-1. This area comprises 4.5 square miles and is not within the boundaries or sphere of influence of any water provider (shown in the map below in hatched outline). The area is within the Homestead Community Plan and has County of San Bernardino General Plan land use designations of Rural Living, Institutional (portion of the Landers Landfill), and Resource Conservation.

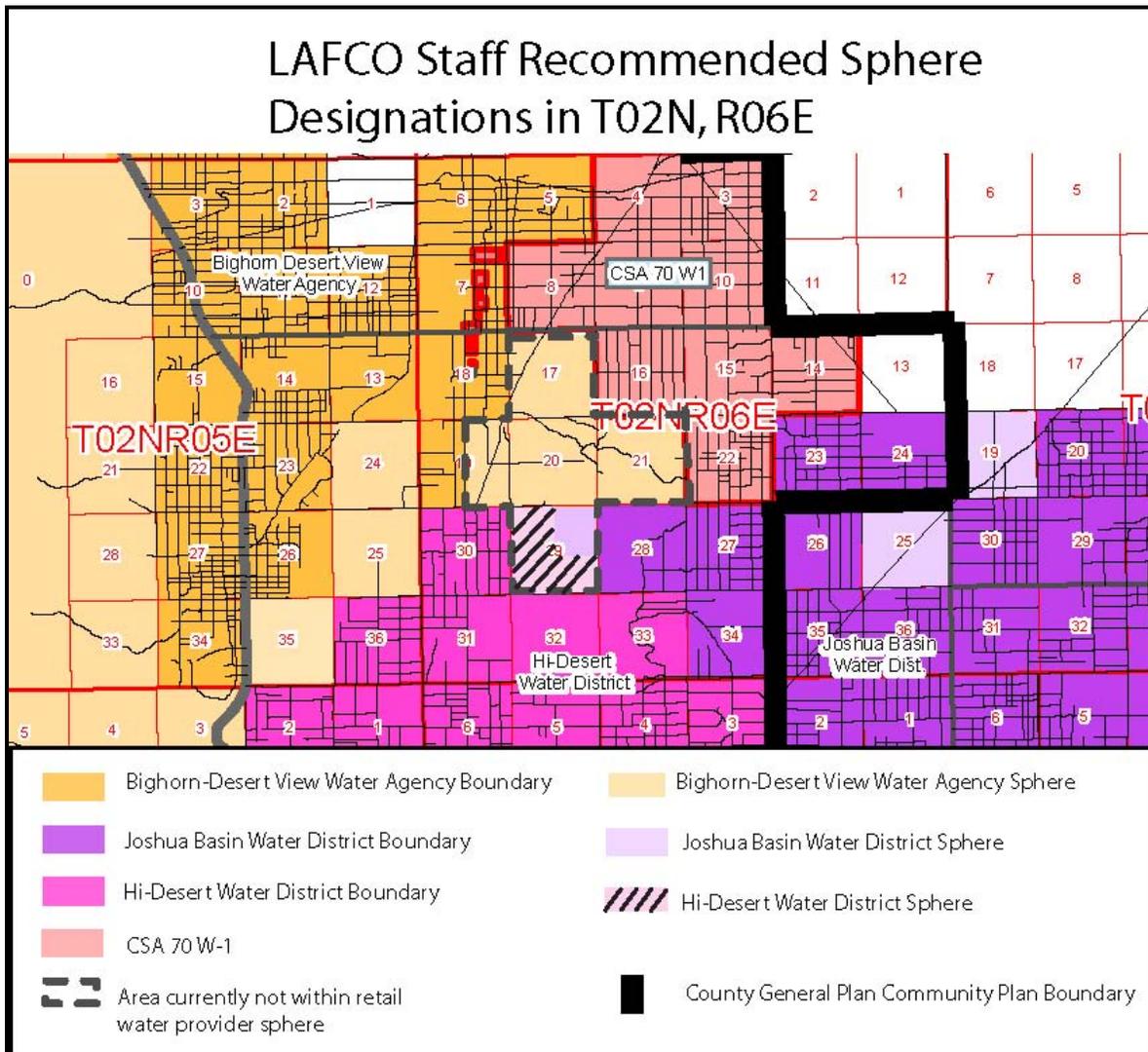


In looking at this 4.5 square mile area, staff believes that it should be within the sphere of influence of a water provider to address potential service confusion. Important to note, CSA 70 W-1 does not have a sphere of influence because improvement zones of county service areas are not under the purview of LAFCO. Staff's overall recommended sphere designations for this area are shown on the map below. Should the Commission agree with staff's overall recommendations for this area, the only action that can be taken as a part of this report would be limited to the Hi-Desert Water District. The basis for staff's recommendations is as follows:

- Joshua Basin Water District.** Looking at the map above, there are five square miles of the Joshua Basin Water District that extends into the Homestead Valley Community Plan. However, the formulation of the community plan boundaries did not take into account service provision. In this case, the Landers Landfill includes the northwest portion of Section 28 and the northeast portion of Section 29. Staff believes that the landfill should be within the sphere of influence of one retail water provider. Since the northwest portion of Section 28 is currently within the Joshua Basin Water District, the northeast portion of Section 29 should be within the sphere of Joshua Basin Water District as well.
- Hi-Desert Water District.** In Section 29, contiguous to the boundary of the Hi-Desert Water District on two sides are private lands encompassing approximately 160

acres. Should these properties desire retail water service, the logical choice would be from the Hi-Desert Water District. Additionally, the northwest and southeast portions of Section 29 are contiguous to the District, and based on drainage patterns these portions should be within the sphere of influence of the Hi-Desert Water District. Staff's recommended sphere expansion for the Hi-Desert Water District is identified by diagonal hatch lines on the map below.

- **Bighorn-Desert View Water Agency.** The remainder of the area identified should be within Bighorn-Desert View Water Agency since the drainage patterns and social identification are more aligned with the Bighorn-Desert View Water Agency than any of the other surrounding agencies.



Therefore, as a part of this report, staff recommends that the Commission expand the sphere of influence of the Hi-Desert Water District by approximately 480 acres to include the northwest, southwest, and southeast portions of Section 29, T02N, R06E.

Yucca Valley Airport District

The Yucca Valley Airport District was formed to provide a mechanism for improvement of the privately owned airstrip and associated facilities comprising 200 acres. Among the conditions of approval for formation of the District were that upon formation, the District proceed immediately to formulate its plans for the acquisition and improvement of the airport, apply to the FAA for all available funding, and establish an assessment proceeding to fund whatever portion is not funded by the FAA grant program.

Discussion

In the staff opinion, there are three options for discussion and consideration by the Commission related to the sphere of influence of the Yucca Valley Airport District.

Option #1 – Designate a Zero Sphere of Influence

The District does not have a general manager, secretary, or auditor independent of the board of directors as mandated by law; and experiences continual financial challenges with no dedicated or stable funding source. Additionally, the District has not met the conditions in its formation resolution in its 28 years of existence as outlined below:

- It has not acquired or made significant improvement to the airport.
- In 1995 the airport was removed from the Federal Aviation Administration's National Plan of Integrated Airport Systems (NPIAS) as a Basic Utility airport which accommodates most single-engine and many of the small twin-engine aircraft. Removal from the FAA's airport listing makes the airport and/or District ineligible to receive FAA funding.
- The District has not established an assessment district to fund improvements to the airport.

Given the lack of adherence to Airport District Law, lack of funding, not being on the FAA airport listing, few assets to include not owning the airport, and lack of significant improvements to the airport, a zero sphere of influence would be reflective of the need to review other governance options for the airport.

Option #2 – Affirm the Existing Sphere of Influence

A main goal of the District is to be placed back on the FAA's NPIAS listing, which would make it eligible for FAA grants. The District and Caltrans have approved Alternative 4B to the District's "Airport Feasibility Study" that outlines necessary improvements to the airport. Additionally, the District has provided information that it is moving forward with researching the assessment district option and is committed to its formation. If the Commission determines that the District is adequately moving towards compliance with Airport District Law and that operations will be improved in the immediate future, then affirmation of a coterminous sphere would be appropriate.

Option #3 – Expand the District's Sphere to Encompass the Yucca Valley Community as Defined by the Commission

Should the Commission consider the District a Yucca Valley community-based agency (serving the entire Yucca Valley community and not just those with direct access to the airport) as well as financially and operationally viable, then expansion of the sphere to encompass the Yucca Valley community as defined the Commission would be appropriate.

Staff's Recommendation

As conditioned in the District's formation resolution, it was understood that if the District board could not acquire the airport and complete the necessary improvements within three years from the date of its formation, the District will submit an application for dissolution to LAFCO. Therefore, LAFCO staff recommends that the Commission designate a zero sphere of influence for the District. Staff bases its recommendation on the fact that the District has not met any of these above conditions in its 28 years of existence; does not have a general manager, secretary, or auditor independent of the board of directors as mandated by law; and experiences continual financial challenges with no dedicated or stable funding source.

Government Code Section 56076 defines a sphere of influence as a "plan for the probable physical boundaries and service area of a local agency, as determined by the commission". Should the Commission accept staff's recommendation and designate a zero sphere of influence for the District, this action would not affect the District's current boundary or the services it actively provides as authorized by the Commission. Rather, it would signal the Commission's position that the District should be dissolved given that it has not met the conditions previously identified by the Commission; does not have a general manager, secretary, or auditor independent of the board of directors as mandated by law; and experiences continual financial challenges with no dedicated or stable funding source. Further, since the airport is privately owned and leased to the District, the airport would remain upon the District's dissolution and there would be no requirement for a successor public agency to succeed to the District's operations.

Town of Yucca Valley

Unlike a special district, the Town of Yucca Valley does not have service limitations placed on it by its authorizing legislation. As an incorporated city, it is responsible for providing a mechanism for the provision of municipal services within its boundaries, be it through direct provision or through contract. Generally, cities are the social, economic, and commercial center for the community and are evolving entities whose boundaries are not static. However, in the case of the Yucca Valley Community, the Commission has defined the community as the sphere of influence of the Hi-Desert Water District which is larger than the Town's sphere.

For these reasons, a discussion of its sphere of influence is warranted. Given the Commission's policy guidelines for spheres of influence as being through a "community-by-community" approach and the Commission's concept to take this definition designating an area as the sphere of influence for all related community service providers, LAFCO staff poses the question,

“Should the sphere of influence of the Town of Yucca Valley encompass the Yucca Valley community as defined by the Commission?”

The following provides a brief history of the community designation, provides the Commission with three options with staff’s analysis, and gives staff’s recommendation.

Community Designation

There are two separate areas within the Yucca Valley community that are not within the Town’s sphere. The first area is to the north, includes the Yucca Mesa area, and comprises approximately 21 square miles. The second area is to the west, includes the Pioneertown area, and comprises approximately 8.5 square miles.

The majority of the northern area has been a part of the Yucca Valley community since 1972 when the Commission established the northern sphere boundary of the Yucca Valley community-based districts. Throughout the years, there have been sphere expansions for the Yucca Valley community districts that expanded the community northerly to where it is today.

The western area has been a part of the Yucca Valley community since 1987 when the Commission defined the division between the Yucca Valley and Morongo Valley communities generally as the ridge line along the top of the Twentynine Palms Highway incline. This division takes into consideration the drainage and flood paths in the area, the geography of the ridge, and establishes an easily recognizable and identifiable community division. Additionally, in 1993 when the Town’s sphere was established, the Town of Yucca Valley was in its infancy and had no desire to acquire the obligations of a larger sphere of influence which included establishing land use determinations.

Discussion

In the staff opinion, there are three options for discussion and consideration by the Commission.

Option #1 – Expand the Town’s Sphere to Encompass the Yucca Valley Community as Defined by the Commission

The first option would be to expand the Town’s sphere of influence to encompass the community as defined by the Commission. The majority of the potential sphere expansion areas have historically been provided services through Yucca Valley community-based districts (Fire and Water) and since the dissolution of the Yucca Valley Recreation and Park District the Town has been responsible for continuing park and recreation services to the park district’s former area. The Commission’s policy guidelines for spheres of influence are through a “community-by-community” approach and the Commission’s concept is to define a community through the sphere of influence designation for all related service providers.

The Town is the social, economic, and commercial center for the community and sphere expansion would reflect it as such. Sphere expansion would allow the Town to comment on development proposals conducted through the County and would provide

the opportunity for the Town and the County to come to terms on development standards and possible “sphere standards overlay”. County Development Code Chapter 82.22 establishes a “sphere standards overlay” to allow the implementation by the County of standards that closely conform to city development standards. Adoption of such a “sphere standard overlay” would ensure that the County’s approval of a proposed development in a sphere of influence is consistent with the shared objectives of the County and the Town. The Town and the County could come to agreement on the implementation of development standards within its unincorporated sphere through a memorandum of understanding. Such an MOU could:

- Outline the development criteria and standards within the Town’s sphere which may be set forth in a sphere standard overlay for the territory.
- Require the County to address the Town’s development and service delivery philosophies in the unincorporated sphere.
- The County would have to determine the need for public facilities and infrastructure in the sphere area and through joint adoption of the Memorandum of Understanding on future development, the standards for those developments will be compatible.

As stated in the Homestead Valley Community Plan, “residents are concerned that there is a lack of proper infrastructure, including sewer lines, water supply and public roads to meet the requirements for existing development and to serve any future development” in addition to expressing concern regarding the lack of code enforcement. Inclusion of Yucca Mesa in the Town’s sphere of influence would allow the Town to plan for the future provision of its range of services to the area and help alleviate these concerns. In the future, residents would be afforded the opportunity to weigh the advantages of annexation and would be able to control their own destiny through proceedings limited to the area, as required by law.

Weighing service capabilities, it is clear that the Valley and the Mesa have common needs and interests. Both areas for example fall within the jurisdiction of Hi Desert Water District and the former Yucca Valley Fire Protection District. Further, the land use designations in Yucca Mesa are primarily residential, as is the Town. Yucca Mesa is now and will likely continue to be dependent upon the commercial and social services available in the Town. Based upon these and other factors, the Commission adopted a Yucca Valley Community designation in 1972 that included the Yucca Mesa area.

Expansion of the Town’s sphere to encompass the community as defined by the Commission would be consistent with Commission policy and practice.

Option #2 – Affirm the Town’s Sphere as Currently Configured with the Understanding that the Yucca Valley Community as defined by the Hi-Desert Water District includes the Town of Yucca Valley sphere of influence.

The second option would be to affirm the Town’s sphere as currently configured. In the Yucca Mesa area, there has been historical opposition to incorporation and for inclusion

within the Town of Yucca Valley. The first two incorporation attempts from the 1970s included the Yucca Mesa area. The third attempt in 1986 and the successful attempt in 1991 did not include the Yucca Mesa area as it was felt that support in the area was not adequate to justify inclusion. More recently, in August 2008, the Town of Yucca Valley initiated an application to expand its sphere of influence by approximately 22.4 square miles to include the Yucca Mesa area to the north and a small portion to the west to include the Pioneertown area. Due to resident opposition in the Yucca Mesa area, in September 2009, the Town Council rescinded its sphere expansion application. Therefore, it can be fairly stated that the Yucca Mesa residents have historical and current opposition to inclusion within the Town.

Yucca Mesa can be considered separate from Yucca Valley in a few regards. Geologically, the Yucca Valley and Yucca Mesa areas are separated by the Sawtooth Mountains which lay generally east-west through the center of the Hi-Desert Water District. The Yucca Valley and the Yucca Mesa areas comprise two major drainage basins, with each basin having several sub-basins. The Yucca Mesa area generally drains to the north and east, and the Yucca Valley area generally drains to the east. Socially, the rural lifestyle is highly valued by the residents of the area. Opposition in the area is due to a professed social divide amongst a number of residents in the community that Yucca Mesa does not share the development and land use characteristics and goals of the Town. The Yucca Mesa area is within the Homestead Valley Community Plan, which states, "The primary purpose of the Homestead Valley Community Plan is to guide the future use and development of land within the Homestead Community Plan area in a manner that preserves the character and independent identity of the community." Further, the U.S. Census has designated the Yucca Mesa area as its own census tract, separate from the Town.

The same sentiment can be said for those to the west in the Pioneertown area; although, the historical record of opposition is not as extensive. The Pioneertown area is not within a community plan.

Pursuant to Government Code 56425(b), as a part of the sphere of influence updates for cities conducted by LAFCO, the cities and the County are required to meet and discuss the sphere of influence of the city. The Town and the County fulfilled this meeting requirement in August 2008 when the Town was proposing to expand its sphere of influence (the Town withdrew its proposal in September 2009). At that meeting, regarding the former proposed sphere expansion, the Town and County agreed upon the following:

- "In adding a portion of the Homestead Planning Area to Yucca Valley's proposed sphere, it was agreed by the County that this addition is acceptable if it does not create any islands of county area within the sphere."
- "In terms of future development in this area, the Town and County have agreed that Yucca Valley will adopt the County's current General Plan land use and zoning standards in the sphere area and the Town's General Plan will be updated to reflect these land use policies."

Pursuant to Government Code 56425(b), the commission shall give great weight to the agreement to the extent that it is consistent with commission policies and in its final determination of the city sphere. The Town withdrew its sphere expansion application and has re-submitted the required Sphere of Influence form now requesting no modifications to the existing sphere are currently anticipated. It is the position of LAFCO staff that the Commission should give great weight to the Town's current sphere of influence position, being no change to its sphere of influence at this time.

During the processing for the Town's former sphere expansion proposal, the LAFCO office received numerous letters (33 – not counting duplicates) and signatures (roughly 3,100) in opposition to the proposed sphere expansion. Although these signatures have not been through a formal verification process, and even though roughly one-third of the opposition letters and signatures incorrectly referenced an annexation proposal when no proposal was submitted to LAFCO, there is significant opposition in the Yucca Mesa area. Additionally, the Homestead Valley Community Council adopted a resolution in opposition to the Town's former sphere of influence expansion application. Therefore, it can be stated that Commission approval to expand the Town's sphere of influence to encompass the Yucca Mesa area would be met with controversy.

If the Commission chooses this option, it would be of the understanding that the Yucca Valley community would be defined by the larger sphere of influence of the Hi-Desert Water District which includes the smaller Town of Yucca Valley sphere of influence. This option would be consistent with past Commission action. In 2008 the Commission the Commission considered the Apple Valley Community to be the larger sphere of influence of the Apple Valley Fire Protection District which included the smaller Town of Apple Valley sphere.

Option #3 – Expand the Town's Sphere into One Area and Affirm the Remainder

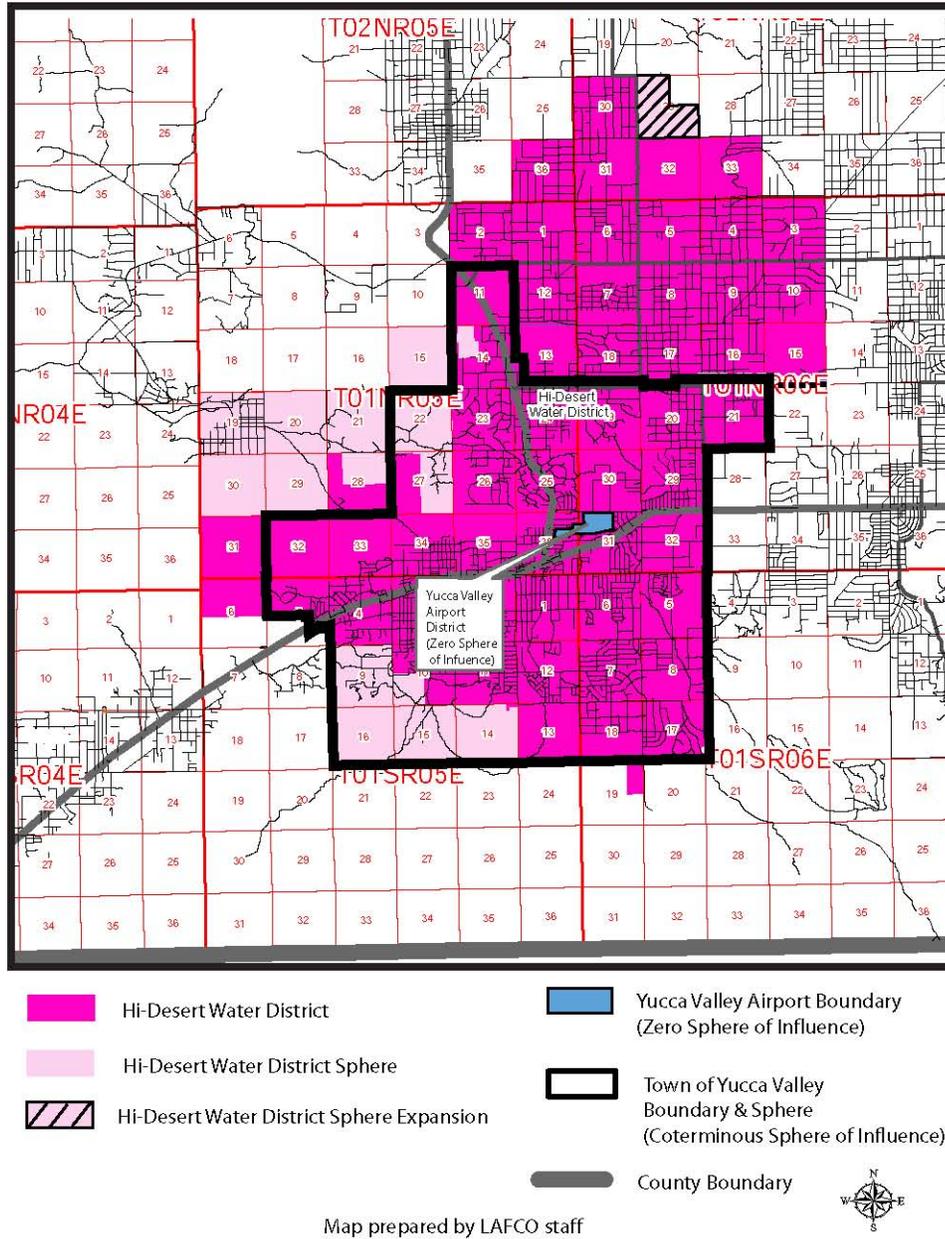
A third option would be to expand the sphere into one area and not the other, as the Commission so chooses, along with affirmation of the current sphere.

Staff's Recommendation

Based upon a review of the materials submitted to the Commission during this service review, additional information gathered by LAFCO staff, prior Commission considerations, the policies for spheres of influence adopted by the Commission, and the Town's statement that no modifications to the existing sphere are currently anticipated, it is the staff's position that the Commission should affirm the existing sphere of influence of the Town of Yucca Valley as currently configured with the understanding that the Yucca Valley community would be defined as the larger sphere of influence of the Hi-Desert Water District which includes the smaller Town of Yucca Valley sphere of influence (Option #2).

A map of staff's recommendation for the community is shown below and is included as Attachment #2.

LAFCO Staff Recommendations



Government Code Section 56076 defines a sphere of influence as a “plan for the probable physical boundaries and service area of a local agency, as determined by the commission”. Regardless of which option the Commission chooses, it would not affect any agency’s current boundary or the services that they actively provide.

The evaluation of the balance of the service reviews and sphere of influence updates will be based upon the above-described staff recommendations.

TOWN OF YUCCA VALLEY
Service Review and Sphere of Influence Update

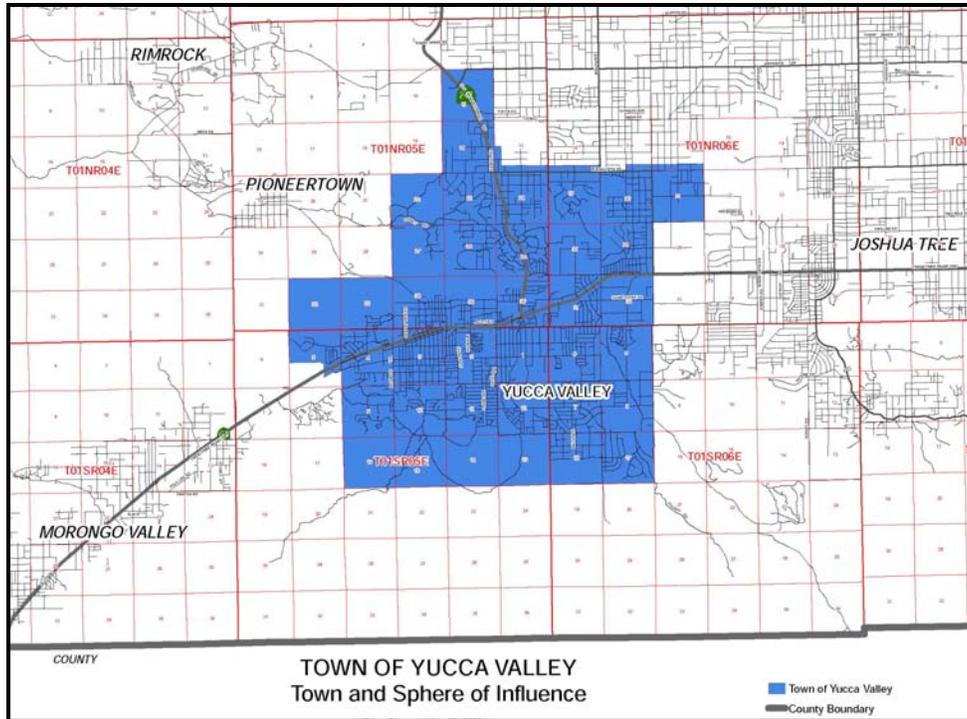
INTRODUCTION:

LAFCO 3134 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update to include a sphere modification pursuant to Government Code 56425 for the Town of Yucca Valley (hereafter identified as Town). Pursuant to Town Council action on September 9, 2009, the Town is requesting no modification to its current sphere of influence, which is coterminous with its boundary.

