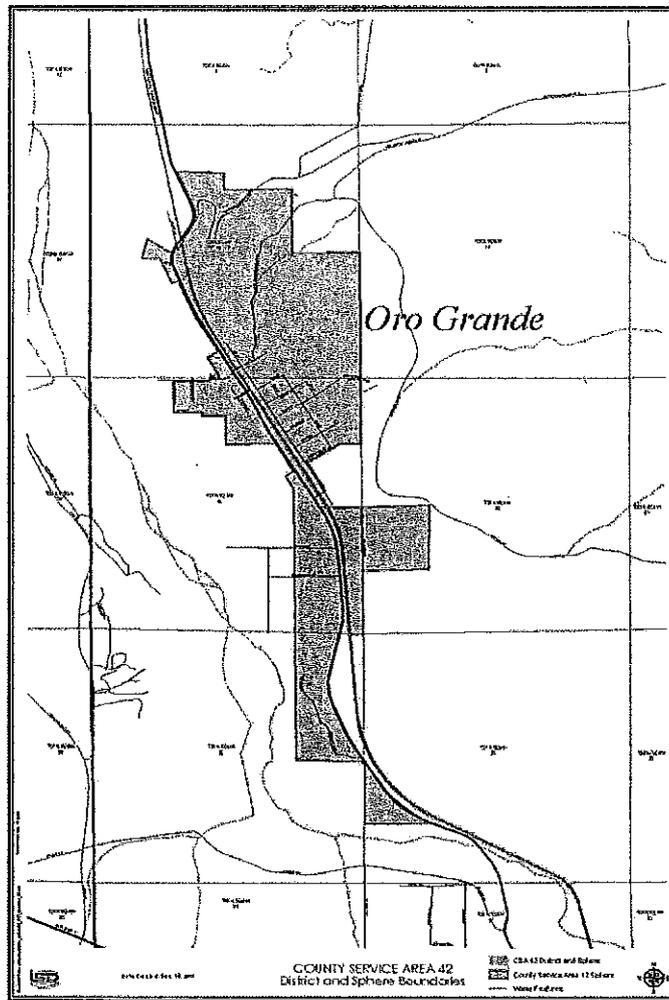


For the reasons outlined above, it is staff's position that this information supports the exclusion of the mineral resource areas from any sphere of influence approval by the Commission.

COMMUNITY OF ORO GRANDE/COUNTY SERVICE AREA 42:

In November 2007 the Commission conducted its Service Review and Sphere of Influence Update for County Service Area 42, the local government entity identified by the Commission as representing the Oro Grande community (copy included as Attachment #6). The sphere of influence for this agency was made coterminous with its boundaries and its range of services was clarified to address the true extent of the services provided. No controversy or citizen participation in that review was received by LAFCO staff, while the report itself was distributed to all known government agencies within Oro Grande. In 2008, a sphere expansion/annexation occurred to address issues related to water service. The map below identifies the current area of CSA 42 :



As LAFCO 3082/3089 have progressed through the process, residents within the general Oro Grande area, which the residents have identified as being generally the Zip Code assigned the community, have contacted LAFCO staff, the City of Victorville, and Supervisor Mitzelfelt's office to raise questions regarding the process and to register their opposition to the inclusion within the sphere of influence of any agency. Samples of the petitions received by LAFCO staff related to this consideration are included as a part Attachment #5 to this report. The primary rationale for the opposition is that the residents enjoy a rural lifestyle and association with the Oro Grande community, not the urban atmosphere of the City of Victorville or the community of Helendale. They have expressed their concern that through the introduction of the sphere of influence of the City of Victorville, changes in their way of life will come.

The staff's modification has excluded the vast majority of the residents in the Oro Grande community, but has retained the territory along the Mojave River from the City of Victorville existing boundary northerly to Bryman Road, and from the City boundary eastward to the centerline of National Trails Highway (Old Route 66). This retains the buffer area desired by the City of Victorville for its operations related to SCLA. The City of Victorville General Plan assigns this territory an open space designation which, per City staff, would allow for aggregate (sand and gravel) mining and very low density residential uses.