The Town incorporated in 1991 following both LAFCO and local voter approval and is a general law city operating under a council-manager form of government. The Town Council is made up of five members, who are elected at large, and one of the council members is selected to serve as mayor for one year. The Town encompasses approximately 39 +/- square miles and its sphere of influence is coterminous with its boundaries. Since 2000, the Town's population has increased by 26% from 16,865 to 21,239 in 2008, making it the 8th fastest growing city in the County. The incorporation application for the Town chose the title of Town of Yucca Valley rather than City of Yucca Valley to be more reflective of the community's rural nature. According to state law, there is no difference between a "Town" or "City"; both operate as incorporated municipalities.

LOCATION AND BOUNDARIES:

The Town is located in the Morongo Basin, approximately 29 miles from Palm Springs and 65 miles from San Bernardino and Apple Valley by car. The Town lies between the San Bernardino Mountains and Joshua Tree National Park situated along State Highway 62 (Twentynine Palms Highway) where it intersects State Highway 247 (Old Woman Springs Road). The service review and sphere study area include the corporate boundaries of the Town and the optional sphere expansion areas to the north and west, which include the unincorporated Yucca Mesa and Pioneertown areas included in the Yucca Valley community as defined by the Commission. The study area is generally west of the Joshua Tree Community Plan area and the Joshua Basin Water District, north of the Joshua Tree National Park, northeast of the Morongo Valley Community Plan area and the Morongo Community Services District, east of the unincorporated community of Pioneertown, and generally south of the Bighorn Desert View Water Agency and Flamingo Heights and Landers areas. Below is a map of the Town's current boundaries and sphere, included in Attachment #3.



As discussed in this report, staff is recommending affirmation of the existing sphere of influence for the Town.

SERVICE REVIEW SUMMARY

The Town prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Town's response to LAFCO's original and updated requests for materials includes, but is not limited to, the narrative response to LAFCO staff's request for information, the Town's financial documents, *2008 Parks and Recreation Master Plan Update*, *2007 Facilities Master Plan*, and the *Municipal Service Review*⁶ and *Fiscal Impact Analysis*⁷ prepared for the former proposed sphere of influence expansion. The Town's response and supporting materials are included as a part of Attachment #3 and are incorporated in the information below.

I. Growth and population projections for the affected area.

Town Limits

According to the State Department of Finance, in 2000 the Town had a population of 16,865 and had an estimated population of 21,239 in January 2009. This increase of 26% places Yucca Valley as the 83rd fastest growing city within the State (top twenty percent) and 8th

⁶ Planning Center. *Municipal Service Review: Town of Yucca Valley Sphere of Influence Amendment*. August 2008.

⁷ Stanley R. Hoffman Associates. *Town of Yucca Valley Sphere of Influence Expansion Fiscal Impact Analysis*. 18 August 2008.

fastest in the County in terms of percentage increase.⁸ As of October 2008, there were 10,220 registered voters within the Town. The annual population since 2000 is shown below:

2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
16,865	17,092	17,555	18,018	18,765	19,695	20,470	20,949	21,136	21,239

The Town's population projections, which were developed using the 2008 Southern California Association of Government (SCAG) Growth Forecast⁹, are listed in five-year increments, as shown in the chart below. However, these projections may not reflect the full extent of the current economic conditions.

2010	2015	2020	2025	2030
23,415	26,514	29,403	32,207	34,903

The Town's 1995 General Plan describes the Town as a primarily rural residential community. Although the General Plan provides for a wide range of housing options, up to 14 units per acre, the majority of the development has been single family housing units. The build-out population within the Town's boundaries is estimated to be 62,223 based on the land use designations. However, the Town is not anticipated to reach its build-out population by the 2030 horizon of this report.

Development within the Town increased during the recent housing boom, peaking in 2005, and has slowed markedly since. The Town states that the majority of the single family residences constructed in the past two years have been infill and that the lack of a regionalized sewer system continues to hamper some areas of commercial growth. Commercial development in the Town is not anticipated to be significant due to the directive from the Colorado River Basin Regional Water Quality Control Board to plan and construct a sewage collection and treatment system in order to control nitrate contamination. The Town Council has committed its support to the Hi-Desert Water District, the responsible agency for the planned wastewater treatment facility, in whatever capacity the District would desire. The table shows the single-family-residential permit activity from FY 1999-00 to FY 2008-09.

Year	SFR Permits	Year	SFR Permits
1999-00	54	2004-05	384
2000-01	82	2005-06	244
2001-02	118	2006-07	99
2002-03	188	2007-08	36
2003-04	351	2008-09	7
Source: FY 2008-09 Comprehensive Annual Financial Report			

One project of significance is a proposed Wal-Mart Supercenter anticipated for location at the southeast corner of Avalon Avenue and Highway 62, adjacent to the existing Home

⁸ State of California, Department of Finance, *January 2009 Cities and Counties Ranked by Size, Numeric, and Percent Change*. Sacramento, California, May 2009.

⁹ Southern California Association of Governments. *Final 2008 Regional Transportation Plan*, May 2008.

Depot. The Town Council approved the project on June 25, 2008. However, the project, along with two other Wal-Mart Supercenter projects in Southern California, is undergoing litigation. Therefore, the construction is on-hold until resolution occurs. LAFCO understands that the existing Wal-Mart located roughly 1.5 miles west on Highway 62 adjacent to the Yucca Valley Airport will close and a new tenant will occupy the space upon the project's completion.

Foreclosure activity has affected the nation in general and the Town of Yucca Valley is no exception. According to data obtained from staff of the County of San Bernardino Assessor's Office, from 2004 to 2006 the Town had 38 foreclosures. The number rose sharply to 108 in 2007 and escalated to 299 in 2008. For 2009 through mid-July the number is 149. Since 2004, the total number of foreclosures has been 594. For the purposes of generally representing the extent of the foreclosure activity, the Town's service review submission identifies that there were 9,574 household units within the Town in 2008. The foreclosure of 594 homes represents 6.2% of the household units within the City has been in foreclosure since 2004. Therefore, given the current economic conditions and development activity, the Town is not likely to experience the expansive growth that it experienced from 2004 to 2007. Nonetheless, the long-term population trend remains – the Town is projected to experience growth through 2035 at a rate of roughly 2.0% annually.

The Town has one redevelopment project area that is comprised of two sub-areas totaling 2,358 acres created as a result of the 1993 Landers earthquake. The redevelopment project area generally contains all of the developable non-residential land in the Town. The first subarea is the East End Redevelopment Project containing 926 acres. The second subarea is the Downtown Project area containing 1,432 acres. Additionally, the Town General Plan was adopted December 14, 1995 with the latest Housing Element submitted to the State in September 2009 and accepted in compliance with State law in October 2009.

Optional Sphere Expansion Areas

According to the service review documents prepared, the optional sphere expansion area grew 2.6% in population from 2000 (2,496) to 2008 (2,982). Population growth through 2035 is anticipated to reach 3,731, an annual rate of 0.8%

The western sphere expansion area would encompass approximately 8.5 square miles to include the Pioneertown area. The County's General Plan has assigned land use designations of Resource Conservation (one unit to 40 acres), Rural Living-5 (one unit to five acres), and Special Development – Residential (Pioneertown area). The northern sphere expansion area would encompass approximately 20.7 square miles to include the Yucca Mesa area. The majority of the northern area has been assigned a land use designation by the County's General Plan of Rural Living (one unit to five acres and one unit to ten acres) with two distinct areas of Single Family Residential – 14m, which allows up to three units per acre. Other designations include Resource Conservation, Neighborhood Commercial, and Institutional.

According to documents originally submitted by the Town, the optional sphere expansion areas have 1,447 existing housing units and the potential for 6,713 additional housing units based on County General Plan land use designations, for a total of 8,160 housing units. Utilizing a coefficient of 2.60 persons per household for the area as identified in the

Municipal Service Review, the build out population in the optional sphere expansions areas is 17,455.

LAFCO staff has received project notices from the County of San Bernardino which anticipate lot adjustments for increased residential development within the optional sphere expansion areas. A review of the project notices that have been submitted for County Land Use Planning review from 2005 through present indicate only two projects for creation of five lots on 14.5 acres. Therefore, given a population growth of 2.6% from 2000 to 2008 and the minimal number of project notices received since 2005, the optional sphere expansion areas have experienced low population growth within the past decade. It is unlikely that these areas will reach build-out conditions within the 2030 horizon of this staff report.

Any future projects will increase the need for municipal services within the Town's existing boundaries as well as within the surrounding unincorporated territory. However, the single most tangible factor that could limit growth will be the availability of water.

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

The Town is classified as a "contract city". This term is defined for the State of California as a city which has a contract with another agency or private organization for the provision of various governmental services. Such cities provide many of the basic services (i.e. law enforcement, engineering, libraries, and park) through contracts with outside entities with the contract specifying the levels of service to be provided and the financial compensation for the service. Most cities in California which incorporated from the 1980s on did so as contract cities as a cost savings measure.

As a municipality, the Town is responsible for law enforcement within its boundaries and has chosen to contract with the County for law enforcement services tailored to its needs and financial resources. The Town is within the boundaries of the San Bernardino County Fire Protection District which provides fire protection and emergency medical response services. The Town is also within the Hi-Desert Water District which provides retail water service and is anticipated to provide sewer collection and treatment in the future. There currently is no organized municipal sewage collection system or wastewater treatment facility within the Town. On-site septic systems have been historically utilized by residences and businesses throughout the Town. For information on water and sewer collection, see the Water Discussion section and Hi-Desert Water District section of this report. The Town provides some services directly within its limits which include animal control and park and recreation services.

Police

The Town contracts with the County Sheriff to provide law enforcement services within the Town and has done so since its incorporation. The contract is annually renewed, will expire June 30, 2010, and can include annual increases in payment. The Sheriff's Department provides the Town with full service law enforcement, traffic services, investigations, and a wide variety of safety services. In FY 2008-09, the contracted cost was \$3.2 million paid from the Town's general fund.

The town police force currently consists of 11 patrol deputies (equates to one per 1,930 residents), one juvenile officer, one detective, two sergeants, one lieutenant, one police safety specialist and two station clerks. The Town's documents further state that it has been working to fund more deputies in the service contract, but no details were provided for this goal. The Yucca Valley station is located in the Town and does not have a holding cell; therefore, detainees are transported to the substations located in Joshua Tree. According to the *Municipal Service Review* document, the Joshua Tree substation has 21 deputies, or one per 1,105 residents in its unincorporated service area. The *Public Facilities Master Plan* identifies that existing police office space is insufficient and recommends the development of a new facility to house both fire and police to be located at the proposed new town hall complex.

Fire

Fire protection services were provided by the former board-governed Yucca Valley Fire Protection District until July 1, 2008, the effective date of the County Fire Reorganization. Since then, fire protection services are provided by the board-governed San Bernardino County Fire Protection District and its South Desert Service Zone. Administrative offices for the South Desert Service Zone remain within the Town. As a regional agency, County Fire also provides fire protection services in the optional sphere expansion areas. The nearest County Fire station is Station 121 located along Highway 62 at 57201 Twentynine Palms Highway. This station is staffed with five full-time firefighters and paramedics, supplemented by paid-call firefighters. According to County Fire's website, Station 121 houses a single Type I engine company, one Type III engine, two paramedic ambulances, and one water tender.¹⁰ Additional support comes from Station 36 in Joshua Tree (full-time and paid call), Station 122 in Yucca Mesa (paid-call), and Station 38 in Pioneertown (paid-call). Response times to the western portion of the Town are above the County's seven minute target response time. The *Public Facilities Master Plan* recommends four additional stations (three within the current boundaries and one in the Yucca Mesa area). The Town states that it intends to partner with County Fire to construct the new stations. No funding details were provided as a part of the Town's submission regarding new fire stations.

The South Desert Service Zone of County Fire has automatic and/or mutual aid agreements with the California Department of Forestry and Fire Protection - Station 14; National Park Service - Black Rock Interagency Fire Center; Twentynine Palms Water District; Marine Corps Air/Ground Combat Training Center - Combat Center Fire Department; and the Morongo Valley Community Services District.

Park and Recreation

Park and recreation services include parks, Community Center, Senior Center, recreational programs administered by the Town such as youth and senior programs, and the Hi-Desert Nature Museum operations and programs. When the Yucca Valley Recreation and Park District was dissolved in 1993, the dissolution required the Town to continue providing the same level of service to the former park district area (map included as a part of Attachment

¹⁰ San Bernardino County Fire Protection District. website. Accessed 8 January 2009, last update unknown. www.sbcfire.org.

#3). The Town provides recreational services to those within its boundaries and to outside residents with no difference in fees, although it could charge higher fees to those in the northern area.

The Town owns and operates eight parks totaling 174 acres and a community center comprising 11,922 square feet. Forty-five of the 175 acres are currently developed. These eight parks are the Community Center Park, Hi-Desert Park, Machris Park, Paradise Park, Triangle Park, North Park, South Park, and Sunnyslope Park. Additionally, the Town has cooperative agreements to share and coordinate uses at facilities owned by: the Bureau of Land Management, Morongo Unified School District, and San Bernardino County Flood Control District. Within the past two years, the Town received Community Development Block Grants for completion of the Jacobs Park tennis court and ball wall project, coordination of the local Boys and Girls Club Teen Center improvement, ball field lighting and an electronic sign at the Yucca Valley Community Center. The Town's *Parks and Recreation Master Plan Update* indicates that some of the park facilities require improvement to comply with the Americans with Disabilities Act. The *Plan* recommends a regional park in the northern portion of the Town to be constructed and used in conjunction with the County, a community park in Yucca Mesa, and a new sports park in the eastern portion of the Town.

Pursuant to the Quimby Act, a minimum of three acres per thousand population should be dedicated for recreational and/or open space purposes. The Town has 174 acres for recreational and/or open space purposes with an estimated population of 21,239 in 2009. Based on the Quimby Act ratio, the community should have a minimum of 63 acres. Additionally, the Town General Plan has established a standard of five acres of developed parkland per thousand population. At 45 acres of developed parkland, the Town does not meet this standard.

The Community Center was constructed in 1970, when the population of Yucca Valley was 6,000. The Community Center is owned and operated by the Town. The Community Center also houses the office space for the Town Community Services Department. The total area is 11,922 square feet, with the majority available for rental.

The Senior Center is located adjacent to the Community Center at the Town Hall complex. The Senior Center land and building is owned by the Town, the Town operates most of the programs, and the County runs the meal program. The Senior Center does not have as much space and programs as other senior centers (some services are provided through the Community Center), but it does have a lounge area, a dining room, and kitchen. The Senior Center serves five meals per week and approximately 14,000 meals per month through on-site meals and meals on wheels. According to the *Public Facilities Master Plan*, the community would like to have a Senior Center with a larger lounge and game rooms.

Animal Control

In partnership with the County, the Town provides animal control and care. Pursuant to the agreement, the Town provides animal control services within its boundaries, and the County provides animal control services to the unincorporated areas of the County in proximity to the Town. As for animal care, both the Town and the County utilize the Town-operated animal shelter, and each contributes 50% of the shelter's costs. The joint powers

agreement was signed by the Town on November 13, 2008 and approved by the Board of Supervisors on November 18, 2008 (copy on-file at the LAFCO staff office). The shelter is adequate for its current use, but the *Public Facilities Master Plan* recommends expansion of the animal shelter in order to expand service to nearby communities.

Library

Library services are a function and responsibility of the County, and the County receives a share of the one percent ad valorem property tax for provision of this service. The Town supports this service by leasing the land and the building for the library to the County at a rate of \$24,000 per year (copy of contract on-file at the LAFCO office). The contract was approved in 2003, has been renewed bi-annually and will expire December 31, 2011. According to the *Public Facilities Master Plan*, the building is close to capacity and additional space is needed in the future.

Roads

The Town is the responsible entity to provide road maintenance services within its boundaries. Exceptions include State Highways 62 (Twentynine Palms Highway) and 247 (Old Woman Springs Road) which are maintained by Caltrans. The Town maintains 168.3 miles of paved roads within its boundaries. Since 2005, the Town has resurfaced approximately 11 miles of existing roads and paved an additional 17 miles. All of the traffic signals are maintained by Caltrans. The Town has two significant road construction commitments as follows:

- Highway 62 Apache to Palm Avenue Rehabilitation – Project budget of \$1,581,000. As of June 30, 2009, \$141,250 has been spent on the project.
- Highway 62 Old Town Realignment – Project budget of \$1,246,263. As of June 30, 2009, \$13,800 has been spent on the project.

Spanning across several communities of the South and North Desert, State Highway 247 originates at Highway 62 in Yucca Valley, continues through Lucerne Valley, and terminates in Barstow. Also spanning across several communities in the South Desert, Highway 62 (Twentynine Palms Highway) originates at Interstate 10 in Riverside County, continues through Yucca Valley and Twentynine Palms, and terminates at Arizona State Route 95 in Parker, Arizona. From the San Bernardino County line to the east end of the Town, Highway 62 is considered a four-lane conventional road; the Town's 1995 General Plan anticipates it becoming a six-lane highway. For 2007, the intersection of Highway 247 and Highway 62 is estimated to have had an average daily traffic volume ranging between 12,000 and 13,000 with peaks climbing to 1,100 per hour¹¹. Of the average daily traffic volume, trucks represent 1,068, or 8.9 percent of vehicles¹². In relation to other travel corridors in the county, the total vehicle volume and truck volume is low to moderate for state highways that intersect in a community center.

¹¹ State of California. Department of Transportation, Division of Traffic Operations. *2007 Traffic Volumes on the California State Highway System*. 2007.

¹² State of California. Department of Transportation, Division of Traffic Operations. *2007 Annual Average Daily Truck Traffic on the California State Highway System*. 2007.

In the optional sphere expansion areas, there are 35 roads in the County system. A listing of the County-maintained roads in the Yucca Mesa and Pioneetown areas is included as a part of Attachment #3. The Homestead Valley Community Plan indentifies levels of service of “A”¹³ for the major roads in this area. The roads are anticipated to remain at an “A” level through 2030. A level of service of “C”¹⁴ was given to Highway 247 (Old Woman Springs Road) from Aberdeen Drive and Highway 62. This stretch of Highway 62 is anticipated to improve to a “B” level by 2030.

The goals of the Circulation Element of the Town of Yucca Valley General Plan from 1995 was developed to provide adequate capacity to accommodate the travel demands of the Land Use Element as well as to preserve the quality of life in Yucca Valley. To help fund the goals of the General Plan, in 1999 the Town received special legislation (AB 1371) for the Town to levy a transaction and use tax for purposes of funding transportation and parks, subject to 2/3 approval of the voters. However, Town representatives have indicated that the Town has not considered utilizing this provision to date; thus, the Town Council has not officially considered placing this issue to a vote of the electorate.

Drainage and Flood Control

From 2000 to 2005, there was discussion between the County and the Town regarding the responsibility for drainage easements offered to the County (not to include County Flood Control District easements) prior to the Town’s incorporation. The position of the County has been that the drainage easements transferred to the Town upon its incorporation. The County’s position is supported by Attorney General Opinion No. 62-267 (1963) which states, “There is no logical difference between easements for highway or street purposes and easements for local drainage facilities in which the County retains no actual governmental interest upon annexation of the territory.” Therefore, when the Town incorporated, all of the County drainage easements transferred to the Town and the Town became responsible for drainage within its boundaries. According to staff at the County of San Bernardino Department of Public Works, since the early 2000s the County has not maintained these easements and there has been no further correspondence between the County and the Town regarding this matter.

The Town adopted its *Master Plan of Drainage* in partnership with the County Transportation Department and Flood Control District in 1999. According to the Town, the Town and County continue to coordinate on regional flood control facilities. The Town does not have storm water management or flood control facilities. However, the County maintains several flood control channels in the town. Currently, the Town and County Flood Control District are working with the Army Corps of Engineers on planning improvements for the Long Canyon Channel. In the optional sphere expansion areas, there are no County storm water management or flood control facilities.

¹³ A level of service of “A” is described as free-flow traffic conditions where drivers can maintain their designated speeds with little or no delay and are unaffected by other vehicles.

¹⁴ A level of service of “C” is considered an acceptable level of service and is described as reasonably free-flow traffic conditions where drivers begin to notice less freedom in selecting their speeds and a decline in freedom to maneuver.

The natural and planned backbone drainage for the Town is Yucca Creek Wash, extending from and including the Water Canyon drainage. The Town's focus of development has occurred along State Highway 62, which is the flattest portion of the basin and also the focus of area-wide drainage. Yucca Creek receives runoff from all of the major drainage passing through the Town. Yucca Creek and the mouth of its tributaries generally define the limits of that area of Town mapped by FEMA. The FEMA flood maps can be found in the Town's 1995 General Plan in the Flooding and Hydrology Element (copy available at the LAFCO staff office). The FEMA maps for the Town designate a substantial portion of the commercial corridor within the 100-year flood plain (Zone A), which extends west of and includes Water Canyon, industrial and residential lands east of the Blue Skies Golf Course, the Yucca Valley Airport and surrounding lands, and the Highway 62 commercial area, east of Vons shopping center.

Facilities

The Town completed and approved its *Public Facilities Master Plan* in 2007 and *Parks and Recreation Master Plan Update* in 2008. These documents are being used to plan for the future needs for streets and highways, parks, and other public facilities. Due to a lack of space to accommodate growth, the *Public Facilities Master Plan* includes the construction of a new town hall to be located in the Old Town portion of the Town. The new town hall is anticipated to house the police and fire stations, museum, library, California Welcome Center, general governance services, and the community development staff that are currently located in the southeast portion of the Town. Additionally, the *Plan* noted:

- The Yucca Valley Branch Library is inadequate to meet the current needs of its operational requirements. It lacks sufficient space to accommodate the existing programs, some staff lack office space and work areas and the noise level at the library is generally higher than desired.
- The Hi-Desert Nature Museum also lacks enough space to accommodate the storage and exhibit requirements as well as staff office areas and necessary staff amenities.
- The animal shelter facility is old and most of the amenities need to be upgraded and expanded to meet the municipal level standards.
- The number of fire stations serving the town and their current location is not enough to meet the required response time of seven minutes.

The *Plan* concluded the following facilities as necessary for the Town to provide services to the community:

- Town hall facility with Fire Department Office and Police station within the same complex
- Public Works Facility Yard that is separate from the Town Hall, away from residential area
- New library and museum in the Old Town
- New animal shelter, away from residential area
- New Fire Stations
- Police substations
- Relocation of the California Welcome Center to the Old Town

III. Financial ability of agencies to provide services.

The Town has provided LAFCO staff with the most recent audits accepted by the Town, current budget, and bond information. LAFCO staff has also obtained financial and tax data from California State Controller reports for cities and redevelopment agencies.

For the last two audit years (FY 2007-08 and FY 2008-09), total revenues earned by the Town exceeded the total costs incurred to provide government services by \$2.9 million and \$0.2 million, respectively. This trend of decreasing net revenues over expenditures continues as sales and property tax receipts are declining in the current fiscal year and anticipated for the next year. As a result, the Town has made operational changes in 2009 which reduced staffing by 20% and deferred some capital spending. With this sharp reduction in staffing, some service levels can be anticipated to decrease. On the positive side, the Town has a healthy reserve and minimal debt obligations in comparison with other cities in the county.

Funds

The Town has four major funds:

- General Fund – This is the primary operating fund of the Town. At the end of FY 2008-09, the unreserved fund balance of the general fund was \$6.1 million, comprising the majority of the total fund balance of \$6.5 million. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 62% of the total general fund expenditures, while total fund balance represents 66% of that same amount. General fund revenues exceeded expenditures by a moderate amount of \$353,929.
- Redevelopment Agency Capital Projects Fund – This fund is for capital projects funded through the redevelopment agency. At the end of FY 2008-09, there was a fund balance of \$6.9 million, related to revenue received from bond proceeds from the 2008 tax allocation bonds. The balance is restricted for use on qualified redevelopment agency projects within the redevelopment project area.
- Redevelopment Debt Service Fund – This fund is to repay the bonded indebtedness of the redevelopment bonds. At the end of FY 2008-09, the fund had a balance of \$4.1 million, all of which is legally restricted by law and debt covenants for redevelopment debt service transactions of the Town's redevelopment agency.
- Community Development Block Grant Funds – This fund is for projects for which funds were gained from CDBG funds. It should be noted that FY 2008-09 is the first year for this fund. At the end of FY 2008-09, the fund had a balance of -\$57,898, representing outstanding commitments to other funds. The Town states that is negative balance is temporary, and will be positive in the next reporting year.

Fund Balance, Reserves, and Net Assets

For the last two audit years (FY 2007-08 and FY 2008-09), total revenues earned by the Town exceeded the total costs. However, the net revenue decreased from \$2.9 million to \$0.2 million, respectively.

The current Town policy is to have 39% in reserves. For FY 2008-09, the Town projected a year-end total reserve balance of \$5.51 million, representing 42% of expenditures. Of this amount, \$4.28 million is listed as undesignated reserves. Given this figure, the Town has a relatively healthy reserve. Additionally, at the end of FY 2008-09, total investments totaled \$26.6 million.

For FY 2007-08, net assets increased by 9.6%, from \$30.5 million to \$33.4 million and for FY 2008-09 increased 15.2% to \$38.5 million. However, it should be noted that much of the net increases resulted from a decrease in the Town's public works and community development expenditures. The combined decrease in year over year spending in these two functional areas totaled \$3.4 million, and was a reflection of both operational changes as well as capital spending deferrals (described further below).

Revenues

The primary sources of revenue are sales and use tax, property tax, and vehicle license fee revenues from the state. The Town states that unless a bond measure is put before the voters for increased or additional services, revenue sources are not expected to expand.

For FY 2008-09, sales tax decreased by roughly six percent. This reduction reflects a decrease in the retail sector, particularly auto sales, with a correlation related to a decrease in disposal income due to an increase in unemployment from 5.6% in 2007 to 13.0% in 2009.

On average per tax rate area, the Town's share of the one percent ad valorem property tax levy is 16.5%. For FY 2007-08, the property taxes levied and collected were \$5.40 million. The figure increased nominally to \$5.48 million for FY 2008-09. Relative to other cities in the county, the Town property taxes collected increased, rather than decreased. The Town anticipates property taxes to decrease for FY 2009-10 as assessment values are adjusted, and that this decline in revenue will have a significant impact on its ability to provide current levels of service without offsetting increases in revenue. Without such increases, it is likely that service levels will be reduced to match available revenues. A review of the FY 2009-10 County Assessment Roll shows that the Town's roll is anticipated to decrease 8.8%. This is a greater decrease than the county incorporated city average of 6.5%. According to Town representatives, property values of cities with a more rural character tend to increase slower and decrease faster in comparison to urban cities due to fewer insulating factors and smaller and less diverse economies.

Expenditures

For FY 2009-10, the major expenditures categories are Personnel Services (\$3.61 million), contract safety (\$3.14 million), and Operating Supplies and Services (\$2.18 million). The

largest functions of services are police services (contracted with the County Sheriff), community development, community services, and public works.

Due to a decrease in revenues, the Town has implemented measures to decrease operating expenditures as a result of lower staffing costs. In 2008, the Town paid salaries and benefits for 85 persons reflecting regular, temporary, and seasonal employees, and council members. In 2009, the Town reduced staff by 20% by providing early retirements and voluntary resignations. The majority of the staffing reductions were to the public works and community services departments. According to Town staff, the Town did not backfill any positions that were vacated during the past year. With this reduction, service levels can be anticipated to decrease.

Long-term Debt

As of June 30, 2009, the Town had bonded debt and loans (excluding compensated absences and any deferred charges) outstanding of \$10.8 million comprised of:

- \$10,460,000 in tax allocation bonds. Interest ranging from 3.10% to 5.75%, matures 2038, refunding 1995 tax allocation and 2004 tax allocation bonds.
- \$171,632 in general obligation bonds. In July 1993, the San Bernardino Associated Governments (SANBAG) issued bonds, of which \$1,949,500 of the proceeds went to the Town. The bonds were refinanced in 2001 and the proceeds were used for street costs in accordance with Measure "I". The bonds mature March 1, 2010.
- \$180,401 in California Energy Commission Loans. The two loans mature in 2021 and 2024, with interest rates of 4.5% and 3.95%, respectively.

The amount of bonded debt per capita is a useful indicator of an agency's debt position. For FY 2008-09, the total outstanding bonded debt per capita is roughly \$500. Adding the debt per capita from the Hi-Desert Water District of \$425, the bonded debt per capita is a total of roughly \$925. In comparison with other cities in the county, this is relatively low amount.

The Town also has a note receivable for \$350,000 executed in February 2008 to the Hi-Desert Water District in order to aid the District in the construction and operation of a wastewater treatment and collection system. The interest on the note accrues at a daily rate using the PMIA Average Monthly Effective Yield as published by the State Treasurer's Office. The note is due in full on or before January 31, 2013 with interest.

Gann Limit (Appropriations Limit)

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the Town is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules of other refund agreements. For the fiscal years ended June 30, 2008 and 2009, proceeds of taxes did not exceed appropriations.

Additional Financial Information

- The Town has received an award of financial reporting achievement by the Government Finance Officers Association of the United States and Canada for the past two audits conducted.
- The Town has been meeting its required 20% set aside to be recorded in the Low and Moderate Income Housing Fund.

IV. Status of, and opportunities for, shared facilities.

The Town contracts with San Bernardino County for the shared use of the Town-owned animal shelter. In addition, a contract is in place with the County for a public library located at the Town Hall center and for the County Sheriff to provide police services from Town-owned property and facilities. The County also utilizes the Town-owned Yucca Valley Senior Center to operate its Senior Nutritional Program.

The Town has cooperative agreements to share and coordinate park and recreation uses at facilities owned by: the Bureau of Land Management, Morongo Unified School District, and San Bernardino County Flood Control District.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

The Town of Yucca Valley is a general law city and operates under a council-manager form of government. The Town Council is made up of five members, who are elected at large to four-year staggered terms, and one of the council members is selected to service as mayor for one year. The position of mayor serves no executive role in town governance and is mainly ceremonial.

The Town Council also serves as the Board of Directors of the Yucca Valley Community Center Authority, Yucca Valley Redevelopment Agency, and Yucca Valley Financing Authority. Below is the composition of the current council, their positions, and terms of office:

Council Member	Title	Term
Chad Mayes	Mayor	2010
Lori Herbel	Mayor pro tem	2010
Bill Neeb	Council Member	2010
George Huntington	Council Member	2012
Frank Lukino	Council Member	2012

Town Council meets on the second and fourth Tuesdays of the month at 6:00pm at the Town Hall complex. The Town Council convenes joint or separate meetings as the Council

or the respective board of directors as necessary. The public is invited to all open session meetings. The agenda is available to the public in the lobby of Town Hall, at the meeting, and online. The budget is approved by the Town Council at a public hearing, and financial reports are presented quarterly to the Town Council by the Finance Director.

In 2008, the Town paid salaries and benefits for 85 persons reflecting regular, temporary, and seasonal employees, and council members. In 2009, the Town reduced staff by 20% by providing early retirements and voluntary resignations. According to Town staff, the Town did not backfill any positions that were vacated during the past year. The current full time equivalent (FTE) is 55.25 positions and there are 9.0 FTE positions representing vacancies (does not include temporary staff and council).

Operational Efficiencies

Operational efficiencies are realized through several joint agency practices, for example:

- Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority formed for the purpose of providing joint-protection coverage for general liability, employment practices, property insurance, and related risk management services. Currently, there are 37 members.
- California Public Employees Retirement System (PERS). The Town has contracted with PERS to provide retirement benefits for its employees. PERS is a public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries, and acts as a common investment and administrative agency for participating public entities within the state. A review of the Town's financial statements through FY 2008-09 indicates that the Town does not have a net pension obligation to PERS.
- The County and the Town realize efficiencies through the following:
 - The Town contracts with the County for the shared use of the Town-owned animal shelter.
 - A contract is in place with the County for a public library located at the Town Hall center and for the County Sheriff to provide police services from Town-owned property and facilities.
 - The County utilizes the Town-owned Yucca Valley Senior Center to operate its Senior Nutritional Program.
 - The Town and County continue to coordinate on regional flood control facilities.
- The Town has cooperative agreements to share and coordinate uses at facilities owned by: the Bureau of Land Management, Morongo Unified School District, and San Bernardino County Flood Control District.
- The Town Council has committed its support to the Hi-Desert Water District, the responsible agency for the planned wastewater treatment facility, in whatever capacity the District would desire.

The *Municipal Service Review* submitted by the Town, prepared by the Planning Center, compared the level of staffing of the Town and cities with similar populations in 2007 and that also were provided police and fire protection services by other agencies (Barstow and Loma Linda). The comparison shows that there was one position per 1,052 residents for the Town, one position per 802 residents for Loma Linda, and one position per 921 residents for Barstow. While the comparison shows that the Town has fewer employees per capita, LAFCO staff points out that with the recent reduction of public works and community development employees at the Town, such a sharp reduction in employees lessens operating costs but could lead to decreased levels of service.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

There are no out-of-agency service contracts on file with LAFCO. However, when the Yucca Valley Recreation and Park District was dissolved in 1993, the dissolution required the Town to continue providing the same level of service to the former park district area that is outside the Town’s boundary. Additionally, the Town provides recreational services to those within its boundaries and to outside residents with no difference in fees.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of boundaries. The Town, residents, or landowners could submit an application to expand the boundaries of the Town to the west or north to include the Pioneertown and/or Yucca Mesa areas, respectively. Such an application would be processed to include the dissolution of the County Service Area 70 improvement zones where appropriate with the Town identified as the successor agency. The Town would then be responsible for extending its services to the area, including continuing the services of the dissolved CSA 70 improvement zones. This option is viable, but unlikely at this time, due to the longstanding opposition of the Yucca Mesa and Pioneertown residents to inclusion within the Town. Further, the Town has not expressed desire to explore an annexation.
- Hi-Desert Water District becoming a subsidiary district of the Town. In order for the Hi-Desert Water District to become a subsidiary district of the Town, at least

70% of registered voters in the District must reside in the Town and at least 70% of the District's territory must be within the boundaries of the Town.

- Registered Voters – The Town and the District have indicated that the numbers of registered voters in their agencies are 10,220 and 11,697, respectively. At 87%, the District meets the threshold for registered voters within the boundaries of the Town.
- The District encompasses approximately 56 square miles and approximately 32 square miles of the District is within the Town. At 57%, the District does not meet the threshold for territory within the boundaries of the Town.
- Town becoming responsible for fire protection services. The Town is wholly within the boundaries of the San Bernardino County Fire Protection District and its South Desert Service Zone. In order for the Town to become the responsible entity for the full range of fire protection services, it would need to detach from County Fire and the South Desert Service Zone which would include the share of the one percent ad valorem property tax dedicated to fire protection transferring to the Town. An application for this organizational change would include a plan for services and a fiscal impact analysis outlining the effects on the Town and County Fire. Because a substantial amount of the South Desert Service Zone's share of revenue is derived from within the Town's boundaries, a detachment from County Fire and its South Desert Service Zone would be anticipated to have an adverse effect on the provision of service to the other areas of the South Desert Service Zone. For this reason, LAFCO staff could not support such an option. Additionally, the Town did not wish to explore this option during the processing of the reorganization of County Fire in 2006/07.
- Maintenance of the status quo. LAFCO staff does not recommend any organizational changes to the Town's structure at this time.

SPHERE OF INFLUENCE UPDATE

Town's Sphere of Influence

The Town's boundary and sphere of influence are coterminous and encompass approximately 39 square miles.

County Development Code Chapter 82.22 establishes a "sphere standards overlay" to allow the implementation of County of standards that closely conform to city development standards. Adoption of such a sphere standard could "ensure that the County's approval of a proposed development in a sphere of influence is consistent with the shared objectives of the County" and the city.

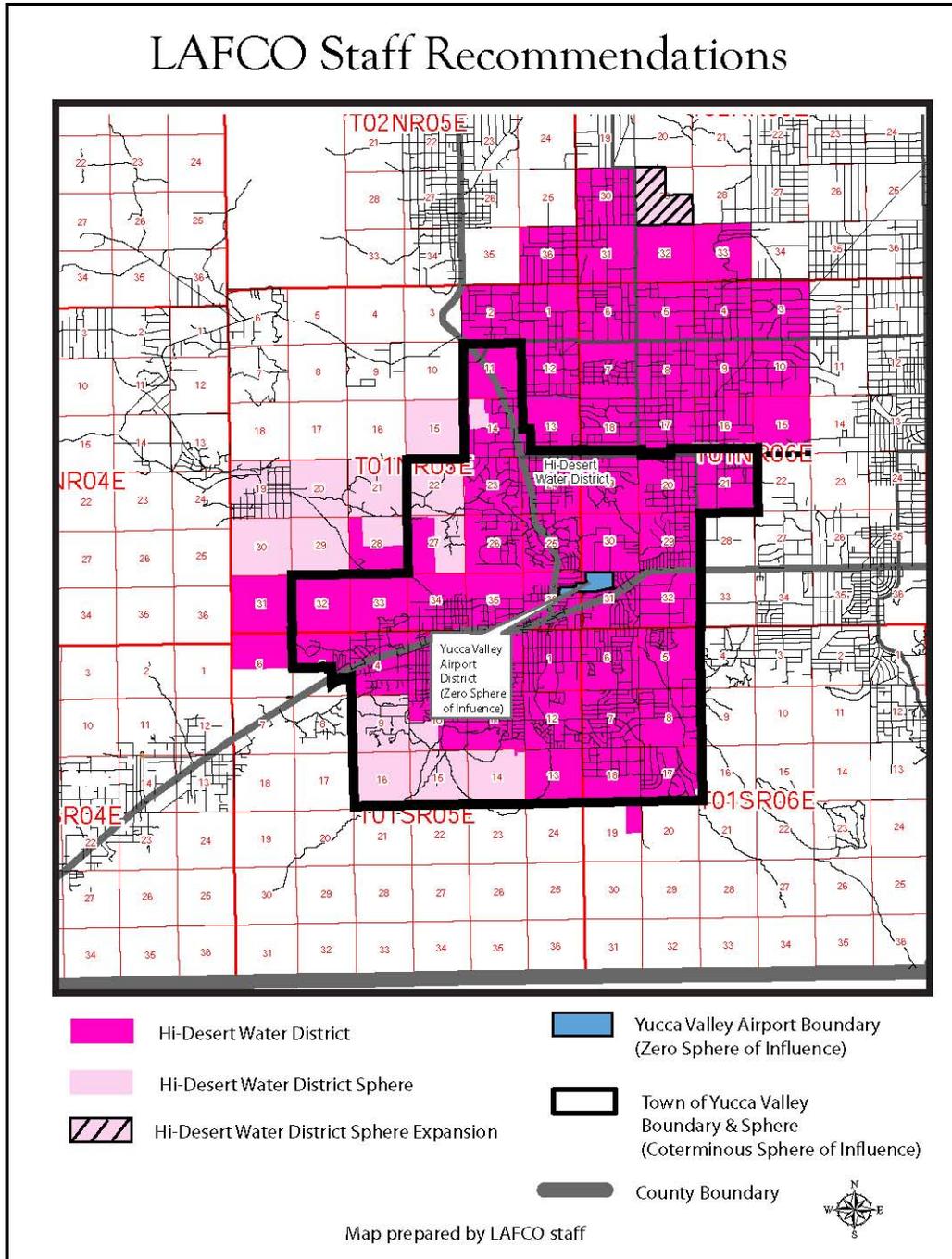
Pursuant to Government Code 56425(b), as a part of the sphere of influence updates for cities conducted by LAFCO, the cities and the County are required to meet and discuss the

sphere of influence of the city. Additionally, 56425(b) states that the commission shall give great weight to the agreement to the extent that it is consistent with commission policies and in its final determination of the city sphere. The Town and the County fulfilled this meeting requirement in August 2008 when the Town was proposing to expand its sphere of influence (the Town withdrew its proposal in September 2009). In the memo submitted by the Town regarding the meeting, there was no mention of utilization of the sphere standards overlay that the Commission would be required to consider within the Town's former proposed sphere of influence expansion. At that meeting, regarding the former proposed sphere expansion, the Town and County agreed upon the following:

- "In adding a portion of the Homestead Planning Area to Yucca Valley's proposed sphere, it was agreed by the County that this addition is acceptable if it does not create any islands of county area within the sphere."
- "In terms of future development in this area, the Town and County have agreed that Yucca Valley will adopt the County's current General Plan land use and zoning standards in the sphere area and the Town's General Plan will be updated to reflect these land use policies."

Since the Town withdrew its sphere expansion application and is now requesting no modifications to the existing sphere, it is the position of LAFCO staff that the Commission should give great weight to the Town's current sphere of influence position, being no change to its sphere of influence at this time. Therefore, as discussed in detail in the *Community Discussion* section of this report, staff recommends that the Commission affirm the current sphere of influence of the Town with the understanding that the Yucca Valley community is defined by the larger sphere of influence of the Hi-Desert Water District. A map of staff's recommendation for the community is shown below and is included as Attachment #2.

LAFCO Staff Recommendations



FACTORS OF CONSIDERATION:

The Town was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

Present and Planned Uses

Town Limits

The Town's General Plan describes the Town as a primarily rural residential community. Although the General Plan provides for a wide range of housing options, up to 14 units per acre, the majority of the development has been single family residential.

Development within the Town increased during the recent housing boom, peaking in 2005, and has slowed markedly since. The Town states that the majority of the single family residences constructed in the past two years have been infill and that the lack of a regionalized sewer system continues to hamper some areas of commercial growth. Commercial development in the Town is not anticipated to be significant due to the directive from the Colorado River Basin Regional Water Quality Control Board to plan and construct a sewage collection and treatment system in order to control nitrate contamination.

Optional Sphere Expansion Areas

The optional western sphere expansion area would encompass approximately 8.5 square miles to include the Pioneertown area. The County's General Plan has assigned land use designations of Resource Conservation (one unit to 40 acres) and Rural Living-5 (one unit to five acres). The optional northern sphere expansion area would encompass approximately 20.7 square miles to include the Yucca Mesa area. The majority of the northern area has been assigned a land use designation by the County's General Plan of Rural Living (one unit to five acres and one unit to ten acres) with two distinct areas of Single Family Residential – 14m, which allows up to three units per acre. Other designations include Resource Conservation, Neighborhood Commercial, and Institutional.

Any future projects will increase the need for municipal services within the Town's existing boundaries as well as within the surrounding unincorporated territory. However, the single most tangible factor that could limit growth will be the availability of water.

Present and Probable Need for Public Facilities and Services

The Town contracts with the County Sheriff to provide law enforcement services within the Town and has done so since its incorporation. The town police force currently consists of 11 patrol deputies, one juvenile officer, one detective, two sergeants, one lieutenant, one police safety specialist and two station clerks. The Town's documents state that it has been working to fund more deputies in the service contract, but no details were provided for this goal.

Fire protection services were provided by the former board-governed Yucca Valley Fire Protection District until July 1, 2008, the effective date of the County Fire Reorganization. Since then, fire protection services are provided by the board-governed San Bernardino County Fire Protection District and its South Desert Service Zone. Response times to the western portion of the Town are above the County's seven minute target response time, but service to the other portions of the town do not meet the seven minute target.

Park and recreation services include parks, Community Center, Senior Center, recreational programs administered by the Town such as youth and senior programs, and the Hi-Desert Nature Museum operations and programs. The Town owns and operates eight parks totaling 174 acres and a community center comprising 11,922 square feet.

With reduction in staffing of 20% in 2009, service levels provided directly by the Town could be anticipated to decrease.

Present Capacity of Public Facilities and Adequacy of Public Services

The Town completed and approved its *Public Facilities Master Plan* in 2007 and *Parks and Recreation Master Plan Update* in 2008. These documents are being used to plan for the future needs for streets and highways, parks, and other public facilities. Due to a lack of space to accommodate growth, the *Public Facilities Master Plan* includes the construction of a new town hall to be located in the Old Town portion of the Town. The new town hall is anticipated to house the police and fire stations, museum, library, California Welcome Center, general governance services, and the community development staff that are currently located in the southeast portion of the Town. Additionally, the *Plan* noted:

- The Yucca Valley Branch Library is inadequate to meet the current needs of its operational requirements. It lacks sufficient space to accommodate the existing programs, some staff lack office space and work areas and the noise level at the library is generally higher than desired.
- The Hi-Desert Nature Museum also lacks enough space to accommodate the storage and exhibit requirements as well as staff office areas and necessary staff amenities.
- The animal shelter facility is old and most of the amenities need to be upgraded and expanded to meet the municipal level standards.
- The number of fire stations serving the town and their current location is not enough to meet the required response time of seven minutes. The Town states that it intends to partner with County Fire to construct the new stations. No funding details were provided as a part of the Town's submission regarding new fire stations.
- Police substations - Services to the recommended sphere expansion area are from the Joshua Tree substation. Since the Sheriff responds to the proposed expansion areas area from the Joshua Tree substation, if the area is eventually annexed to the Town the areas would experience reduced response times due to a closer substation being located in the Town.

Social and Economic Communities of Interest

The Town of Yucca Valley is the social and economic community of interest for the Yucca Valley community. The optional sphere expansion areas contain the distinct social communities of Yucca Mesa to the north and Pioneertown to the west, which are included within the overall Yucca Valley community designation as defined by the Commission.

Economic communities of interest are the commercial activities along the Highway 62 corridor. The community is within the Morongo Unified School District, which serves the entire Morongo Basin.

CONCLUSION FOR TOWN OF YUCCA VALLEY:

The Town is within the boundaries of a regional retail water provider and fire protection provider and has chosen to contract for many services with the County of San Bernardino. Due to age and limited capacity of many of the municipal facilities, the Town will need to expand capacity to accommodate future growth.

Sales and property tax receipts are declining in the current fiscal year and anticipated to remain stagnant next year. As a result, the Town has made operational changes in 2009 which reduced staffing by 20% and deferred some capital spending. With this sharp reduction in staffing, service levels could decrease. On the positive side, the Town has a healthy reserve and minimal debt obligations in comparison with other cities in the county.

As discussed in detail in the *Community Discussion* section of this report, staff recommends that the Commission affirm the current sphere of influence of the Town with the understanding that the Yucca Valley community is defined by the larger sphere of influence of the Hi-Desert Water District.

YUCCA VALLEY AIRPORT DISTRICT Service Review and Sphere of Influence Update

LAFCO 3142 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for the Yucca Valley Airport District.

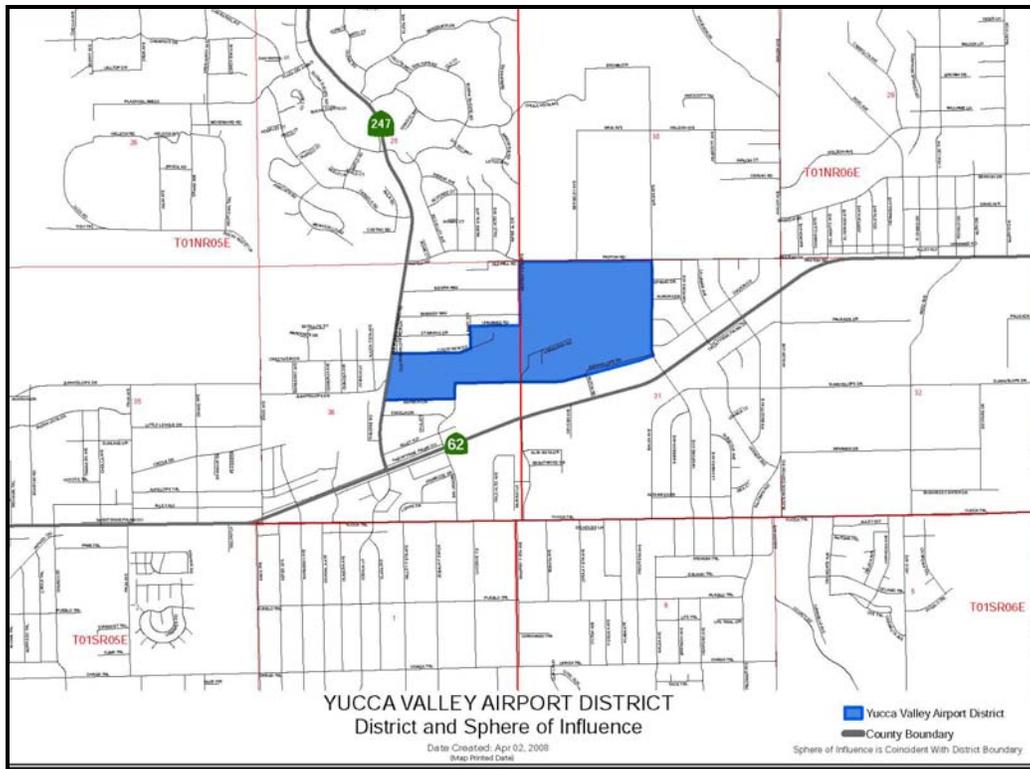
The formation of the Yucca Valley Airport District (hereafter shown as “District”) was approved by the voters in 1982 following LAFCO approval (LAFCO 2061) to provide a mechanism for improvement of the airstrip and associated facilities. The District consists of approximately 200 acres and is located near the geographic center of and entirely within the Town of Yucca Valley. The District is an independent special district governed by a five-member board of directors and operates under the “California Public Airport District Act” (Public Utilities Code Section 22001 et seq.). Following incorporation of the Town of Yucca Valley in 1991, the responsibilities and functions of the former County Airport Land Use Commission were transferred from County of San Bernardino to the Town of Yucca Valley.

Formation of the District was initiated through registered voter petition to LAFCO. However, Section 22151 of the California Public Utilities Code (Airport District Law), states that the Board of Supervisors of each county desiring to form, or join in forming, a district shall adopt a resolution of intention to that effect. There is no mention in Airport District Law of any other method to form an airport district other than through a Board of Supervisors resolution of initiation. Therefore, current LAFCO staff is unclear on how the process progressed to completion.

As discussed in the Community Discussion section and in the balance of this report, LAFCO staff recommends a zero sphere of influence designation for the District.

LOCATION AND BOUNDARIES:

The District is wholly located within the boundaries of the Town of Yucca Valley and is generally located northeast of the intersection of Highways 62 and 247. The District is bordered by Highway 247 (Old Woman Springs Road) on the west; a combination of Crestview Drive, Paxton Drive, and parcel lines on the north; Balsa/Hanford Avenue on the east; and a combination of Aviation Drive, Sunnyslope Drive, and parcel lines on the south. The entire area encompasses approximately 200 acres and its boundaries and sphere are coterminous. The nearest public airport is Twentynine Palms Airport (operated by the County of San Bernardino Department of Airports) 30 miles to the east. A map of the District and its sphere of influence is shown below and included as a part of Attachment #4.



SERVICE REVIEW

The District prepared a service review consistent with San Bernardino LAFCO policies and procedures. The District's response to LAFCO's original and updated requests for materials includes, but is not limited to, the narrative response to LAFCO staff's request for information, financial documents, airport plans and studies, and airport lease. The District's response and supporting materials are included as a part of Attachment #4 and are incorporated in the information below.

I. Growth and population projections for the affected area.

The estimated population within the District is roughly 70 to 75 persons. As of November 2008, there were 32 registered voters within the District. Growth is anticipated to be minimal due to the land uses and small size of the District.

The District is entirely located within the Town of Yucca Valley boundaries and includes the airport property, surrounding housing, and several industrial and commercial buildings on approximately 33 acres. According to data from the County Assessor, there are no vacant properties with residential land use designations. The majority of the land has been assigned residential zoning with some commercial and industrial. Most of the airport is within the FEMA Zone A 100-year flood plain, and a small portion is within the FEMA Zone B 500-year flood plain.

In February 2005, the Town approved and adopted the Airport Influence Area (also known as Airport Referral Area) which is an area in which current or future airport related noise,

over flight, safety, or airspace protection factors may significantly affect land uses or necessitate restrictions on those uses determined by the Town Council. In the same month, the Town granted an Avigation and Noise Easement to the District which shall be recorded against those parcels of property within the Avigation Easement Area. A copy of the Town's Avigation Easement and Deed Notice Areas map is included as a part of Attachment #4.

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Lease Agreement

The land and most of the facilities of the Yucca Valley Airport (airport) are privately owned by the Yucca Valley Airport, Inc. Through a lease with the Yucca Valley Airport, Inc. the District administers and operates the airport. The lease was originally entered into in 1986 with an expiration year of 2011. The fourth amendment, signed in 2005, is through 2040. The terms of the lease include monthly rental payments from the District in the amount of \$500 and that the District can apply for and receive loans or grants from governmental agencies for improvement of the airport.

Airport Location and Layout

The airport is a public use airport that is situated on 35 acres in a natural dry wash, northeast of the intersection of Highways 62 (Twentynine Palms Highway) and 247 (Old Woman Springs Road). The airport layout is affected by its surroundings: rising terrain to the north and south with homes with attached and unattached hangars constructed along the south property line for the convenience of residents with airport based aircraft, Highway 247 on the west, and the northeast to southwest orientation of the dry wash. Within the airport grounds is a five foot deep drainage feature, the Yucca Wash, which is parallel to and roughly 70 feet north of the runway centerline. The San Bernardino Flood Control District has an easement for the drainage.¹⁵

Facilities include a single 4,363-foot long by 60-foot wide runway with take-offs to the northeast, 30 aircraft tie-down spaces (25 aircraft tie-down spaces in the mid-field area and five transient spaces) and four T-hangars. The airport does not have fuel availability or a control tower. District representatives state that flyers tend to purchase fuel at the Big Bear airport roughly 65 miles away. The runway is over 20 years old, and the District, through volunteers, seals cracks in the runways when needed. Slurry seal of the runway is needed, but such an improvement is estimated to cost roughly \$800,000.

Regionally, the airport is situated in a central location in the Morongo Basin. A 2001 "Airport Feasibility Study" study prepared for the County to determine the best location for a regional general aviation airport determined that the Yucca Valley Airport appears to be the optimum available site to serve the Yucca Valley/Joshua Tree region even with its restrictions¹⁶. There is no known action or follow-up taken regarding the study by the County.

¹⁵ County of San Bernardino. Planning Department. "Airport Comprehensive Land Use Plan: Yucca Valley Airport". 1992.

¹⁶ "Yucca Valley/Joshua Tree Region Airport Feasibility Study", Prepared for County of San Bernardino. Aeries Consultants Ltd. June 2001.

Airport Operations

The aircraft operating at the airport consist of small single and twin engine aircraft used primarily for recreational purposes. Data on aircraft operations (take-off and landing) is limited since there is no control tower to record such data or on-site personnel. According to the “Airport Feasibility Study”, in 1999 there were an estimated 12,500 annual aircraft operations at the airport. About 24% were estimated to be local operations and 76% were estimated to be itinerant operations (take off at one airport and land at another). The “Airport Feasibility Study” estimates that in 2007 the activity at the airport increased to 14,500 operations with a projected one percent growth through 2020.

The Emergency Preparedness and Health Services Element of the Town General Plan states that in the event of a disaster, the airport may play a key role in transporting people, equipment, or supplies in and out of the area. During emergencies, the airport has been utilized by Department of the Interior – National Park Service, U.S. Marine Corps, California Department of Forestry and Fire Protection, California Highway Patrol, County Fire, and County Sheriff.

Airport Classifications

The airport is currently classified as a Community Airport in the California Aviation System Plan (CASP), prepared in 2000 by the State of California, Aeronautics Program, Caltrans. Caltrans defines Community Airports as airports that provide access to other regions and states, located near small flying communities or in remote locations, accommodate predominantly single engine aircraft, provide basic or limited services, and can be used for local emergencies. The airport has been assigned as a “B1” facility, which means the airport is capable of serving aircraft with an approach speed of less than 121 knots (139 mph) and a wing span of less than 49 feet.

Until 1995, the airport was classified in the National Plan of Integrated Airport Systems (NPIAS) as a Basic Utility airport which accommodates most single-engine and many of the small twin-engine aircraft. The “Airport Feasibility Study” references a 1996 letter from the FAA as reasoning for the Airport’s removal from the list:

“Runway and separation standards, safety area standards, and runway protection zone standards cannot be met within the existing airport boundaries and adjacent property constraints. For example, the adjacent drainage wash, with the top of slope less than 40 feet from the runway edge, does not allow for a standard runway safety area meeting FAA standards.”

The “Airport Feasibility Study” states the following actions are needed to meet basic FAA design criteria. Information on how the District has satisfied these requirements immediately below each item:

1. “Acquire approximately one acre northeast of the end of Runway 24 that is within the Runway Object Free Area¹⁷.”

¹⁷ A Runway Object Free Area is a two dimensional ground area located with the Runway Protection Zone. The ROFA clearing standard precludes parked airplanes and objects, except objects whose location is fixed by function.

In June 2008 the District purchased property northeast of the end of the runway that meets the criteria. The property on the 2009 Assessor's roll identifies the parcel as being owned outright by the District and being tax-exempt.

2. "Acquire land in fee simple, or avigation easements, over the lands within the runway protection zone not currently within the airport boundary and estimate to be 12 acres of which about eight acres to the east are within the Districts boundary."

The second recommended action was satisfied when the Town in February 2005 granted an Avigation and Noise Easement to the District which was recorded against those parcels of property within the Avigation Easement Area.

3. "Acquire one acre commercial aviation/fixed operator parcel so that it is within the airport boundary."

LAFCO staff is not aware if the District has acquired a one-acre parcel for this purpose.

Because the airport has not been included in the FAA's NPIAS since 1995, it has not been eligible to receive FAA Airport Improvement Program grants. A primary goal of the District is to be placed back on the FAA's NPIAS listing to be eligible for FAA grants.

Airport Improvement

The airport has long-term plans for two projects. The first is expansion of the runway and the second is improvement of airport facilities.

Runway Expansion

Expansion of the airport is restricted by surrounding development and terrain, flood control channels on the east, and Highway 247 on the west. It is not possible to extend the current runway to the west due to Highway 247 or to the east due to the terrain. However, it would be possible to extend the runway length up to 4,500 feet and realign the runway by bridging or relocating the San Bernardino Flood Control easement to the east. In June 2008 the District purchased property northeast of the end of the runway to accommodate the runway expansion and realignment. This expansion option would accommodate 95% of the small aircraft fleet and their operations requirements.

The District has identified that this project will be part of a larger project that requires coordination between the District, Caltrans, County Flood Control District, and the Town of Yucca Valley. Caltrans is involved because it wishes to realign and re-grade the section of Highway 247 which borders the airport and crosses over the flood control channel. According to the District, the Town and Caltrans are coordinating the project and plans are not yet available. Given the current economic conditions, this project may be a few years away at least.

Infield Airport Development Project

The District commissioned a report in 2007 to evaluate the range of alternatives for the construction of aircraft hangars, aircraft tie-downs, self-serve fueling station, and additional apron area pavement on 7.4 acres of underutilized land at the airport.¹⁸ The chosen alternative (Alternative 4B) has been approved by the Aeronautical Division of Caltrans and has an estimated cost of \$1.7 million and is summarized as follows:

- 12,474 square foot ten bay nested t-hangar
- 10,080 square foot six bay nested t-hangar
- 22 aircraft tie-downs
- 1 self-serve aircraft fueling station
- 151,400 square feet of additional paved apron area

The District has identified that it has currently put the Infield Airport Development Project on hold for two reasons. First, the District in 2008 and 2009 was in the process of acquiring funding through the State. However, due to the State's financial situation, funds are not available for this and similar airport projects. State funding was anticipated to be the primary source of funding for this project. Second, the District is currently assessing the feasibility of the formation of an assessment district (subject to two-thirds voter approval). The District has provided information that it is moving forward with this option and is committed to its formation.

III. Financial ability of agencies to provide services.

The District operates with minimal revenues that are limited to three sources.

1. Annual receipt of \$10,000 from Caltrans. Caltrans provides an annual \$10,000 grant to all eligible airports through its Aeronautics Program.
2. Charges from tie-down fees and access fees. The fee is a flat monthly fee for parking and access: \$55 access fee per parcel per pilot, \$60 for single engine and \$75 for twin engine and \$85 for port-a-port hangars. The District last increased its fees in November 2008, and there are no immediate plans to increase the fees. In FY 2007-08, the District received \$22,775 in revenues classified as Airport Services.
3. Donations.

The only stable revenue source is the annual Caltrans grant. Should this grant program discontinue, the total revenues would decrease by roughly 30% and further challenge the District. The District is currently assessing the feasibility of forming an assessment district (subject to two-thirds voter approval). The Yucca Valley Wal-Mart is within the boundaries of the District and is anticipated to be included in the assessment proposal.

In FY 2007-08, the Total Operating Expenses were \$23,503. The District has no employees, so there are no salary and benefit expenses. The largest expenditure items

¹⁸ C&S Companies. "Infield Airport Development Project", Prepared for Yucca Valley Airport District. October 2007.

were rent (\$6,000), insurance (\$4,900), property tax (\$3,900), and maintenance (\$3,800). The remainder of the funds received goes towards maintenance costs and other professional services, when applicable.

Given the minimal amount of revenues received each year, funds are insufficient to warrant reserves.

Embezzlement Issue

The following summary is taken from the FY 2007-08 audit outlining the ongoing criminal liability regarding embezzlement of grant funds from the District:

In 2004, the District's former airport manager applied for a California Governor's Office of Emergency Services grant under the pretext of repairing the airport's runway which had become damaged by flooding in the previous year. The grant was approved in the amount of \$1,293,996 and a check was issued to the District and received by the manager in early 2006. This act was done without the knowledge of the District's Board of Directors. Subsequently, the manager deposited the funds into a bank account unknown to the Board and proceeded to expropriate \$1,030,490 during fiscal year 2006 and an additional \$80,000 during fiscal year 2007, of the funds earmarked for capital improvements. The Manager has been charged with seven counts of grand theft by embezzlement by the San Bernardino County District Attorney's Office. The District feels that they will be able to collect the cash expropriated.

The FY 2006-07 and FY 2007-08 audits identify that the District has incurred a liability as a result of the embezzlement. Although the case concluded with a conviction of the former general manager in February 2009, it is the understanding of the District and LAFCO staffs that the liability will remain until the Court relieves the District of the liability, dependent upon the Court's satisfactory recovery of the embezzled amount or assets of the former district manager. The recovered amounts are to be paid to the State with a corresponding reduction of the District's liability. It is the understanding of LAFCO staff that the State is the primary victim and the District is a secondary victim. Due to this act, the District has lost the opportunity to receive grant funding to fix and improve the airport runway.

IV. Status of, and opportunities for, shared facilities.

The District does not share any facilities with other agencies. However, during emergencies, the airport has been utilized by Department of the Interior – National Park Service, U.S. Marine Corps, California Department of Forestry and Fire Protection, California Highway Patrol, County Fire, and County Sheriff.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

The District is an independent special district governed by a five-member board of directors.

Members are voted by the electorate or are appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms. The board members do not receive stipends or benefits. Below is the current composition of the board, their positions, and terms of office:

Board Member	Title	Term
Christopher Hutchins	President	2009*
Robert Dunn	Vice-President	2009*
Timothy Lewis	Treasurer	2011
Robert Miehley	Director	2009*
Robert Young	Director	2011
*expired. appointment in-lieu of election necessary		

Meetings are held on the second Wednesday of the month. Meeting notices are posted at the Airport and Town of Yucca Valley Town Center. The District also provides notice to local radio and the local newspaper.

The District has no employees and utilizes volunteers for maintenance. However, Public Utilities Code Section 22437 requires the appointment of a general manager, secretary, district counsel, and auditor that are independent of the board of directors to implement the policies of the board and coordinate maintenance and operations. Due to the lack of revenue, the District does not have the means to comply with this requirement.

Government Structure Options

While the discussion of some government structure options may be theoretical, a service review should address possible options, especially in light of the District's financial challenges.

- Expansion of the District's boundaries. The airport itself is constrained by geography, but the District could annex additional territory. If the registered voters, landowners, or the District desire to expand the District's sphere and boundaries, an application would need to be submitted to LAFCO along with a Plan for Services showing the benefits that the additional territory would receive from the District. Additionally, should the District successfully create an assessment district, annexation of additional territory would increase the number of assessed parcels upon a showing of benefit.
- Dissolution of the District with the airport operated as an enterprise fund by the County's Department of Airports. The County has an established system of airports and the inclusion of an additional airport into the system would provide economies of scale in the future for maintenance and operation of the airports. These airports could benefit from shared revenue if consolidation were to occur. However, the County could not succeed to the airport property since the District does not own the airport. This issue makes this option not feasible.
- Dissolution of the District with the formation of a homeowner's association. Administration and operation of the airport could continue through a

homeowner's association (HOA), as was done prior to the District's formation. LAFCO does not have purview over the formation or operation of HOA's but this option warrants discussion. Currently, operation as a public agency requires an election for the levy of an assessment, as is contemplated by the District. Governance through a HOA would remove the requirement for an assessment election and funds could be raised through dues instead of an assessment on property. Further, since the airport is privately owned and leased to the District, the airport would remain upon the District's dissolution and there would be no requirement for a successor public agency to succeed to the District's operations.

- Dissolution of the District with the Town of Yucca Valley as the successor agency. In this option, the Town would be responsible for the District's operations and would succeed to the lease contract with the Yucca Valley Airport Corporation. During the processing of the Town's incorporation, the dissolution of the Yucca Valley Airport District was not included in the Town incorporation proposal. LAFCO researched the possibility of including the dissolution of the District and normally would have recommended it. However, the District requested that they not be dissolved as a part of the incorporation because of possible funding problems for the District and its anticipated improvements. The Town has not expressed interest in this option since its incorporation in 1991. As with the County option, the Town could not succeed to the airport property since the District does not own the airport. This issue makes this option not feasible.
- The District could become a subsidiary district of the Town. In this scenario, the District would remain a separate legal entity with the Town Council acting as the ex-officio board of directors. All funds and assets would remain in the name of the District. This option raises questions regarding risk and liability on the part of the Town. Neither the Town nor the District have expressed interest in this option.
- Condition of Approval for District Formation. Among the conditions of approval for the formation of the District were that upon formation, the District proceed immediately to formulate its plans for the acquisition and improvement of the airport, apply to the FAA for all available funding, and establish an assessment proceeding to fund whatever portion is not funded by the FAA grant program. Additionally, it was understood that if the District board could not acquire the airport and complete the necessary improvements within three years from the date of its formation, the District would submit an application for dissolution to LAFCO. A copy of the LAFCO resolution regarding the District's formation is included as a part of Attachment #4.

In the view of LAFCO staff, it is presumed that the District's long-term lease of the airport meets the ownership condition in the same manner as the requirements of Caltrans (Caltrans considers long-term leases the same as ownership for grant issuance). However, the District has been removed from the FAA's listing, which makes it ineligible to receive FAA funding, and has not established an assessment proceeding. A main goal of the District is to be placed back on the list, which would make it eligible for FAA grants. The District

has provided information that it is moving forward with researching the assessment district option and is committed to its formation. The District has indicated that at the recommendation of their attorney, consideration of these financing methods will be on hold until the embezzlement case is settled.

- Maintenance of the status quo. Given the nature of the airport and the reason for its boundaries being drawn to include only the surrounding interests of the airport, it meets the needs of those within its boundaries and those who use the airport. Further, the District has provided letters of support from other government agencies that utilize the airport. The letters span the years 2002 to 2006 from: Department of Forestry, Department of the Interior – National Park Service, and U.S. Marine Corps. Copies of the letters are included as a part of Attachment #4.

As discussed in the *Community Discussion* section of this report and below, LAFCO staff recommends a zero sphere of influence designation for the District.

SPHERE OF INFLUENCE UPDATE

Sphere of Influence

In 1983, the Commission established the sphere as coterminous with the boundaries and there have been no alterations to the sphere since.

Government Code Section 56076 defines a sphere of influence as a “plan for the probable physical boundaries and service area of a local agency, as determined by the commission”. LAFCO staff recommends that the Commission designate a zero sphere of influence for the District. This action would not affect the District’s current boundary or the services it actively provides as authorized by the Commission. Rather, it would signal the Commission’s position that the District should be dissolved given that it has not met the conditions previously identified by the Commission; does not have a general manager, secretary, or auditor independent of the board of directors as mandated by law; and experiences continual financial challenges with no dedicated or stable funding source. Further, since the airport is privately owned and leased to the District, the airport would remain upon the District’s dissolution and there would be no requirement for a successor public agency to succeed to the District’s operations. Such a designation would be reflective of the need to review other governance options for the airport.

Authorized Powers

When updating a sphere of influence for a special district, the Commission shall (1) require existing districts to file written statements with the Commission specifying the functions or classes of services provided by those districts and (2) establish the nature, location, and extent of any functions or classes of services provided by existing districts (Government Code §56425(i)).

The District states that it only provides airport services. LAFCO staff recommends the Commission affirm the function and services provided by the District in the *Rules and*

Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts as follows:

FUNCTIONS

Airport

SERVICES

Operations and Maintenance

FACTORS OF CONSIDERATION:

The District was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

The Present and Planned Uses in the Area

At the airport, the present and planned uses are the airport runway and facilities. For the remainder of the District, the properties are generally owned by those who own airplanes or own airport related businesses. The boundaries of the District were drawn as to include only those properties directly benefiting by the airport. However, businesses have been developed within the District which includes a Wal-Mart. There are no agricultural lands.

The District is entirely located within the Town of Yucca Valley boundaries and includes the airport property, surrounding housing, and several industrial and commercial buildings on approximately 33 acres. The majority of the land has been assigned zoning designations of residential with some commercial and industrial. Most of the airport is within the FEMA Zone A 100-year flood plain. A small portion is within the FEMA Zone B 500-year flood plain.

The Present and Probable Need for Public Facilities and Services in the Area

The present and probable need for the airport is satisfied through private ownership of the airport and most of its facilities. Services are provided through the long-term lease of the facilities to the District.

In a 2001 "Airport Feasibility Study" study prepared for the County to determine the best location for a regional general aviation airport, the study determined that the Yucca Valley Airport appears to be the optimum available site to serve the Yucca Valley/Joshua Tree region even with its restrictions. There is no known action or follow-up taken regarding the study by the County.

The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides

The adequacy of the airport meets the basic needs of those within the District and those who use the airport. In addition, the military, County Fire, Cal Fire, and the County Sheriff utilize the airport during emergencies.

Facilities include a single 4,363-foot long by 60-foot wide runway with take-offs to the northeast, 30 aircraft tie-down spaces (25 aircraft tie-down spaces in the mid-field area and five transient spaces) and four T-hangars. The airport does not have fueling availability or a control tower. District representatives state that flyers tend to purchase fuel at the Big Bear airport roughly 65 miles away. The runway is over 20 years old, and the District, though volunteers, seals cracks in the runways when needed. Slurry seal of the runway is needed, but such an improvement is estimated to cost roughly \$800,000.

The Existence of any Social or Economic Communities of Interest

Social and economic communities of interest include the Town of Yucca Valley (the District is wholly within the Town's boundaries), the properties and businesses that utilize the airport, and the Wal-Mart located within the District. As a regional facility, it serves the larger Yucca Valley community and portion of the Morongo Basin.

CONCLUSION FOR YUCCA VALLEY AIRPORT DISTRICT:

The Yucca Valley Airport District was formed to provide direct benefit to those in immediate proximity to the airport and to acquire public funding for its improvement. The District experiences revenue challenges since it is not eligible for FAA funding, does not have an assessment district, and its sole stable source of revenue is the annual Caltrans grant.

Staff recommends that the Commission:

- Designate a zero sphere of influence designation for the District given the lack of adherence to Airport District Law, lack of funding, not being on the FAA airport listing, and lack of significant improvements to the airport. Such a designation would be reflective of the need to review other governance options for the airport.
- Affirm the function and services provided by the District in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* as follows:

FUNCTIONS

SERVICES

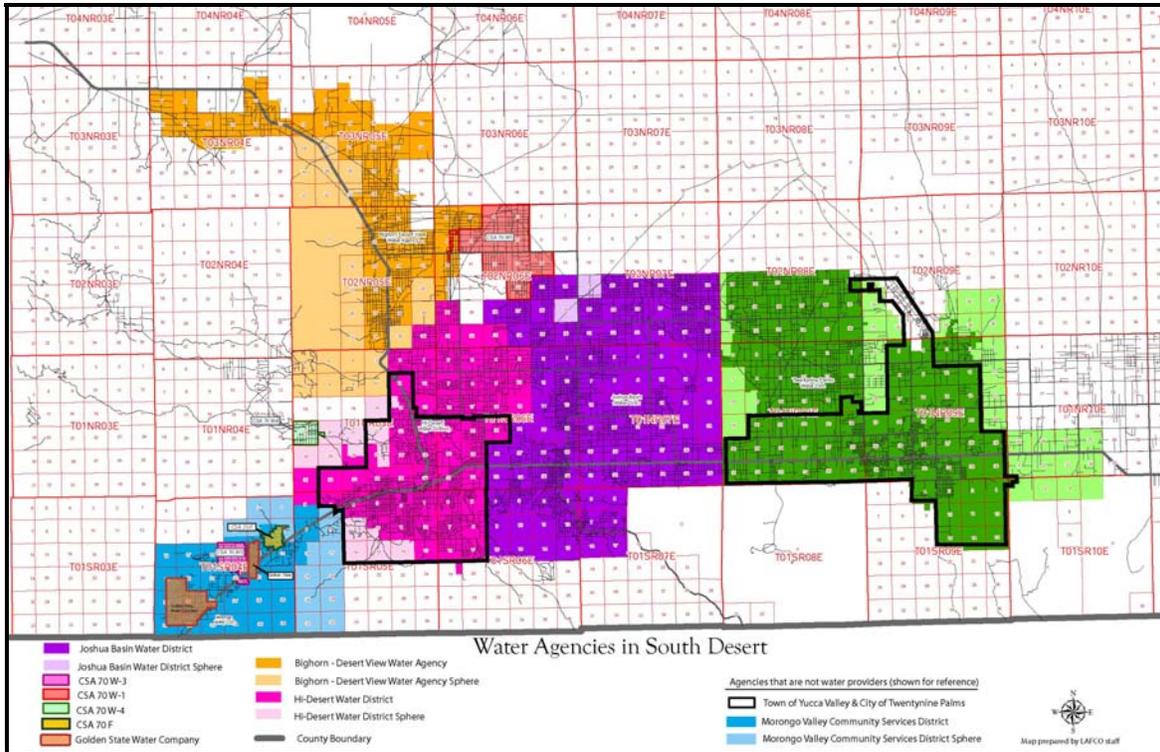
Airport

Operations and Maintenance

At this time LAFCO staff is not recommending any actions be taken regarding the conditions for approval of the District's formation and that this issue be reviewed again during the next service review/sphere of influence update in five years.

WATER DISCUSSION

Currently, the Hi-Desert Water District is the predominant domestic water service provider within the community, serving Yucca Valley and Yucca Mesa areas. In the Pioneertown area water service is provided by County Service Area 70 Improvement Zone W-4. Not all areas in the community have direct access to a municipal water provider; therefore, it is understood that water service to those developed properties is provided through on-site wells or through hauling of domestic water. These regional service providers are shown on the map below which is included as a part of Attachment #1.



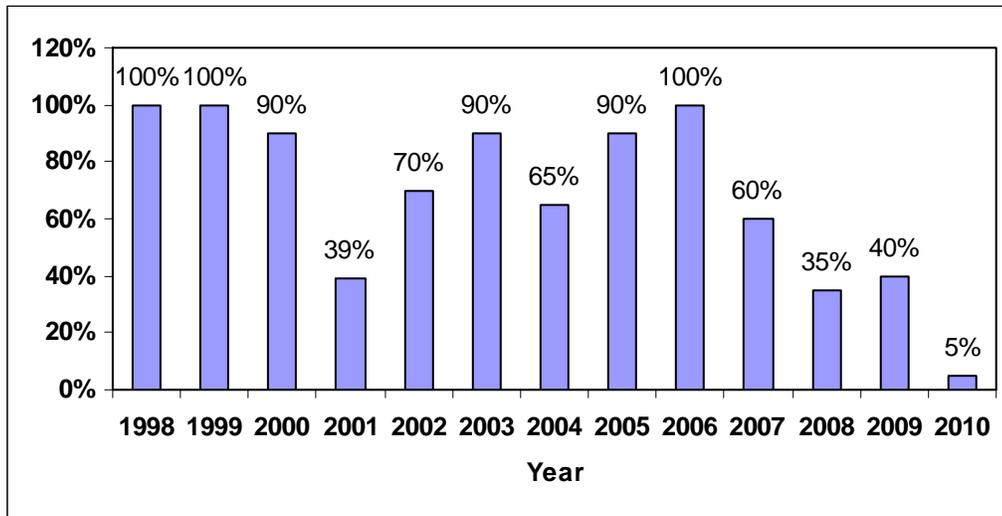
Regional Water

As LAFCO staff has stated on many occasions, water is the lifeblood for communities located in the desert. Therefore, the most significant regional issue is present and future water supply. The *2007 State Water Project Delivery Reliability Report* indicates that State Water Project (SWP) deliveries will be impacted by two significant factors. First, it is projected that climate change is altering hydrologic conditions in the State. Second, a ruling by the Federal Court in December 2007 imposed interim rules to protect delta smelt which significantly affects the SWP. Further, the *Report* shows, "...a continued eroding of SWP delivery reliability under the current method of moving water through the Delta" and that "annual SWP deliveries would decrease virtually every year in the future..." The *Report* assumes no changes in conveyance of water through the Delta or in the interim rules to protect delta smelt.

State Water Project

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase for the past twelve years. For example, Mojave Water Agency (MWA) (the State Water Contractor that overlays the Yucca Valley community) is entitled to purchase up to 75,800 acre-feet of imported water per year. For 2010 the initial allocation percentage is 5%; therefore, MWA can initially purchase up to 3,790 acre-feet in 2010. Five percent is the lowest initial allocation percentage since the State Water Project began delivering water in 1967.¹⁹ While the initial 2010 allocation is only five percent, actual deliveries are expected to increase during the year once actual hydrologic and water supply conditions are known. This sharp reduction in supplemental water supply will reduce the amount of water that MWA can place into the Warren Groundwater Basin.

**Department of Water Resources State Water Project
Allocation Percentages Statewide (1998-2010)**

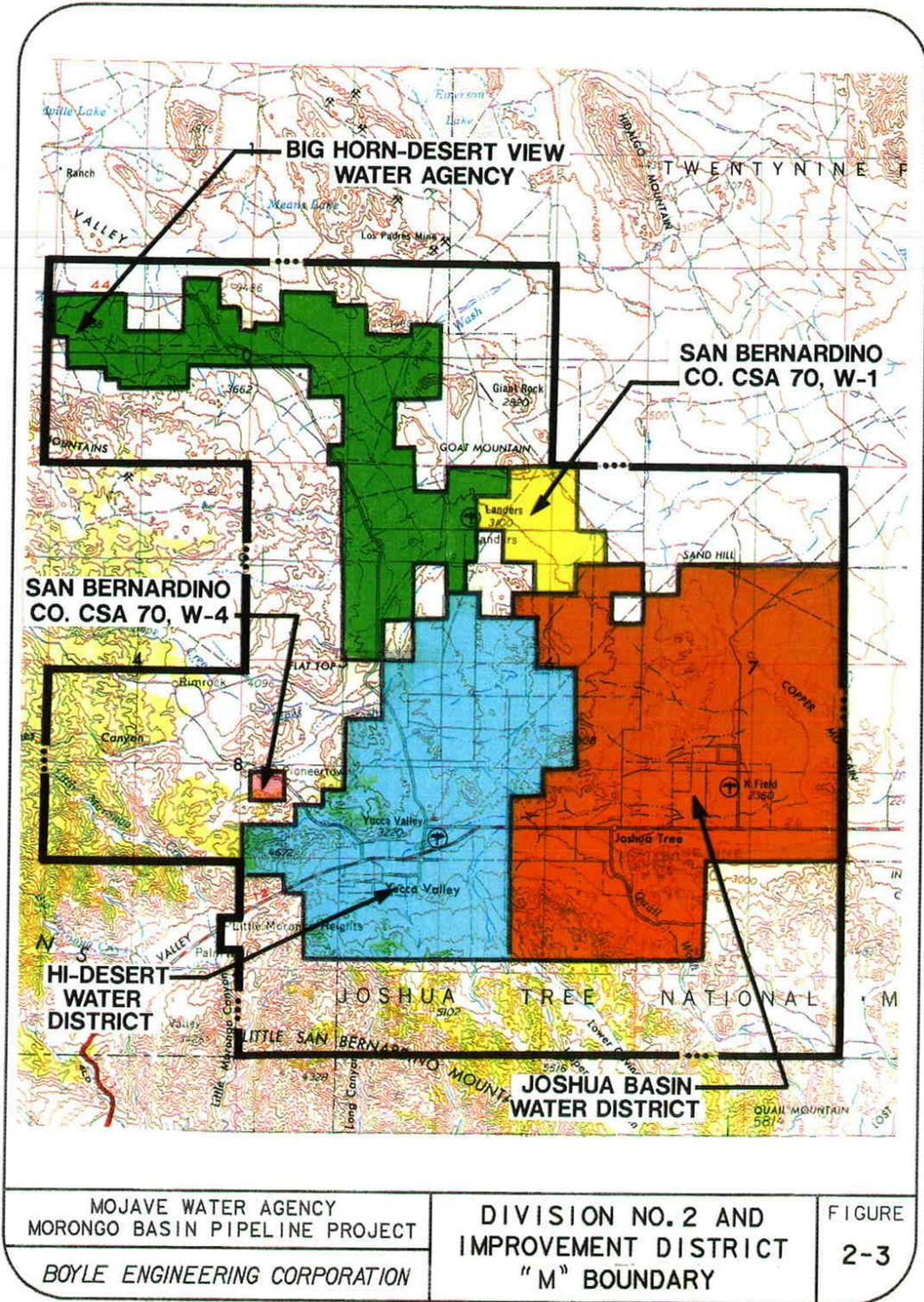


source: Department of Water Resources

Mojave Water Agency Improvement District M

In 1990, the southern portion of the Mojave Water Agency’s territory voted in favor of forming Improvement District M and to incur bonded indebtedness of \$66.5 million to finance the construction costs of the Morongo Basin Pipeline. Construction on the approximately 71 mile Morongo Pipeline began in 1992 and was completed in 1995 and serves the areas of Johnson Valley, Joshua Tree, Landers, and Yucca Valley. The Pipeline delivers water from Hesperia to a five million gallon reservoir in Landers. From there, water is delivered to percolation ponds in the Yucca Valley area that act as natural filtration systems where water seeps back into the ground to recharge the aquifer. Maps of MWA Improvement District M and recharge facilities are included as a part of Attachment #1, and MWA Improvement District M is shown on the map below.

¹⁹ State of California. Department of Water Resources. “DWR Raises Initial 2010 State Water Project Allocation”, Press Release. 1 December 2009.



The landowners of the improvement district are obligated to pay for 75% of the costs for construction of the Pipeline, and the participating agencies are obligated to pay the remaining 25%. The participating agencies each pay a share of the 25% as follows:

Improvement District M - Participating Agency Share

Agency	Original Share	Current Share
Hi-Desert Water District	59%	59%
Joshua Basin Water District	27%	27%
Bighorn-Desert View Water Agency	9%	9%
CSA 70 Improvement District W-1 (Goat Mountain)	4%	1%
CSA 70 Improvement District W-4 (Pioneertown)	1%	0%
MWA	0%	4%

Originally, CSA 70 Improvement District W-1 was obligated to pay 4% and CSA 70 W-4 to pay 1%. However, in 1995, MWA acquired 3% of the rights from CSA 70 W-1 and 1% from CSA W-4. According to County Special Districts Department staff, MWA was requested by the County Board of Supervisors to buy CSA 70 W-1 and W-4 shares due to lack of utilization of the water. The percentage share identified for each participating agency also reflects the percentage of water which they are entitled. The Board of Supervisors action relinquished its rights to purchase supplemental water from the Pipeline when they sold the W-1 and W-4 shares.

According to the Hi-Desert Water District's *2005 Urban Water Management Plan*, Improvement District M has entitlement to 7,257 acre-feet per year (AFY) of State Water Project water. The Hi-Desert Water District has a contractual entitlement to 59% of the Improvement District M entitlement, or 4,282 AFY. At the time the Morongo Basin Pipeline agreement was executed among the participants and MWA in 1990, MWA's entitlement was 50,800 AFY. Subsequently, MWA has acquired an additional entitlement of 25,000 AF per year. Discussion continues as to whether the Hi-Desert Water District and others within Improvement District M are entitled to a proportionate share of the additional 25,000 AF.

The chart below shows the amount of supplemental water sent through the Morongo Basin Pipeline from 1998 to September 2008. Data for 2009 is not yet available. In looking at 2010, the initial State Water Project allocation percentage is 5%. If the initial allocation does not change, Hi-Desert Water District would only be contractually entitled to 214 acre-feet for 2010.

Mojave Water Agency Morongo Pipeline Deliveries

Year	Improvement District M Entitlement	HDWD Contractual Entitlement (59%)	SWP Allocation	HDWD Entitlement times SWP Allocation	Actual HDWD Delivery
1998	7,257	4,282	100%	4,282	2,121
1999	7,257	4,282	100%	4,282	2,412
2000	7,257	4,282	90%	3,854	3,786
2001	7,257	4,282	39%	1,670	2,878
2002	7,257	4,282	70%	2,997	2,390
2003	7,257	4,282	90%	3,854	2,427
2004	7,257	4,282	65%	2,783	4,821
2005	7,257	4,282	90%	3,854	2,041
2006	7,257	4,282	100%	4,282	3,451
2007	7,257	4,282	60%	2,569	4,779
2008	7,257	4,282	35%	1,499	3,141
Total				35,924	34,247

source: Department of Water Resources, Mojave Water Agency
units in acre-feet unless otherwise noted
Data for 2008 is through September

Additionally, MWA has a four percent entitlement share of the Morongo Pipeline. MWA delivers water through the pipeline for storage in the Warren Basin for potential sale to the Hi-Desert Water District at a later date. The Hi-Desert Water District could purchase the water when there is not sufficient water to deliver because of reductions to the State Water Project allocation. The chart below shows the MWA storage from 1998 through 2008.

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Delivery	236	270	144	0	0	0	0	919	1,216	0	0

source: Mojave Water Agency
units in acre-feet
Data for 2008 is through September

Bulk Hauled Water

In remote areas of the south desert, the hauling of domestic water is the sole means for water acquisition. In a joint letter to county planning and building departments in 2003, the California Department of Health Services and the California Conference of Directors of Environmental Health specify that, "bulk hauled water does not provide the equivalent level of public health protection nor reliability as that provided from a permanent water system from an approved onsite source of water supply." This statement is based on five potential public health risks for hauled water:

1. The potential for contamination exists when water is transferred from tanker trucks to water storage tanks.
2. Storage tanks are often the source of bacterial contamination.

3. There is no assurance that licensed water haulers follow State guidelines at all times.
4. The future reliability of hauled water is susceptible to economic conditions.
5. There is generally a higher risk for contamination.

The letter further states that hauled water for domestic purposes should only be allowed to serve existing facilities due to a loss of quantity or quality and where an approved source cannot be acquired. A copy of this letter is on-file at the LAFCO staff office.

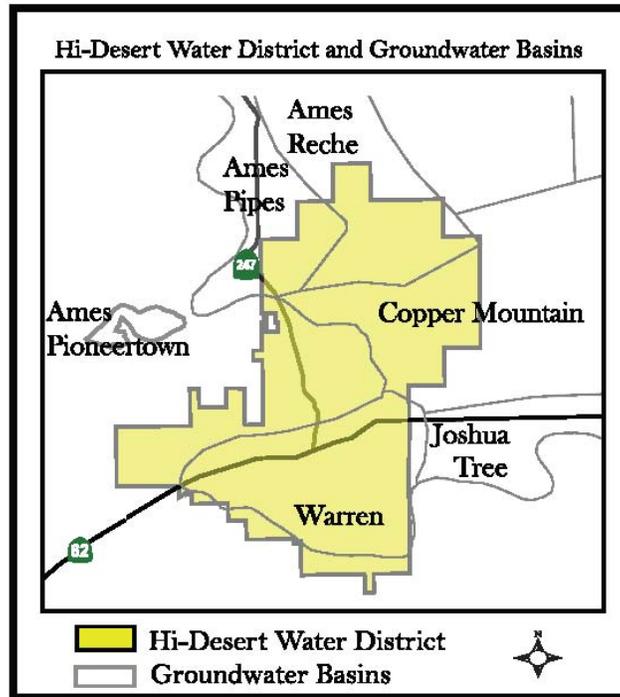
The County of San Bernardino recognizes the potential health hazards with hauled water. Future development will be restricted unless there is access to an individual well or domestic water system. County Code of San Bernardino Section 33.0623 (last amended in 1996) under Health and Sanitation and Animal Regulations reads:

Water furnished by a domestic hauler shall not be used as a source of water by any public water supply system unless it has been demonstrated to DEHS [Department of Environmental Health Services] that there are no reasonable means of obtaining an acceptable quality and quantity of groundwater, and that water treatment methods have been approved by DEHS. Exception: During an officially declared state or local emergency, a public water system may utilize hauled water as a temporary source of supply.

However, those without connection to a domestic water system or without individual wells on their property must rely on hauled water for domestic and other uses.

Community Water

The majority of the water supplied is groundwater from the Warren Valley Basin. This basin provides 80% of the water source while the Ames Valley Basin provides the remaining 20%. The Hi-Desert Water District also purchases State Water Project water from the Mojave Water Agency, which is a State Water Project contractor. Beginning in 1995, the water purchased from Mojave Water Agency has been used to recharge the Warren Valley Basin after many years of overdraft. The Hi-Desert Water District recharge basins are located northeast of the intersection of Highways 62 and 247, north of the Yucca Valley Airport. A map of the Hi-Desert Water District with the groundwater basins is shown below.



Warren Valley Groundwater Basin

Since the 1950s, the Warren Valley Groundwater Basin has experienced overdraft²⁰ conditions. As significant growth occurred in the Yucca Valley area, this overdraft condition worsened and groundwater levels declined at an accelerating rate. The Warren Valley Groundwater Basin has an average safe yield of approximately 900 acre-feet per year. Prior to the importation of State Water Project water, the Basin was seriously overdrafted and groundwater levels had declined as much as 20 to 40 feet per year. The following description of the Warren Valley Groundwater Basin is taken from the Department of Water Resource's Bulletin 118 (last updated February 2004):

The Warren Valley Basin is located in the northwestern portion of the Colorado Desert Hydrologic Study Area. This basin includes the waterbearing sediments beneath the town of Yucca Valley and the surrounding area. The northern boundary of the basin is the Pinto Mountain fault and the southern boundary is the bedrock outcrop of the Little San Bernardino Mountains. The Warren Valley Basin is bounded on the east by a bedrock constriction called the "Yucca barrier" and on the west by a bedrock constriction and a topographic divide between Warren Valley and Morongo Valley.

²⁰ Overdraft is defined as "the condition of a groundwater basin in where the amount of water withdrawn exceeds the amount of water replenishing the basin over a period of time". California. Department of Water Resources, *California Water Plan Update - Bulletin 160-98*, pg. G-3 (November 1998).

Concerned about the prospect of not only continuing but even significantly increasing overdraft, the Hi-Desert County Water District (HDCWD) filed a complaint for adjudication²¹ of the groundwater in 1976. In 1977, the Superior Court for the County of San Bernardino issued its judgment for adjudication.²² In the adjudication, the Court recognized the need to issue groundwater rights in excess of the Basin's safe yield so that the local economy could support the cost of a solution to the overdraft. Accordingly, overlying rights to the Basin groundwater were issued to Blue Skies Country Club (585 acre-feet per year [AFY]) and the 16 minimal producers (1 AFY each); appropriative rights were issued to HDWD (896 AFY) and Yucca Water Company (726 AFY); and rights of 80 AFY were issued to the Institute of Mental Physics in the Zone of Transmission between the Warren Valley Basin and the adjacent basin to the east. To administer the provisions of the adjudication judgment, the Court appointed HDCWD as the Watermaster for the Basin and ordered that the Watermaster develop a physical solution.

Adjudication resulted in the following:

- Laid the foundation for the construction of the 71-mile Morongo Basin Pipeline from the State Water Project aqueduct in Hesperia, California to Yucca Valley.
- Development of the Warren Valley Basin Management Plan-initially developed in 1991.
- Allocated pumping restrictions for all wells located in the Warren Valley Basin.

Ames Valley Groundwater Basin

The following description of the Ames Valley Groundwater Basin is taken from the Department of Water Resource's Bulletin 118 (last updated February 2004):

This groundwater basin underlies Ames Valley, Homestead Valley, and Pipes Wash in the southcentral San Bernardino County. The basin is bounded by nonwater-bearing rocks of the San Bernardino Mountains on the west, of Iron Ridge on the north, and of Hidalgo Mountain on the northeast. The Emerson, Copper Mountain, and West Calico faults form parts of the eastern and northern boundaries. The southern boundary and parts of the northern and eastern boundaries lie along surface drainage divides. The valley is drained northeastward by Pipes Wash to Emerson (dry) Lake.

Due to the ongoing overdraft of the basin and challenges associated with the State Water Project, future supplies are limited and demand will exceed supplies unless the Department of Water Resources allocates additional amounts. This prompts water purveyors to scale back consumption annually and to aggressively promote water conservation measures.

²¹ Adjudication is defined in the *2005 California Water Plan* as the "Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision." California. Department of Water Resources, *California Water Plan Update 2005*, Vol 4, Glossary (2005).

²² Judgment in the matter of Hi-Desert Water District vs. Yucca Water Company Ltd., Case Number 172103, San Bernardino, CA, dated 16 September 1977.

Finding efficiencies in managing limited supply sources is critical for the future of the community.

Water Rates

A comparison of the residential water rates charged by the agencies within the Morongo Basin is identified in the chart below.

Water Agency Rate Comparison (2009)
(rates measured in units, or one hundred cubic feet)

Agency	Water Use Fee				Monthly Meter Charge (3/4" Meter)	Monthly Average Cost (10 units of water)
	Tier One	Tier Two	Tier Three	Tier Four		
Bighorn-Desert View Water Agency	\$3.00	-	-	-	\$55.00	\$85.00
CSA 70 Improvement Zone F (Morongo Valley)	\$4.18	\$4.65	\$5.31	-	\$53.01	\$96.22
CSA 70 Improvement Zone W-1 (Goat Mountain)	\$3.55	\$3.94	\$5.08	-	\$21.86	\$58.53
CSA 70 Improvement Zone W-3 (Landers)	\$2.83	\$3.15	\$3.22	-	\$36.01	\$65.27
CSA 70 Improvement Zone W-4 (Pioneertown)	\$4.94	\$6.16	\$8.31	-	\$28.75	\$84.25
Golden State Water Company (Morongo)	\$2.47	-	-	-	\$22.30	\$47.02
Hi-Desert Water District	\$3.18	\$4.97	\$6.01	\$8.04	\$10.40	\$52.94
Joshua Basin Water District	\$1.97	\$2.19	\$2.32	\$2.42	\$21.84	\$42.64
Twentynine Palms Water District	\$1.86	-	-	-	\$11.00 ¹	\$29.60

¹ Charge is for 5/8" meter

HI-DESERT WATER DISTRICT Service Review and Sphere of Influence Update

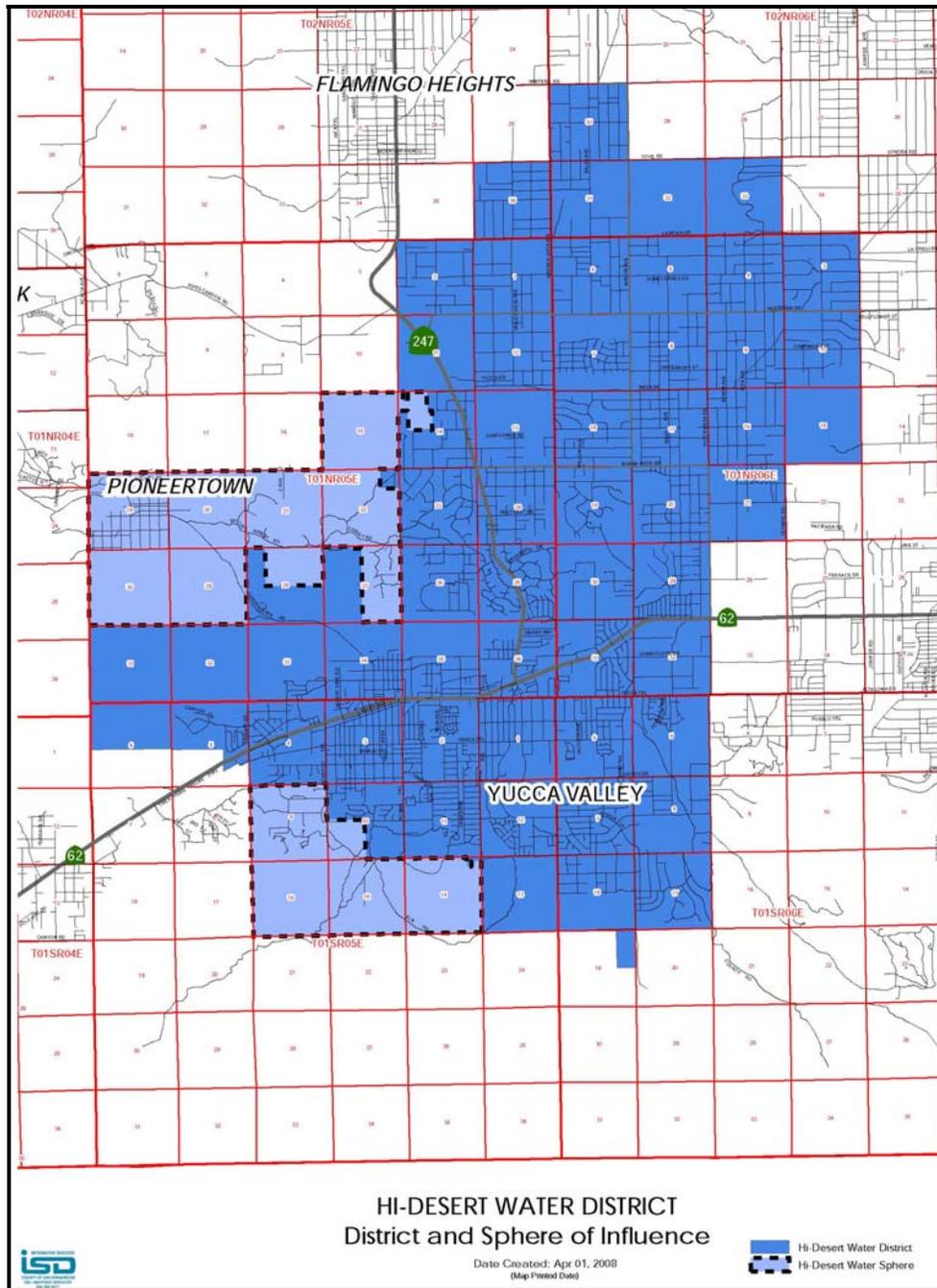
LAFCO 3140 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for the Hi-Desert Water District.

In 1962, the County Board of Supervisors and the electorate approved the formation of the Yucca Valley County Water District. Since 1980, the agency has been known as the Hi-Desert Water District (hereafter shown as “District”). The District consists of approximately 56 square miles and its sphere of influence comprises the entire Yucca Valley community, as defined by the Commission. The District is an independent special district governed by a five-member board of directors and operates under Division 12 of the Water Code (Sections 30000 et seq.).

As discussed in the balance of this report, LAFCO staff recommends an expansion of the District’s sphere of influence by approximately 480 acres to the north.

LOCATION AND BOUNDARIES:

The District is located in the South Desert region of the county in the Morongo Basin and is approximately 70 miles east of the City of San Bernardino and 30 miles north of Palm Springs. The District is generally west of the Joshua Tree Community Plan area and the Joshua Basin Water District, north of the Joshua Tree National Park, northeast of the Morongo Valley Community Plan area and the Morongo CSD, east of the unincorporated community of Pioneertown, and generally south of the Bighorn Desert View Water Agency and Flamingo Heights and Landers areas. Below is a map of the District’s current boundaries and sphere, included in Attachment #5.



SERVICE REVIEW

At the request of LAFCO staff, the District prepared a service review consistent with San Bernardino LAFCO policies and procedures. The District's response to LAFCO's original and updated requests for materials includes, but is not limited to, the narrative response to LAFCO staff's request for information, water system information, and financial documents. The District's response and supporting materials are included as Attachment #5 and are incorporated in the information below.

I. Growth and population projections for the affected area.

The District has provided a 2008 estimate of roughly 23,211 persons within its boundaries. This figure is statistically similar to the figure of 24,221 when utilizing the Department of Finance figure for the Town of Yucca Valley and for the unincorporated area as outlined in the Town's *Municipal Service Review* document submitted as a part of its service review. As of March 16, 2009, there were 11,697 registered voters within the District.

Population growth through 2035 is anticipated to reach 38,634. The build-out population within the District's boundaries is estimated to be 79,678 based on the assigned land use designations (62,223 in the Town; 17,455 for the unincorporated area). It is unlikely that buildout population will be reached by the 2030 horizon of this review.

Development within the District increased during the recent housing boom, peaking in 2005, and has slowed markedly since. The majority of the single family residences constructed in the past two years have been infill and the lack of a regionalized sewer system continues to hamper some areas of commercial growth. Commercial development in the District is not anticipated to be significant due to the directive from the Colorado River Basin Regional Water Quality Control Board to plan and construct a sewage collection and treatment system in order to control nitrate contamination.

Any future projects will increase the need for municipal services within the District's existing boundaries. However, the single most tangible factor that could limit growth will be the availability of water.

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Water

The District had 9,699 active service connections in 2009. Of the active connections, 94% are residential and multi-family, 4% are commercial, and 2% are other uses. Consequently, the District's service connections are projected to increase to 10,500 connections by 2010, approximately 12,000 connections by 2015, 13,000 connections by 2020, and 15,000 connections by 2030. Annual average growth rate under these assumptions is approximately 2.3%.

Supply

Water supplied to Yucca Valley is extracted from the Warren Valley Groundwater Basin and the Ames Basin. The District is the principal water purveyor servicing the Yucca Valley area, the other being County Service Area 70 Improvement Zone W-4 serving the Pioneertown area located within the District's western sphere of influence. The District obtains all of its water supplies from 18 wells (13 active) that pump groundwater from the Warren Valley Groundwater Basin, with two located in the Ames basin on the mesa to the north. The wells have a combined per day capacity of 9.2 million gallons.

According to a U.S. Geological Survey study published in 1972, the Warren Valley Groundwater Basin was reported to be small and not exceeding 200 acre-ft/yr of natural recharge. Groundwater in storage in 1958 was computed to be 106,000 acre-ft. It was concluded that the consumptive-use in the basin from 1958 through 1972, still yielded at least 96,000 acre-ft of groundwater in storage.

Current estimated production is approximately 3,000 acre-feet per year (afy). According to the District, it also has rights for up to 800 afy from the adjacent Ames Valley Basin. In 1987, the District drilled a well outside the Warren Valley Basin that is capable of producing 1,500 afy. The well site was placed within the sphere of influence of the Desert View Water Agency, one of the predecessor agencies to the Bighorn-Desert View Water Agency (BDVWA). This well was drilled on Bureau of Land Management property. The well can produce up to 2,100 afy from the Ames Valley Groundwater Basin, which much of District's Mesa area overlies.

According to a USGS Water-Resources Investigation Report, from the late 1940s through 1994, water levels in the Warren sub-basin declined as much as 300 feet due to groundwater extraction. In response, the District instituted an artificial recharge program in 1995 to replenish the groundwater basin using imported California State Water Project water. With little natural recharge, the imported water has been used to offset and eliminate any continued cumulative contribution to overdraft of District operations. This water is piped to the project area and recharged into the Warren Valley Basin through a series of recharge basins in the Town of Yucca Valley along Yucca Creek Wash. In 2007 and 2008, the District purchased from Mojave Water Agency 4,955 and 4,270 acre-feet of imported water from the State Water Project, respectively.

However, while the artificial recharge program resulted in water-level recovery of about 250 feet between 1995 and present, nitrate (NO₃) concentrations in some wells also increased from 10 mg/L to more than the U.S. EPA maximum contaminant level of 44 mg/L. Due to nitrates present in some wells, water pumped from wells 12E and 17E are treated at the nitrate removal facility. The capacity of the treatment facility is 2,500 gallons per minute, and the treated water is blended with water from well 16E before being pumped in the system for distribution.

Water Distribution System

The District states that its facilities range from over 60 to just a few years old. The majority of the District's 316 miles of pipelines were initially constructed in the 1940's, but beginning in 1997 the District has been aggressively replacing approximately 10 miles of pipe a year from uncoated steel to PVC. The *Water System Master Plan* states that roughly 56% of the pipelines have an unknown installation date. The pipes range in size from 2 to 12 inches in diameter, with the majority being six and eight inches. In FY 2008-09, the District's Capital Replacement Program installed 16,600 linear feet of new water transmission and distribution mains. Since 1972, the District has installed roughly 380,000 liner feet of pipe (72 miles).

Most of the District's reservoirs and pump stations were built in the 1980s. The 16 storage reservoirs have a combined 12.90 million gallons of storage and range in capacity from 0.15 million gallons to 2.2 million gallons. While not scheduled for replacement, the District has a

maintenance plan in place and facilities issues are addressed expeditiously. The District states that it has an aggressive approach to maintenance and upkeep of the system that has kept the system in overall good condition.

Consumption rates are amongst the lowest in the state, being 121 gallons per day per capita versus the statewide average of 192 gallons per day per capita. Additionally, the District estimates that roughly 75% of customers have retrofitted their properties with low-flow toilets.

The system has two emergency inter-tie connections. The first is with the Bighorn-Desert View Water Agency. This connection is only active for delivery from Bighorn-Desert View Water Agency to Hi-Desert Water District. Since 1995, the availability to deliver water from Hi-Desert Water District to Bighorn-Desert View Water Agency has been compromised due to the pump-tie being no longer functional. The second inter-tie connection is with the Joshua Basin Water District through hydrant transfer via pump and hose connections.

Future Water Facilities

In order to address future development, additional water, sewer and water reclamation infrastructure will be needed. Capital Improvement Plans for the infrastructure are included in the District's current *Water System Master Plan*. The facilities needed include a comprehensive sewer system, a wastewater reclamation plant, water conveyance pipelines, water storage reservoir and a water system booster station.

The Lower Ridge Reservoir project consists of the construction of a new 250,000 gallon reservoir and associated earthwork, concrete, asphalt, water piping, valves, electrical, fencing, and general site improvements. The proposed reservoir will provide operational, emergency and fire flow storage for the pressure zone on the western end of Yucca Valley. The project is in the bid phase and a request for proposals has been noticed.

Watermaster Activities

Pursuant to the Judgment in the case of *Hi-Desert Water v Yucca Water Company, Ltd*, in 1992 the court appointed the District as the Watermaster of the Warren Basin. The Watermaster is responsible to report annually on the condition of the Warren Basin, including all groundwater information, usage, precipitation, and production values.

Currently the Watermaster Board of Directors consists of eight members: five members from the District Board of Directors, one non-voting representative from Blue Skies Country Club, one non-voting representative from the Institute of Mental Physics and one non-voting representative from the 16 minimal producers.

Sewer

The District is authorized Sewer as an active function by LAFCO, but the service has not been provided to date.

Currently, the Water District's entire service area and sphere area relies on septic tanks and subsurface disposal to treat and dispose of wastewater. Individual package treatment

plants have been required for restaurants and new commercial uses since 2005. To protect the water supply from potential contamination by minimizing the unregulated discharge of wastewater, as mandated by the Colorado Regional Water Quality Control Board, the District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project" (See Agenda Item 11 – LAFCO 3084). In addition, the proposed project will generate treated effluent for percolation into the groundwater basin. The District has been planning in anticipation of actively providing sewer service and has completed its *Wastewater Collection and Treatment Master Plan* (1998), *Guidelines and Standards for Sanitary Sewer Facilities* (2007), *Sewer Master Plan* (2009), and *Pre-Design Report* (2009). Copies of these documents are onfile at the LAFCO staff office.

III. Financial ability of agencies to provide services.

Revenues

The District's revenue falls into two general categories, operating revenue and non-operating revenue. Operating revenue consists of revenue based on water consumption as well as revenue from fees (connection, new accounts, delinquency, etc), meter sales and returned checks. Non-operating revenue consists of property taxes (\$1.6 million in 2008), retail water sales and other minor sources such as bottled water sales and interest on bank balances. Revenues could theoretically be increased by raising water consumption rates or increasing fees on services such as connections or on delinquencies; however, the District states that rates increases will not be considered without a rate study.

The District also maintains a Wastewater Enterprise Fund separate from the District's General Fund as a means to isolate revenue and costs for the planned Sewer and Wastewater Reclamation Project. This Sewer Project's revenues are a combination of loans from the General Fund and grants from agencies such as US Bureau of Reclamation, the US Environmental Protection Agency and the State Water Resources Control Board.

The District's non-operating revenues, such as property taxes, surcharge, or surcharge recovery revenues are pledged to pay down the District's debt service expenses and for the District's capital improvement program. Non-operating revenues net of non-operating expenses decreased by \$298,066 in FY 2008-09 due primarily to a decrease in investment earnings of (\$162,084) and a decrease in tax revenue recovery surcharge of (\$260,317) from 2008.

Expenditures

The District's major expenditures are water purchases, pumping and treatment, transmission, customer service and general administrative expenses. The District's operating expenses have exceeded its operating revenues before depreciation and amortization expense for the past three audit years as bulleted below.

- In FY 2006-07 by 3.0% or (\$222,328) due primarily to increase water procurement costs.

- In FY 2007-08 by 15.8% or (\$1,096,595) due primarily to a decrease in operating revenue from water sales and an increase wastewater operational costs.
- In FY 2008-09 by 15.2% or (\$1,081,247) due primarily to operating expenses related to increased salaries and benefits and wastewater operational costs.

Non-operating revenues make up the difference of operating expenses exceeding operating revenues. The District's net income from non-operating revenues and debt service expenses produced a positive return of \$1,941,421 and \$2,239,517 in fiscal years 2009 and 2008, respectively. The District has pledged certain non-operating property tax and surcharge revenue items to pay for the District's debt service expense and/or to be used for the District's capital improvement program.

Long-term Debt

Long-term debt of the District totals \$9,026,595 (roughly \$425 per capita) and is comprised of:

- \$4.5 million in loans payable
 - \$3.3 million for 1986 California Department of Water Resources (DWR) loan: liability of the former Yucca Valley Water Company for financing the construction of capital improvements so that the Company could comply with California Safe Drinking Water Standards. The loan has an interest rate of 4.14% and is scheduled to mature in 2024.
 - \$1.2 million for DWR loan: In 1994 the Mojave Water Agency contracted with the DWR for a loan to assist in the financing the construction of the Morongo Basin Pipeline Extension (Reach I and II Extensions) and the Warren Valley Recharge Project. In 1996, the District requested an amendment to the contract for a partial assignment of the loan and project facilities from MWA to the District. The amendment resulted in a \$3.7 million 20-year loan to the District and transferred the Reach II Extension and Recharge Project to the District. The loan has an interest rate of 3.00% and is schedule to mature in 2015.
- \$3.3 million in bonds payable
 - \$1.0 million in 1982 Lease Revenue Bonds – In 1982 bonds were issued to provide funds for water capital improvements. The bonds have an interest rate of 5.00% and are scheduled to mature in 2022.
 - \$2.3 million in 1998 Revenue Refunding Bonds – The bonds have an interest rate of 3.80% to 5.00% and are schedule to mature in 2021.

The Joshua Basin - Hi-Desert Financing Authority (Authority) was established in 1998 as a joint exercise of powers authority organized under the laws of the State of California and comprised of the Joshua Basin Water District and the Hi-Desert Water District. The Authority was formed to assist in the financing of various capital improvements and the facilities. The District's facilities consist

primarily of eight water storage tanks and the District's office building and shop on Old Woman Springs Road. In 1998, the Authority issued \$3,590,000 in Revenue Refunding Bonds to initiate an advance refunding (defeasance) of the 1991 Certificates of Participation.

The Authority leases certain facilities from the District pursuant to a Facilities Lease, dated January 1, 1998, by and between the Authority and the District, and leases back to the District the facilities pursuant to a Lease Agreement, dated January 1, 1998, by and between the Authority and the District. The District is legally required to make lease payments in each year in consideration for the use and occupancy of the facilities from operating sources in an amount sufficient to pay the annual principal and interest requirements on the bonds. The bonds are scheduled to mature in 2021. Interest is payable semi-annually on August 1st February 1" each year at a rate of 3.80% to 5.00% while principal payments are made on February 1" each year.

- \$1.2 million in notes payable:
 - \$725,000 in a 1978 Farmer's Home Loan Administration note in drought relief notes to provide funds for water capital improvements for the District. The note has an interest rate of 5.00% and is scheduled to mature in 2018.
 - \$75,515 for a contract for nitrate removal.
 - The District also has a note receivable for \$350,000 executed in February 2008 from the Town of Yucca Valley in order to aid the District in the construction and operation of a wastewater treatment and collection system. The interest on the note accrues at a daily rate using the PMIA Average Monthly Effective Yield as published by the State Treasurer's Office. The note is due in full on or before January 31, 2013 with interest.

Morongo Basin Project and Surcharge

The District is a project participant in the Mojave Water Agency's Improvement District M State Water Project (Morongo Basin Project). The Mojave Water Agency was authorized to issue \$66,500,000 of general obligation bonds to build a pipeline connection from the State Water Project's California Aqueduct in Hesperia to the Morongo Basin. The project was completed in June 1996, and to date \$51,780,000 in bonded debt has been issued to cover the costs of the construction. The District and the other project participants have agreed to pay their proportional portion of the construction, operation and financing costs for the entire project. Therefore, the District is charging all of its customers a monthly surcharge to pay for the District's participation in the Morongo Basin Project. The total surcharge revenue for the years ended June 30, 2009 and 2008 was \$527,101 and \$531,664, respectively. For auditing purposes, the agreement is being treated as a 25-year operating lease since title to the pipeline connection assets will not be transferred to the District. The District's commitment under the agreement is 17.70% of the annual bonded debt service requirements (principal and interest). At June 30, 2009 and 2008, the District has recorded a prepaid asset on the statement of net assets in the amount of \$713,661 and \$467,612, respectively, related to the Morongo Basin Project and Surcharge.

Gann Limit (Appropriations Limit)

Under Article XIII B of the California Constitution (the GANN Spending Limitation Initiative), the District is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller or returned to the taxpayers through revised tax rates, revised fee schedules of other refund agreements. As a part of the budget process, the District annually adopts an appropriations limit. For FY 2009-10, the limit has been set at \$6,183,426. The budgeted revenue for property tax is \$1,454,369 which is a fraction of the limit.

Additional Financial Information

The District has received an award of financial reporting achievement by the Government Finance Officers Association of the United States and Canada for the past three audits conducted.

IV. Status of, and opportunities for, shared facilities.

The system has two emergency inter-tie connections. The first is with the Bighorn-Desert View Water Agency. This connection is only active for delivery from Bighorn-Desert View Water Agency to Hi-Desert Water District. Since 1995, the availability to deliver water from Hi-Desert Water District to Bighorn-Desert View Water Agency has been compromised due to the pump-tie being no longer functional. The second inter-tie connection is with the Joshua Basin Water District through hydrant transfer via pump and hose connections.

In FY 2008-09, the District started a joint planning effort for the Integrated Regional Wastewater Management Plan with the City of Twentynine Palms, Joshua Basin Water District, Bighorn Desert View Water Agency, Twentynine Palms Water District, Town of Yucca Valley, and County of San Bernardino. This is currently a joint planning effort, and one of the goals is to collaborate on a regional strategy for Wastewater Management which, in the future, could lead to shared facilities or closer coordination of services and activities.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

The District is an independent special district governed by a five-member board of directors. Members are either selected by vote of the electorate or are appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms. The District board also sits as the board of directors for the agencies for which it is responsible for: Hi-Desert Improvement Corporation and Warren Valley Basin Watermaster. Below is the current composition of the board, their positions, and terms of office:

Board Member	Title	Term
Sarann Graham	President	2012

Dan Munsey	Vice-President	2010
Roger Mayes	Director	2010
Bob Statum	Director	2012
Sheldon Hough	Director	2010

The board meets the first and third Wednesday of the month at 6:00pm at the District headquarters. The board meetings are shown on Time Warner Cable Channel 10 on Wednesdays and Thursdays at 7:00 p.m. one week after the regularly scheduled meetings. The meetings are open and accessible to the public with a point of contact provided for any information requests.

The District provides a variety of mechanisms for the public to provide feedback regarding operations. The District's website provides e-mail and phone numbers for feedback. Comments and questions received are tracked and responded to by the appropriate District staff. The District has a Public Information Officer that coordinates media activities and coverage of District projects and events. A District-conducted 2008 Customer Survey revealed an 85% satisfaction rate with the District.

Specific to the Sewer and Wastewater Reclamation Project, the District has developed a public outreach plan that includes interactions with the public at a variety of fronts and includes many opportunities for the public to provide feedback, ask questions and receive information. For the proposed Wastewater Treatment and Water Reclamation facility, the District formed an 18-member Wastewater Public Advisory Committee.

The District employs approximately 44 regular employees organized in six departments, a reduction of three employees from the previous year.

Operational Efficiency

Operational efficiencies are realized through several joint agency practices, for example:

- The District is member of the Association of California Water Agencies (ACWA) Joint Power Insurance Authority. The purpose of the Authority is to arrange and administer programs of insurance for the pooling of self-insured losses and to purchase excess insurance coverage.
- The District is working with the Colorado Regional Water Quality Control Board and the Town of Yucca Valley to protect the water supply from potential contamination by minimizing the unregulated discharge of wastewater. The District is lead agency for a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project".
- Worker's compensation insurance is purchased through the Special District Risk Management Authority (SDRMA).
- Within the past two years, the District has reorganized the customer service division. Customers now have the option of paying their bills at the District office, drop box at the District parking lot, via phone, website, or automatic account debit.

- The Hi-Desert Water District worked closely with the former Yucca Valley Fire Protection District to provide water refill stops for the fire fighting aircraft and fire trucks that provided fire protection to the community from the Sawtooth Complex Fire in July 2008.
- Additionally, the District recently started a joint planning effort for an Integrated Wastewater Management Plan with the City of Twentynine Palms, Joshua Basin Water District, Bighorn-Desert View Water Agency, Twentynine Palms Water District, Town of Yucca Valley, and the County.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

The District has identified that it does not have any water lines outside of its boundaries, but it does provide retail water for bulk hauling.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of boundaries. The District, residents, or landowners could submit an application to expand the boundaries of the District to the west to include the Pioneertown area. Such an application would be processed to include the dissolution of the County Service Area 70 Improvement Zones W-4 with the District identified as the successor agency. The District would then be responsible for extending its services to the area, including continuing the services of the dissolved CSA 70 improvement zone. The District has not expressed desire to explore this option. Expansion to the north, east, or south is not an option because the District is bound by either another water district or the Joshua Tree National Park.
- Hi-Desert Water District becoming a subsidiary district of the Town. In order for the District to become a subsidiary district of the Town, at least 70% of registered voters in the District must reside in the Town and at least 70% of the District’s territory must also be within the boundaries of the Town.

- Registered Voters – The Town and the Districts have indicated that the numbers of registered voters in their agencies are 10,220 and 11,697, respectively. At 87%, the District meets the threshold for registered voters within the boundaries of the Town.
- The District encompasses approximately 56 square miles and approximately 32 square miles of the District is within the Town. At 57%, the District does not meet the threshold for territory within the boundaries of the Town.
- Consolidation with one of the bordering water districts. Consolidation with either the neighboring Bighorn-Desert View Water Agency or Joshua Basin Water District, or both, would allow for economies of scale and allow for a more consolidated voice to address water issues. In 1989, an application was submitted by the Hi-Desert Water District and the Joshua Basin Water District to consolidate the districts into a single county water district. The LAFCO hearing was continued due to a pending recall of several of the directors of the Joshua Basin Water District and to allow time for the reorganized board of directors to formally express an opinion on the consolidation. The recall was successful; both districts requested withdrawal of the consolidation application and the Commission granted the request. LAFCO staff believes a similar sentiment would be shared with the Bighorn-Desert View Water Agency. Therefore, this option is unlikely at this time, even if it would pose benefits to the customers and citizens of the area.
- Joint Powers Agency for Sewer Treatment. The Mojave Water Agency (MWA) is authorized by LAFCO an active sewer function, and being a regional entity it could help shepherd the development of a regional wastewater treatment facility.

A similar situation occurred in the late 1970s in the Victor Valley region of the County. To meet the requirements of the federal Clean Water Act and provide wastewater treatment for the growing population, the communities of the Victor Valley requested that the Mojave Water Agency (MWA), being a regional entity, help shepherd the development of a regional wastewater treatment facility. In accepting the request, MWA was designated by the Lahontan Regional Water Quality Control Board as the responsible entity for the design of the Victor Valley Regional Wastewater Reclamation Project. A few years later, the communities of the Victor Valley completed the creation of the joint powers authority, which became known as the Victor Valley Wastewater Reclamation Authority (VWRA). VWRA was expressly created for the purpose of providing the operation and management of the treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids. On June 1, 1978, VWRA assumed the assets and authority for the Project, and MWA divested itself from the Project and the provision of sewer service.²³

²³ For more information, see the service reviews for the Mojave Water Agency (LAFCO 3033 – Agenda Item 9, July 2008) and the Victor Valley Wastewater Reclamation Authority (Agenda Item 9, October 2009).

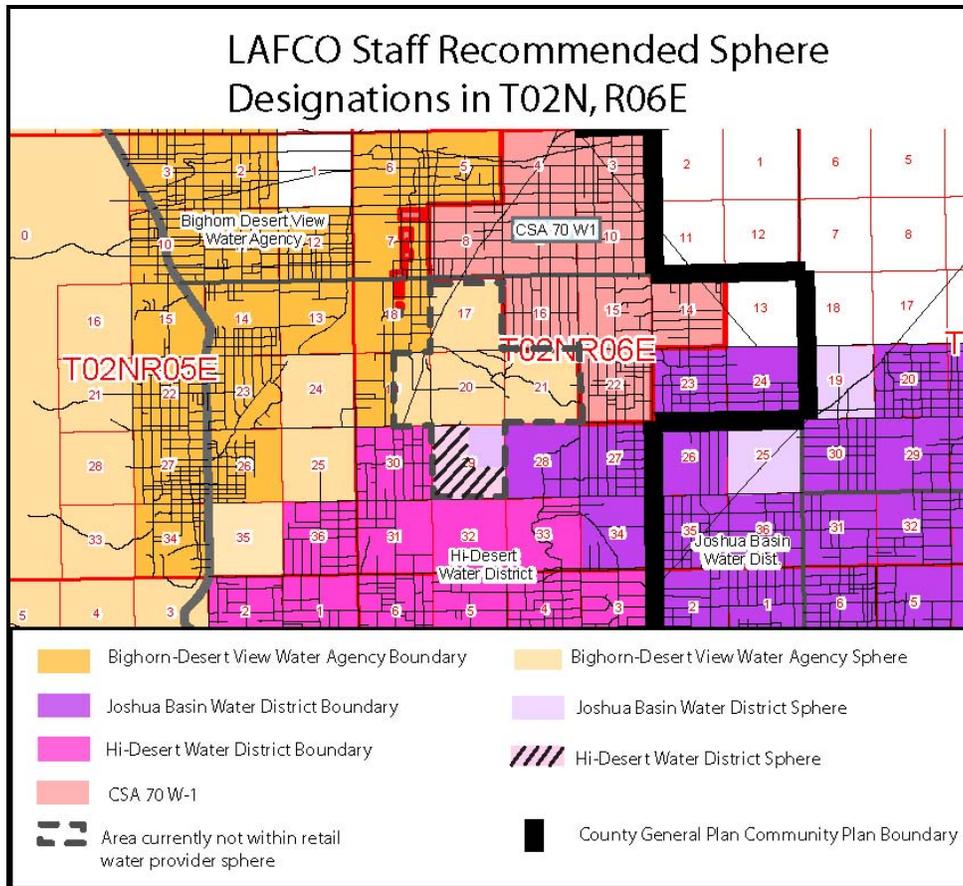
A similar circumstance could occur in the Morongo Basin portion of MWA. In 2007, LAFCO authorized the sewer function for the Joshua Basin Water District to include operation of package treatment plants. At this time, Joshua Basin Water District does not actively have collection pipelines or a treatment facility. On February's agenda, the Hi-Desert Water District is requesting expansion of the service description of its sewer function in order to actively provide the service. The District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project" (See Agenda Item 11 – LAFCO 3084). The project anticipates a treatment facility to treat the collected effluent within the project's boundaries. Both districts, or more, could form a joint powers agency for treatment of wastewater from within both agencies. In general, each district would collect wastewater within its own boundaries through collection systems owned independently, and transport the collected wastewater to the Hi-Desert Water District's proposed treatment plant. Governance of the joint powers agency would be the participating agencies. Such an agreement could reduce duplication of treatment plants and provide the opportunity for economies of scale while maintaining the independence of each district.

- Maintenance of the status quo. LAFCO staff does not recommend any organizational changes to the District's structure for the reasons outlined above.

SPHERE OF INFLUENCE UPDATE

Sphere of Influence

In Section 29 of T02N, R06E, contiguous to the boundary of the Hi-Desert Water District on two sides are private lands encompassing approximately 160 acres. Should these properties desire retail water service, the logical choice would be from the Hi-Desert Water District. Additionally, the northwest and southeast portions of Section 29 comprising approximately 320 acres are contiguous to the District, and based on drainage patterns these portions should be within the sphere of influence of the Hi-Desert Water District. Staff's recommended sphere expansion for the Hi-Desert Water District is identified by diagonal hatch lines on the map below.



Authorized Powers

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)).

The District is authorized the Park and Recreation function with service descriptions limited to engineering and planning. Water Code Section 31130 (County Water District Law) allows county water district to use any water or land under its control for recreational purposes provided that the recreational use of water shall be subject to public health authority approval. Retention of this function and service will allow for continued coordination between the District and the Town.

On February’s agenda is a proposal submitted by the District to clarify the service description for its Sewer function to actively provide the service (Agenda Item #11 - LAFCO 3084). Currently, the District’s Sewer function has service descriptions of Planning and Engineering. Commission approval of LAFCO 3084 would modify the service description as indicated below in bold italic. Should the Commission approve LAFCO 3084, LAFCO staff recommends that the Commission affirm the functions and services for the District in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* as indicated below.

<u>FUNCTION</u>	<u>SERVICES</u>
Water	Retail, agricultural, domestic, replenishment, fire flow, fire hydrants
Sewer	Collection, transportation, treatment, reclamation, disposal, planning and engineering
Park and Recreation	Engineering, planning

FACTORS OF CONSIDERATION:

The District was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

The Present and Planned Uses in the Area

The Town's General Plan describes the Town as a primarily rural residential community. Although the General Plan provides for a wide range of housing options, up to 14 units per acre, the majority of the development has been single family residential. Development within the Town increased during the recent housing boom, peaking in 2005, and has slowed markedly since. The Town states that the majority of the single family residences constructed in the past two years have been infill and that the lack of a regionalized sewer system continues to hamper some areas of commercial growth. Commercial development in the Town is not anticipated to be significant due to the directive from the Colorado River Basin Regional Water Quality Control Board to plan and construct a sewage collection and treatment system in order to control nitrate contamination.

In the western sphere of influence area outside of the Town, the County's General Plan has assigned land use designations of Resource Conservation (one unit to 40 acres) and Rural Living-5 (one unit to five acres). The majority of the northern portion of the District (Yucca Mesa) area has been assigned a land use designation by the County's General Plan of Rural Living (one unit to five acres and one unit to ten acres) with two distinct areas of Single Family Residential – 14m, which allow up to three units to the acre. Other designations include Resource Conservation, Neighborhood Commercial, and Institutional.

The LAFCO staff proposed sphere expansion area has County General Plan land use designations of Rural Living and Resource Conservation.

Any future projects will increase the need for retail water within the District's existing boundaries as well as within the surrounding unincorporated territory. However, the single most tangible factor that could limit growth will be the availability of water.

The Present and Probable Need for Public Facilities and Services in the Area

Future Water Facilities

In order to address future development, additional water, sewer and water reclamation infrastructure will be needed. Capital Improvement Plans for the infrastructure are included in the District's current *Water System Master Plan*. The facilities needed include a comprehensive sewer system, a wastewater reclamation plant, water conveyance pipelines, water storage reservoir and a water system booster station.

The Lower Ridge Reservoir project consists of the construction of a new 250,000 gallon reservoir and associated earthwork, concrete, asphalt, water piping, valves, electrical, fencing, and general site improvements. The proposed reservoir will provide operational, emergency and fire flow storage for the pressure zone on the western end of Yucca Valley. A project is in the bid phase and a request for proposals has been noticed.

Sewer

The District is authorized the function and service for Sewer by LAFCO, although it has not provided the service to date.

Currently, the Water District's entire service area and sphere area relies on septic tanks and subsurface disposal to treat and dispose of wastewater. Individual package treatment plants have been required for restaurants and new commercial uses since 2005. To protect the water supply from potential contamination by minimizing the unregulated discharge of wastewater, as mandated by the Colorado Regional Water Quality Control Board, the District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project" (See Agenda Item 11 – LAFCO 3084). In addition, the proposed project will generate treated effluent for percolation into the groundwater basin.

The Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides

According to a USGS Water-Resources Investigation Report, from the late 1940s through 1994, water levels in the Warren sub-basin declined as much as 300 feet due to groundwater extraction. In response, the District instituted an artificial recharge program in 1995 to replenish the groundwater basin using imported California State Water Project water. With little natural recharge, the imported water has been used to offset and eliminate any continued cumulative contribution to overdraft of District operations. This water is piped to the project area and recharged into the Warren Valley Basin through a series of recharge basins in Town of Yucca Valley along Yucca Creek Wash. In 2007 and 2008, the District purchased from Mojave Water Agency 4,955 and 4,270 acre-feet of imported water from the State Water Project, respectively.

The District states that its facilities range from over 60 to just a few years old. The majority of the District's 316 miles of pipelines were initially constructed in the 1940's, but beginning in 1997 the District has been aggressively replacing approximately 10 miles of pipe a year from uncoated steel to PVC. The *Water System Master Plan* states that roughly 56% of the pipelines have an unknown installation date. The pipes range in size from 2 to 12 inches in

diameter, with the majority being six and eight inches. In FY 2008-09, the District's Capital Replacement Program installed 16,600 linear feet of new water transmission and distribution mains. Since 1972, the District has installed roughly 380,000 liner feet of pipe (72 miles).

Most of the District's reservoirs and pump stations were built in the 1980s. The 16 storage reservoirs have a combined 12.90 million gallons of storage and range in capacity from 0.15 million gallons to 2.2 million gallons. While not scheduled for replacement, the District has a maintenance plan in place and facilities issues are addressed expeditiously. The District states that it has an aggressive approach to maintenance and upkeep of the system that has kept the system in overall good condition.

The Existence of any Social or Economic Communities of Interest

Social communities of interest include the Town of Yucca Valley and the Yucca Mesa and Pioneertown areas. Economic communities of interest are the commercial activities along the Highway 62 corridor. The District is within the Morongo Unified School District, which serves the entire Morongo Basin.

CONCLUSION FOR HI-DESERT WATER DISTRICT:

The Hi-Desert Water District provides adequate retail water service to those within its boundaries. To protect the water supply from potential contamination by minimizing the unregulated discharge of wastewater, as mandated by the Colorado Regional Water Quality Control Board, the District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project". In addition, the proposed project will generate treated effluent for percolation into the groundwater basin.

The staff recommends that the Commission:

- Expand the District's sphere of influence by approximately 480 acres to the north.
- Currently, the District's Sewer function has service descriptions of Planning and Engineering. On this month's agenda is a proposal submitted by the District to clarify the service description for its Sewer function to actively provide the service (Agenda Item #11 - LAFCO 3084). Should the Commission approve LAFCO 3084, LAFCO staff recommends that the Commission affirm the functions and services for the District in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* as identified in this report and LAFCO 3084.

COUNTY SERVICE AREA 70 IMPROVEMENT ZONE W-4 (PIONEERTOWN) Service Review

INTRODUCTION:

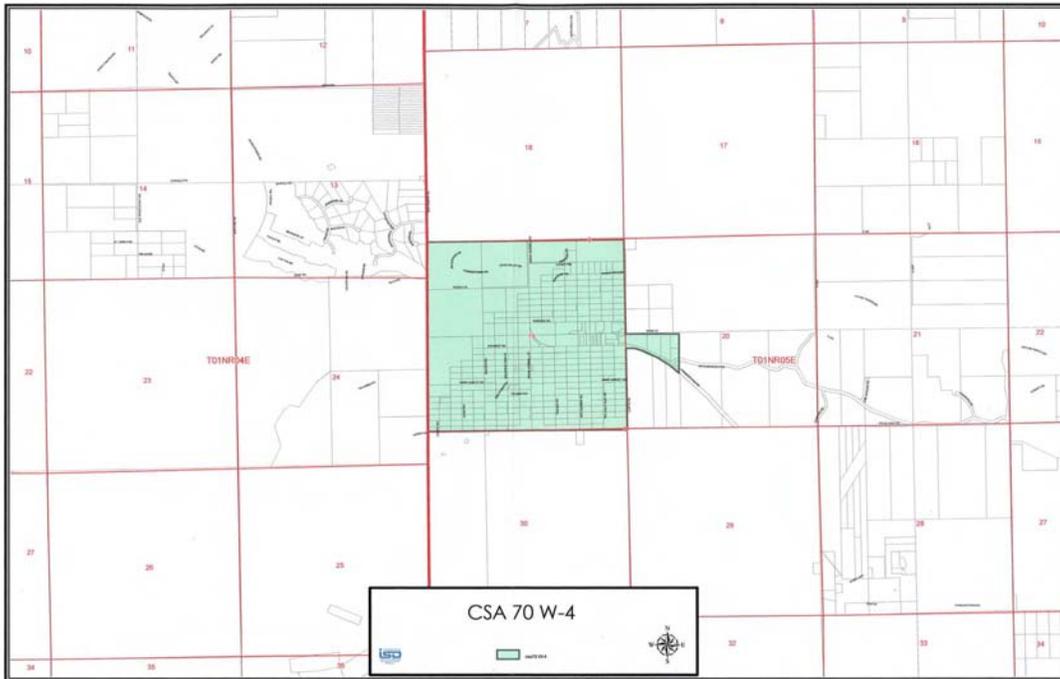
County Service Area 70 Improvement Zone W-4 (hereafter shown as “Zone W-4”) provides retail water service to the Pioneertown area comprising approximately 704 acres. Information was obtained to provide information to the Commission and the public of the broad range of municipal-type services provided within the community. Zone W-4 is not under LAFCO purview, therefore only information related to a service review is provided for this report. The following history of Pioneertown is taken from the Pioneertown website²⁴.

Pioneertown started as a live-in Old West motion picture set, built in the 1940s. The movie set was designed to provide a place for the actors to live, and at the same time to have their homes used as part of the movie set. A number of Westerns and early television shows were filmed in Pioneertown, including *The Cisco Kid* and *Judge Roy Bean*. Some of the original investors in the town were Roy Rogers, Sons of the Pioneers, which the town was named after, Dick Curtis, and Russell Hayden. Gene Autry frequently taped his show at the six-lane Pioneer Bowl bowling alley, and according to the Morongo Basin Historical Society the bowling alley is one of the oldest in continuous use in California.

On July 11, 2006 a portion of Pioneertown was burned in the Sawtooth Complex fire, which also burned into Yucca Valley and Morongo Valley. Firefighters managed to save the historic movie set buildings, but much of the surrounding desert habitat was damaged. Among the buildings saved was the Pioneertown Motel, which was established in 1946 as part of the old movie set, and Pappy & Harriet's Pioneertown Palace, a longtime local club and landmark built within one of the original sets.

Zone W-4 was formed in January 1980 by action of the County of San Bernardino Board of Supervisors for the primary purpose of providing retail water service to the unincorporated Pioneertown area west of what is today the Town of Yucca Valley. Zone W-4 includes all of Section 19 and a portion of Section 20, T1N, R5E. A map showing Zone W-4 in relation to the Town of Yucca Valley and Hi-Desert Water District is shown below and is included as a part of Attachment #6.

²⁴ Pioneertown. website. Accessed 25 January 2010. Last update 11 November 2009. www.pioneertown.com.



SERVICE REVIEW

LAFCO has no direct jurisdiction over Zone W-4; therefore, only service review information is provided. The County Special Districts Department, administrators for board-governed special districts, prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Department's response on behalf of Zone W-4 to LAFCO's original and updated requests for materials includes, but is not limited to, water system and financial information. The information submitted is included as a part of Attachment #6 and are incorporated in the information below.

I. Growth and population projections for the affected area.

The land use in the area is mostly rural with residential and limited commercial. The County of San Bernardino has assigned a general plan land use designation of Special Development – Residential (SD-RES) to the majority of the area and General Commercial (CG) to a small portion. The commercial activity consists of a restaurant, two small hotels, one bowling alley, and a post office.

Special Districts Department indicated that in 2007 there were approximately 410 residents within Zone W-4. There are roughly 124 metered connections, and according to Special Districts Department, buildout is roughly 300 parcels. Utilizing a coefficient of 2.60 persons per household, the buildout population is approximately 780 residents.

In the other service reviews conducted for the north desert communities, staff utilized population projections of the Transportation Analysis Zones developed by the Southern

California Association of Governments. However, Transportation Analysis Zone data cannot be isolated for this small area.

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

The system has eight wells (six active) ranging in capacity from three to 26 gallons per minute. According to Zone W-4's *Water Distribution System* report from 2002, most of the wells have constituents that exceed or are on the borderline of the maximum contaminant level set by the state. Wells #1 and #8 have high levels of arsenic and fluoride. Well #'s 1, 3, and 6 are not in service due to extremely high levels of arsenic, fluoride, and alpha radioactivity.

According to the most recent available Consumer Confidence Report, from 2007, the formal notification for arsenic dated September 24, 1999 advising customers to use bottled water when the water is used for consumptive purposes remains in effect. According to County Special Districts Department staff, Zone W-4 remains under a "non-consumptive and limited use" order. The Stage 3 drought emergency condition for conservation enforced in August of 1999 also remains in effect. A review of the 2007 Consumer Confidence Report indicates violations in uranium, arsenic, and fluoride.

Water capacity is another challenge for Zone W-4. Zone W-4 is located in the Chaparrosa Wash, which has reached its capacity. Drilling additional wells in this wash would lower the water table and reduce the output of the wells. Some of the wells cannot maintain pumping flow for more than two to three hours before having to shut down and allow the aquifer to recharge. The pumping issue is more pronounced during the summer months. In addition, past pumping records indicate that the groundwater basin that serves Pioneetown is dropping and is expected to continue to drop. This would probably result in the continuing degradation and increasing mineralization of the groundwater. Therefore, no new wells are anticipated for Zone W-4 in the Chaparrosa Wash.

In addition to the wells, the water system includes one 210,000 gallon bolted steel tank built in 1980, one 100,000 gallon bolted steel tank built in 1995, and 4.4 miles of pipelines. The tanks are sufficient for buildout conditions and Special Districts Department indicates that no new tanks are necessary. The pipelines are made of asbestos cement and Special Districts Department indicates that the pipes are in excellent condition. Any additional pipelines would be constructed and paid for by the property owner requesting connection.

Originally, Zone W-4 was obligated to pay 1% of the Morongo Basin Pipeline in order to receive 1% of the capacity. However, in 1995, Mojave Water Agency acquired all of the rights of Zone W-4. According to County Special Districts Department staff, MWA was requested by the County Board of Supervisors to buy CSA 70 Zone W-1 and Zone W-4 shares due to lack of utilization of the water. The Board of Supervisors action relinquished its rights to purchase supplemental water from the Pipeline when they sold the W-1 and W-4 shares.

Pipeline Project

Originally, Zone W-4 was entitled to one percent of the Morongo Pipeline supplemental water. According to County Special Districts Department staff, in 1995 Mojave Water

Agency was requested by the County Board of Supervisors to buy Zone W-4 shares due to lack of utilization of the water. The Board of Supervisors action relinquished its rights to purchase supplemental water from the Pipeline when they sold the Zone W-4 shares. Therefore, the County must find alternative methods for water acquisition.

As early as the mid-1990s, a project to deliver outside water to Pioneertown through a pipeline has been envisioned. In 2002, the County commissioned a *Water Distribution System* report to determine the feasibility of a pipeline along Skyline Ranch Road from Yucca Valley to Pioneertown for purchasing/wheeling water from Hi-Desert Water Agency. However, opposition from surrounding water agencies has placed this proposed project on hold.

In 2009, County on behalf of Zone W-4 issued a Notice of Intent to Adopt a Mitigated Negative Declaration which included an Initial Study and Mitigated Negative Declaration for the Pioneertown Water System Improvements Project. LAFCO staff understands the purpose of the project is to allow for a water transfer as follows:

- County Service Area 70 Improvement Zone W-1 (Goat Mountain) will increase its pumping from wells that draw water from the Reche Groundwater Sub-basin of the Ames Groudwater Basin.
- CSA 70 W-1 will insert the water into pipelines owned and operated by Hi-Desert Water District by building new infrastructure, the Landers Water Transfer Pipeline, to create an inter-tie between Zone W-1 and Hi-Desert Water District.
- Hi-Desert Water District will allow Zone W-4 to withdraw an equivalent quantity of water by building new infrastructure, the Skyline Ranch Pipeline, to create an inter-tie between Hi-Desert Water District and Zone W-4.

LAFCO staff is of the understanding that the details of this project are being revised by the County Special Districts Department, which in turn will re-issue the Notice of Intent. LAFCO staff is not aware of the timeframe for the re-issuance of the Notice of Intent.

III. Financial ability of agencies to provide services.

Zone W-4 faces financial challenges and expenditures continually exceed revenues. Should the trend of expenditures exceeding revenue continue, Zone W-4 would experience challenges in supporting the current retail water activities and its financial viability to provide its service would be questionable.

The FY 2008-09 audit identifies that the \$91,669 was received in water sales and \$130,126 was incurred in operating expenses, which resulted in net operating less of \$38,457. The net operating loss is made-up through non-operating revenues totaling \$21,070. For the year, the change in net assets was a loss of \$17,387.

The FY 2009-10 Budget anticipates the receipt of \$1.75 million in State Revolving Fund grant proceeds for the Pioneertown Water System Improvements Project. However, the funds have not been received yet, and as described above, LAFCO staff is of the

understanding that the details of this project are being revised by the County Special Districts Department. However, \$44,000 is anticipated to be received this fiscal year as a grant reimbursement from the California Department of Public Health for capital improvement security upgrades at the well sites.

Additionally, Zone W-4 is anticipated to have a year-end fund balance of zero dollars, as identified in the budget. However, Zone W-4 historically has not utilized the budgeted Reserves and Contingencies. If Reserves and Contingencies are not utilized during FY 2009-10, the estimated fund balance at the end of FY 2009-10 would be \$46,305.

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Budget
Expenditures				
Services & Supplies	48,358	25,013	43,779	50,492
Transfers Out	77,024	71,255	68,324	75,321
Reimbursements	(159)	(148)	0	(44,000)
Operating Transfers Out	0	9,414	0	1,798,438
Reserves & Contingencies	0	0	0	46,095
Total Expenditures	125,223	105,534	112,103	1,926,556
Revenue				
Use of Money	971	1,344	722	500
Current Services	84,790	89,591	128,081	91,877
Other Revenue	7,437	(607)	3,596	1,750,000
Operating Transfers In	51,316	0	0	30,917
Total Revenue	144,694	90,328	132,399	1,873,294
Net	19,471	(15,206)	20,296	(53,262)
Fund Balance	\$48,182	\$32,966	\$53,262¹	\$0¹
Sources: FY 2008-09 Final Budget, FY 2009-10 Final Budget				
¹ Calculated by LAFCO staff				

According to property tax data available from the San Bernardino County Assessor, Mojave Water Agency (MWA) receives a share of the one percent general levy from the properties within San Bernardino County. Also, these properties pay for MWA Bond Debts 1 and 2 for MWA's obligations for the State Water Project contract and the Improvement Zone M debt. Even though these properties do not receive State Water Project water, they are within the boundaries of a state water contractor and MWA Improvement Zone M and pay for the bonds associated with the State Water Project and Morongo Basin Pipeline.

IV. Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70.

The Zone W-4 water system does not have an emergency inter-tie connection with any of the neighboring water systems.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

Zone W-4 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. Zone W-4's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. Zone W-4's annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval.

Zone W-4 does not utilize an advisory commission or municipal advisory committee. Meetings are held as needed at the Pioneer Mission Church.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, Zone W-4 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department. To pay for these functions, the FY 2009-10 Budget indicates a transfer to CSA 70 Countywide of \$75,531 for management and operations support and fleet equipment usage (\$61,929 for Salaries and Benefits and \$11,367 for Services and Supplies, and \$2,235 for fixed assets).

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Special Districts Department has indicated that Zone W-4 does not provide service outside of its boundaries.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options, especially in light of CSA 30's financial challenges. Special Districts Department staff in preparing the service review indicated that there were no consolidations or other structure options available for the operation of Zone W-4.

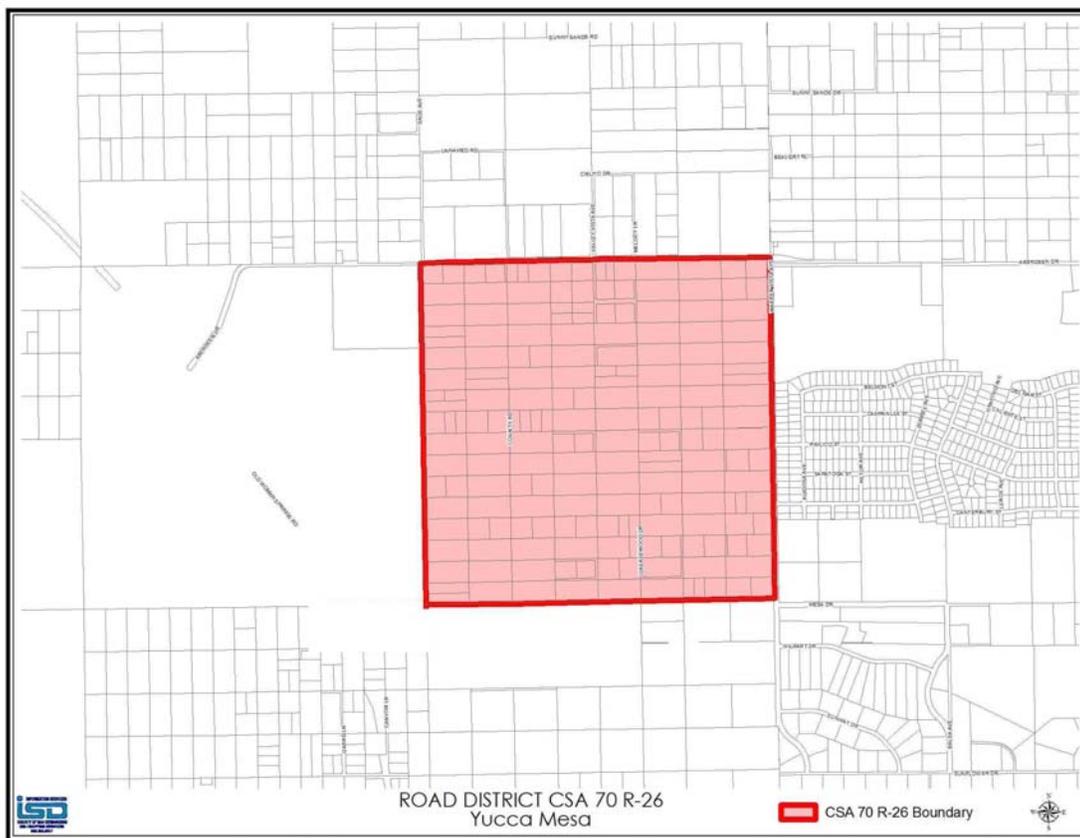
- Expansion of boundaries. This option is not desirable because the surrounding land uses do not support municipal-type services. However, any such proposed annexation would be processed through the County.
- Assumption of water service by Hi-Desert Water District. Zone W-4 is within the sphere of influence of the Hi-Desert Water District (District). The landowners, residents, the District, or the County could submit an application to LAFCO to reorganize retail water provision in the area. Such reorganization would include annexation to the District, the dissolution of Zone W-4, and the assumption of service by the District. All of the Zone W-4's assets and obligations would transfer to the district as the successor agency. Inclusion within the Hi-Desert Water District would allow for Pioneertown to utilize the water and financial resources of a larger agency and potentially realize economies of scale. This is a viable option since Zone W-4 is within the sphere of influence of the District; however, the residents, landowners, the District, or the County has not formally expressed interest in this option. Additionally, there has been historic opposition to such a reorganization.
- Maintenance of the status quo. At the present time, no other interest has been expressed to LAFCO staff regarding the assumption of service by any other public entity.

COUNTY SERVICE AREA 70 IMPROVEMENT ZONE R-26 (YUCCA MESA) Service Review

INTRODUCTION:

County Service Area 70 Improvement Zone R-26 (hereafter shown as “Zone R-26”) provides road grading and maintenance service to approximately 657 acres in Yucca Mesa. Information was obtained to provide information to the Commission and the public of the broad range of municipal-type services provided within the community. Zone R-26 is not under LAFCO purview, therefore only information related to a service review is provided for this report.

Zone R-26 was formed in August 1989 by action of the County of San Bernardino Board of Supervisors for the primary purpose of providing road grading and maintenance service to a portion of Section 14, Township 1 North, Range 5 East through payment of an annual assessment of \$35. A map showing Zone R-26 is shown below and is included as a part of Attachment #7.



SERVICE REVIEW

LAFCO has no direct jurisdiction over Zone R-26; therefore, only service review information is provided. The County Special Districts Department, administrators for board-governed special districts, prepared a service review consistent with San Bernardino LAFCO policies

and procedures. The Department's response on behalf of Zone R-26 to LAFCO's original and updated requests for materials includes, but is not limited to, water system and financial information. The information submitted is included as a part of Attachment #7 and are incorporated in the information below.

I. Growth and population projections for the affected area.

There are 184 residential parcels within Zone R-26. Utilizing the coefficient of 2.60 persons in the Yucca Mesa area, there are roughly 479 persons within Zone R-26. Significant growth is not anticipated within Zone R-26.

In the other service reviews conducted for the north desert communities, staff utilized population projections of the Transportation Analysis Zones developed by the Southern California Association of Governments. However, Transportation Analysis Zone data cannot be isolated for this small area.

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Special Districts Department grades and maintains roughly eight miles of road within Zone R-26, and the improvement zone has 184 residential units. Any undeveloped parcels, upon development, would also be assessed for road improvements. The roads maintained are Mesa Street, Warren Vista, Lucerne Vista, Greasewood Lane, Valley Vista, Condalia, Sage, Campanula, Canterbury, Yucca Road, and Palo Alto.

When looking at Zone R-26's map, there are areas that are denser than that within Zone R-26. LAFCO staff has verified that many of these roads in the Yucca Mesa area are County-maintained roads and are in the County road system. A listing of County-maintained roads in the Yucca Mesa area is included as a part of Attachment #3.

III. Financial ability of agencies to provide services.

R-26 collects a \$35 service charge per parcel and uses the funds to contract for the grading and maintenance of eight miles of unpaved roadway. Of importance, the \$35 service charge does not have an inflation factor; therefore, it has been a static \$35 since 1989 and any increase would be subject to an election. Expenditures consist of the annual salary and benefit share to County Service Area 70 and maintenance of the roads as needed. At the end of FY 2008-09, Zone R-26 had a fund balance of \$12,831.

As identified in the FY 2009-10 Budget, expenditures have exceeded revenues for the past three years. Should this trend continue, Zone R-26 will experience further challenges in providing service. For FY 2009-10, roughly \$8,000 is anticipated in grading costs; while this activity will decrease the fund balance, the extent of this year's grading is higher than previous years.

Additionally, Zone R-26 is anticipated to have a year-end fund balance of zero dollars, as identified in the budget. However, Zone R-26 historically has not utilized the budgeted Reserves and Contingencies. If Reserves and Contingencies are not utilized during FY 2009-10, the estimated fund balance at the end of FY 2009-10 would be \$8,703.

CSA 70 Improvement Zone R-26 Financial Activity

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Budget
Expenditures				
Services & Supplies	5,183	5,906	6,640	8,518
Transfers Out	3,191	2,783	1,757	2,186
Reserves & Contingencies	0	0	0	8,703
Total Expenditures	8,374	8,689	8,397	19,407
Revenue				
Use of Money	750	424	397	450
Current Services	6,279	6,644	6,491	6,126
Other Revenue	22	351	84	0
Total Revenue	7,051	7,419	6,972	6,576
Net	(1,323)	(1,270)	(1,425)	(12,831)
Fund Balance	15,526	\$14,256	\$12,831 ¹	\$0 ¹
Sources: FY 2008-09 Final Budget, FY 2009-10 Final Budget ¹ Calculated by LAFCO staff				

IV. Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

Zone R-26 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. Zone R-26's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. The annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval. Zone R-26 utilizes an advisory commission whose members are appointed to four-year terms by the Board of Supervisors as the governing body. The current membership of the advisory commission is:

Member	Term Expiration
Joseph Michelangelo	1-31-2010
Edward Cronin	1-31-2012
Melinda Allen	1-31-2014
Nancy Ekberg	1-31-2014
Vacant	N/A

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, Zone R-26 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department. To pay for these functions, the FY 2009-10 Budget indicates a transfer to CSA 70 Countywide of \$1,986 for management and operations support (\$1,466 for Salaries and Benefits and \$520 for Services and Supplies) and \$200 to CSA 70 Zone M for share of an equipment operator position.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Road maintenance service can not be provided outside of the boundaries of Zone R-26.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options, especially in light of Zone R-26’s financial challenges.

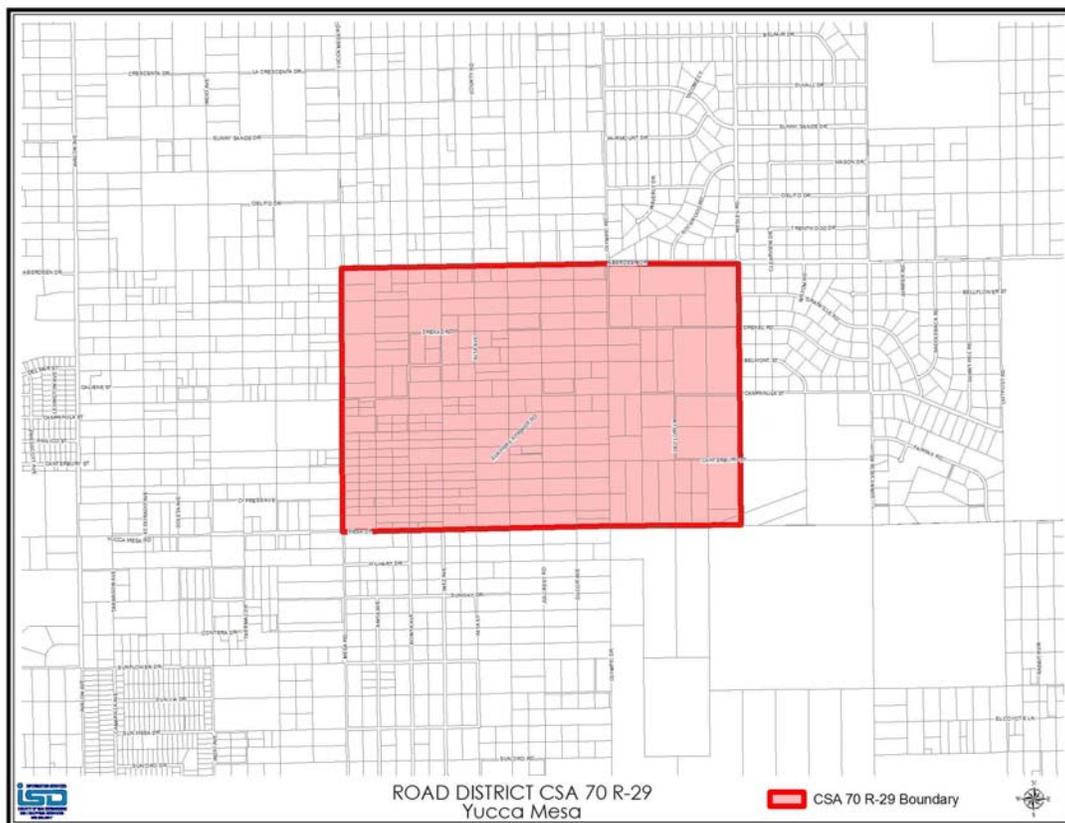
- Expansion of Zone R-26. The improvement zone could expand to include additional territory. This would require that the landowners be included in the annual assessment and benefit from road maintenance services.

COUNTY SERVICE AREA 70 IMPROVEMENT ZONE R-29 (YUCCA MESA) Service Review

INTRODUCTION:

County Service Area 70 Improvement Zone R-29 (hereafter shown as “Zone R-29”) provides road grading and maintenance service to approximately 960 acres in Yucca Mesa. Information was obtained to provide information to the Commission and the public of the broad range of municipal-type services provided within the community. Zone R-29 is not under LAFCO purview, therefore only information related to a service review is provided for this report.

Zone R-29 was formed in August 1991 by action of the County of San Bernardino Board of Supervisors for the primary purpose of providing road grading and maintenance service to all of Section 9 and a portion of Section 10, Township 1 North, Range 6 East through payment of an annual assessment of \$30. A map showing Zone R-29 is shown below and is included as a part of Attachment #8.



SERVICE REVIEW

LAFCO has no direct jurisdiction over Zone R-29; therefore, only service review information is provided. The County Special Districts Department, administrators for board-governed

special districts, prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Department's response on behalf of Zone R-29 to LAFCO's original and updated requests for materials includes, but is not limited to, water system and financial information. The information submitted is included as a part of Attachment #8 and are incorporated in the information below.

I. Growth and population projections for the affected area.

There are 206 residential parcels within Zone R-29. Utilizing the coefficient of 2.60 persons in the Yucca Mesa area, there are roughly 536 persons within Zone R-29. Significant growth is not anticipated within Zone R-29.

In the other service reviews conducted for the north desert communities, staff utilized population projections of the Transportation Analysis Zones developed by the Southern California Association of Governments. However, Transportation Analysis Zone data cannot be isolated for this small area.

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Special Districts Department grades and maintains roughly seven mile of unpaved road within R-29 and the improvement zone has 206 residential units. Any undeveloped parcels, upon development would also be assessed for road improvements. The roads maintained are Campanula, Drexel Avenue, Olympic Road, Del Lori Lane, Wesley Road, Mesa, Canterbury, Anita Avenue, Bonita Avenue, Julecrest Road, and Alta Avenue.

When looking at Zone R-26's map, there are areas that are denser than that within Zone R-26. LAFCO staff has verified that many of these roads in the Yucca Mesa area are County-maintained roads and are in the County road system. A listing of County-maintained roads in the Yucca Mesa area is included as a part of Attachment #3.

III. Financial ability of agencies to provide services.

R-29 collects a \$30 service charge per parcel and uses the funds to contract for the grading and maintenance of eight miles of unpaved roadway. Of importance, the \$30 service charge does not have an inflation factor; therefore, it has been a static \$30 since 1991 and any increase would be subject to an election. Expenditures consist of the annual salary and benefit share to County Service Area 70 and maintenance of the roads as needed. At the end of FY 2008-09, Zone R-29 had a fund balance of \$2,134.

As identified in the FY 2009-10 Budget, expenditures have exceeded revenues for the past three years. Should this trend continue, Zone R-29 will experience further challenges in providing service. Additionally, Zone R-29 is anticipated to have a year-end fund balance of zero dollars, as identified in the budget. For FY 2009-10, roughly \$4,900 is anticipated in grading costs; while this activity will decrease the fund balance it is not an annual cost.

CSA 70 Improvement Zone R-29 Financial Activity

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Budget
Expenditures				
Services & Supplies	3,828	5,276	4,825	5,442
Transfers Out	3,022	2,710	1,562	1,996
Reserves & Contingencies	0	0	0	0
Total Expenditures	6,850	7,986	6,387	7,438
Revenue				
Use of Money	149	183	76	80
Current Services	6,101	6,112	5,527	5,224
Other Revenue	6	8	10	0
Total Revenue	6,256	6,303	5,613	5,304
Net	(594)	(1,683)	(774)	(2,134)
Fund Balance	4,591	2,908	2,134¹	0¹
Sources: FY 2008-09 Final Budget, FY 2009-10 Final Budget ¹ Calculated by LAFCO staff				

LAFCO staff has addressed Zone R-29's funding challenges with staff of the County Special Districts Department. They indicate that they have met with the residents of Zone R-29 and it is the intent of the residents to have a decrease in service rather than pay an increase in the annual assessment. This would decrease annual grading from four to three times per year.

IV. Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

Zone R-29 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. Zone R-29's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. The annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval. Zone R-29 does not utilize an advisory commission or municipal advisory committee.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary

to manage the various services provided under County Service Area 70. Therefore, Zone R-29 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department. To pay for these functions, the FY 2009-10 Budget indicates a transfer to CSA 70 Countywide of \$1,796 for management and operations support (\$1,301 for Salaries and Benefits and \$495 for Services and Supplies) and \$200 to CSA 70 Zone M for share of an equipment operator position, which represents 34% of revenues received.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Road maintenance service can not be provided outside of the boundaries of Zone R-29.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options, especially in light of Zone 29’s financial challenges.

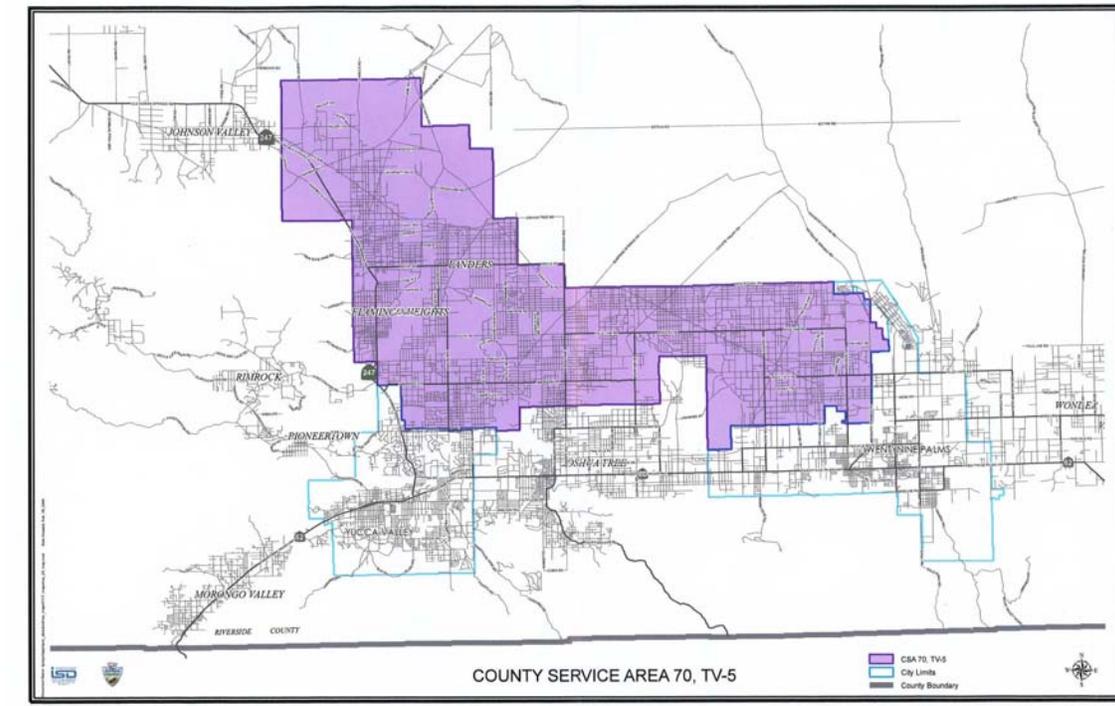
- Expansion of Zone R-29. The improvement zone could expand to include additional territory. This would require that the landowners be included in the annual assessment and benefit from road maintenance services.

COUNTY SERVICE AREA 70 IMPROVEMENT ZONE TV-5 (MESA) Service Review

INTRODUCTION:

County Service Area 70 Improvement Zone TV-5 (hereafter shown as “Zone TV-5”) provides low power television translator service to a 100 square mile area. Information was obtained to provide information to the Commission and the public of the broad range of municipal-type services provided within the community. Zone TV-5 is not under LAFCO purview, therefore only information related to a service review is provided for this report.

Zone TV-5 was formed in 1995 by action of the County of San Bernardino Board of Supervisors and approved by the electorate. A special tax and appropriations limit election was held for the purpose of providing funds and expenditure authorization for the service. The tax is levied at a rate of \$25 per year per improved parcel on 6,412 parcels. Zone TV-5 provides eight UHF channels of translator service broadcast from Pinto Mountain to a 100 square mile area encompassing Copper Mesa, Desert Heights, Flamingo Heights, Landers, and Yucca Mesa. The District provides service to approximately 16,500 persons. A map showing Zone TV-5 is shown below and is included as a part of Attachment #9.



SERVICE REVIEW

LAFCO has no direct jurisdiction over Zone TV-5; therefore, only service review information is provided. The County Special Districts Department, administrators for board-governed special districts, prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Department’s response on behalf of Zone TV-5 to LAFCO’s original

and updated requests for materials includes, but is not limited to, water system and financial information. The information submitted is included as a part of Attachment #9 and are incorporated in the information below.

I. Growth and population projections for the affected area.

There are 6,412 improved parcels within Zone TV-5. Utilizing the coefficient of 2.60 persons in the Yucca Mesa area, there are roughly 16,671 persons within Zone TV-5. Significant growth is not anticipated within Zone TV-5 due to the land use designations.

In the other service reviews conducted for the north desert communities, staff utilized population projections of the Transportation Analysis Zones developed by the Southern California Association of Governments. However, Transportation Analysis Zone data cannot be isolated for this small area.

II. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies.

Zone TV-5 provides eight UHF channels of UHF translator service broadcast from Pinto Mountain to a 100 square mile area encompassing Copper Mesa, Desert Heights, Flamingo Heights, Landers, and Yucca Mesa.

As of February 19, 2009, federal law requires that all full-power broadcast stations broadcast in digital format only. Zone TV-5 is not required to transition to digital since it broadcasts a low-power signal. At this time, the Federal Communications Commission is only mandating that transmission sites with power outputs above 1000 watts convert to full digital broadcasts. The low power TV districts (<100 watts) are currently exempt from the conversion requirement. It has been speculated that the FCC will eventually require conversion of all TV transmission sites, but a target date has not been set.

III. Financial ability of agencies to provide services.

A special tax and appropriations limit election was held for the purpose of providing funds and expenditure authorization for television translator and low-power television services. The tax is levied at a rate of \$25.00 per year per improved parcel, shown on the chart below as "current services". Expenditures consist of the annual salary and benefit share to County Service Area 70 and maintenance of the translator. At the end of FY 2008-09, Zone R-29 had a fund balance of \$151,387.

Additionally, Zone TV-5 is anticipated to have a year-end fund balance of zero dollars, as identified in the budget. However, Zone TV-5 historically has not utilized the budgeted Reserves and Contingencies. If Reserves and Contingencies are not utilized during FY 2009-10, the estimated fund balance at the end of FY 2009-10 would be \$151,387.

In looking at the chart below, the Zone TV-5's expenditures increased significantly in FY 2007-08. This is due to equipment replacement of the eight translators at a total cost of \$84,996.

CSA 70 Improvement Zone TV-5 Financial Activity

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Budget
Expenditures				
Salaries & Benefits	44,316	46,732	44,508	50,868
Services & Supplies	22,124	47,397	48,851	73,733
Central Computer	0	113	52	992
Equipment/Vehicles	0	84,996	8,802	12,500
Transfers Out	64,396	54,923	43,453	36,981
Reimbursements	0	0	(12,000)	(14,355)
Reserves & Contingencies	0	0	0	151,387
Total Expenditures	130,953	234,161	133,666	312,106
Revenue				
Use of Money	10,663	11,884	10,534	11,500
Current Services	175,413	165,647	159,481	162,836
Other Revenue	301	239	493	0
Total Revenue	186,377	177,770	170,508	174,336
Net	55,424	(56,391)	36,842	(137,770)
Fund Balance	157,319	\$100,928	\$137,770 ¹	\$0 ¹
Sources: FY 2008-09 Final Budget, FY 2009-10 Final Budget				
¹ Calculated by LAFCO staff				

Appropriation Limit

An appropriation limit is required by Article XIII B of the State Constitution and limits the expenditure of the proceeds of taxes. Action taken on June 16, 2009 by the Board of Supervisors of the County of San Bernardino established the appropriation limit for Zone TV-5 at \$335,003.

IV. Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70. Additionally, the all the board-governed television districts share a TV Services Assistant and a fare share of the use of the position.

V. Accountability for community service needs, including governmental structure and operational efficiencies.

Local Government Structure and Community Service Needs

Zone TV-5 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. Zone tv-5's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. The annual budget is presented to the County

Administrative Office and Board of Supervisors for review and approval. Zone TV-5 does not utilize an advisory commission or municipal advisory committee.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, Zone TV-5 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department. To pay for these functions, the FY 2009-10 Budget indicates a transfer to CSA 70 Countywide of \$36,981 for management and operations support (\$24,970 for Salaries and Benefits and \$12,011 for Services and Supplies).

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Direct service is not provided outside the boundaries of Zone TV-5; however, the translator signal can travel outside of its boundaries.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Consolidation with the other county service areas that provide television within the county. Normally, this option is not desirable since the distance between these districts is vast. However, a county service area need not have contiguous territory, according to County Service Area Law. One single-purpose county service area providing television service would reduce duplicative administration, budget, and audit costs. This is a viable option.

ADDITIONAL DETERMINATIONS

1. The Commission's Environmental Consultant, Tom Dodson and Associates, has determined the options outlined in this report for the various agencies are statutorily exempt from environmental review. Mr. Dodson's response for each of the reviews is included in their respective attachments to this report.
2. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *Hi-Desert Star*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.
3. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
4. Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. For environmental review certify that the options outlined in the staff report for this consideration are statutorily exempt from environmental review and direct the Executive Officer to file the Notices of Exemption within five (5) days.
2. Receive and file the municipal service reviews for the Town of Yucca Valley, Yucca Valley Airport District, Hi-Desert Water District, County Service Area 70 Improvement Zone W-4, County Service Area 70 Improvement Zone R-26, County Service Area 70 Improvement Zone R-29, and County Service Area 70 Improvement Zone TV-5, and make the findings related to the service reviews required by Government Code 56430 as outlined in the staff report.
3. Take the actions to update the spheres of influence for the agencies as identified in this report.
4. Adopt the appropriate resolutions reflecting the Commission's determinations as follows:
 - a. Resolution No. 3085 for LAFCO 3134 - Service Review and Sphere of Influence Update for Town of Yucca Valley
 - b. Resolution No. 3086 for LAFCO 3142 - Service Review and Sphere of Influence Update for Yucca Valley Airport District
 - c. Resolution No. 3087 for LAFCO 3140 - Service Review and Sphere of Influence Update for Hi-Desert Water District

KRM/MT

ATTACHMENTS

1. Maps
 - a. [Regional](#)
 - b. [Current Yucca Valley Community](#)
 - c. [Town with Former Yucca Valley Fire Protection District](#)
 - d. [County Community Plans](#)
 - e. [Water Providers](#)
 - f. [Mojave Water Agency Improvement District M and Recharge Facilities](#)
2. [Map - LAFCO Staff Recommendations](#)
3. Town of Yucca Valley
 - a. [Map – Current Boundary](#)
 - b. [Service Review and Sphere Update Response](#)
 - c. [Financial Information: Excerpts from Budget and Audit](#)
 - d. [Map of Former Yucca Valley Park and Recreation District](#)
 - e. [Listing of County-maintained Roads in Yucca Mesa and Pioneertown](#)
 - f. [Environmental Response from Environmental Consultant, Tom Dodson and Associates](#)
 - g. [Resolution No. 3085 for LAFCO 3134](#)
4. Yucca Valley Airport District
 - a. [Map – Current Boundary](#)
 - b. [Map – Airport Current and Future Layout](#)
 - c. [Service Review and Sphere Update Response](#)
 - d. [Financial Information: Budget and Audit](#)
 - e. [LAFCO 1702 - Resolution of District Formation](#)
 - f. [Airport Lease with Amendments](#)
 - g. [Letters of Support from other Public Agencies](#)
 - h. [Avigation Easement and Deed Notice Areas Map](#)
 - i. [Environmental Response from Environmental Consultant, Tom Dodson and Associates](#)
 - j. [Resolution No. 3086 for LAFCO 3142](#)
5. Hi-Desert Water District
 - a. [Map - Current Boundary](#)
 - b. [Service Review and Sphere Update Response](#)
 - c. [Financial Information: Budget and Audit](#)
 - d. [Excerpt from 2007 Water System Master Plan](#)
 - e. [Environmental Response from Environmental Consultant, Tom Dodson and Associates](#)
 - f. [Resolution No. 3087 for LAFCO 3140](#)
6. County Service Area 70 Improvement Zone W-4
 - a. [Map](#)
 - b. [Financial Information: Budget and Audit](#)
7. County Service Area 70 Improvement Zone R-26
 - a. [Map](#)
 - b. [Financial Information: Budget and Audit](#)
8. County Service Area 70 Improvement Zone R-29
 - a. [Map](#)
 - b. [Financial Information: Budget and Audit](#)
9. County Service Area 70 Improvement Zone TV-5
 - a. [Map](#)
 - b. [Financial Information: Budget and Audit](#)