However, the residents of the area have expressed a desire to identify their own community for the future. In looking for a community definition, LAFCO's sphere of influence program is identified with public agencies which provide service (cities and special districts) which are under the purview of the Commission as defined by CKH. The only public agency in the area not a regional service provider which comes under the Commission's purview is CSA 42. However, as the Service Review for that agency identified its costs were exceeding its revenue stream, it had the highest water and sewer rate in the North Desert Region, and it was the opinion of LAFCO staff that it could not be sustained without the introduction of additional revenues.

In processing the analysis of this review, LAFCO staff became aware of the improvements made at the TXI plant, and it questioned the lack of property tax support for the operations of CSA 42 from this facility. During the service review, it was identified that property tax rates had increased very little over the years. Review with the County Auditor/Controller/Tax Collector/Treasurer, identified that the entirety of CSA 42 in this area was included within the boundaries of the Victor Valley Economic Development Authority (VVEDA) at its inception in 1993. This action froze the primary tax base of CSA 42 at 1993 levels. In addition, at the inception of VVEDA, CSA 42 did not participate in negotiations for a pass-through of a share of the increment to help sustain its service delivery, so it receives no revenue from the growth in the area. To illustrate this point the chart below identifies the assessed valuation for the last three years within TRA 99008 which represents the TXI facility and the bulk of the residential area of CSA 42:

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WD/CITY OF ADELANTO SPHERE
AND LAFCO 3089 – HELENDALE SPHERE
JUNE 7, 2010

TRA NUMBER	FY 2009-10			FY 2008-09			FY 2007-08		
	NET VALUE	RDA INCREMENT	VALUE AFTER RDA	NET VALUE	RDA INCREMENT	VALUE AFTER RDA	NET VALUE	RDA INCREMENT	VALUE AFTER RDA
99008									
Secured	\$265,590,076	\$250,387,296	\$15,202,780	\$422,124,471	\$406,921,691	\$15,202,780	\$217,595,280	\$202,392,500	\$15,202,780
Unsecured	\$845,689	-\$16,972,894	\$17,808,586	\$1,527,360	-\$16,291,226	\$17,808,586	\$1,731,724	-\$16,086,862	\$17,818,586
TOTAL	\$266,435,765	\$233,414,402	\$33,011,366	\$423,651,831	\$390,630,465	\$33,011,366	\$219,327,004	\$186,305,638	\$33,021,366
1% General Levy of Property Tax	\$2,664,358	\$2,334,144	\$330,114	\$4,236,518	\$3,906,305	\$330,114	\$2,193,270	\$1,863,056	\$330,214
CSA 42 Share of 1% General Levy is 8.74%	\$232,865	\$204,004	\$28,852	\$370,272	\$341,411	\$28,852	\$191,692	\$162,831	\$28,861

The RDA increment shown in the table above has been delivered to VVEDA for its operations. The last line of the table identifies what would have been CSA 42's share based upon net value, what share of CSA 42 revenues were provided to VVEDA and what CSA 42 received each year in property tax revenues.

LAFCO staff has questioned this situation with representatives of the County's Redevelopment Agency, the Auditor Controller's Office, County Special Districts Department and the First District. LAFCO staff has learned that the by-laws of VVEDA, specifically Section 512 Payments to Taxing Agencies to Alleviate Financial Burden, would allow VVEDA to forward to CSA 42 some portion of these increment revenues to "alleviate any financial burden or detriment caused to any taxing agency by the redevelopment project". In addition, LAFCO staff understands that the County is evaluating the ability to request VVEDA to provide future participation in tax increment distribution for CSA 42 and the possibility of some back payments to alleviate some of the concerns regarding its ability to serve its constituents.

Regardless of the potential changes to the funding stream for CSA 42, the residents of this area have expressed a desire to remain outside the sphere of influence of the City of Victorville. LAFCO staff has defined a boundary which excludes those property easterly of National Trails Highway, but includes those lands westerly of National Trails to the existing City of Victorville boundary, southerly of Bryman Road on the basis of drainage and topography. This recommendation responds to some of the concern, but not all, of the residents and property owners in this unincorporated area.

ENVIRONMENTAL ASSESSMENT:

In 2007, when the City of Victorville's request for sphere of influence expansion to the north was separated from its sphere of influence update, it was on the basis that the City was conducting its General Plan update and was to include the expansion area in its review and evaluation. The City's processing of the General Plan Update has included the adoption of an Environmental Impact Report (EIR) which addresses the sphere of influence expansion area

and the pre-zoning of the eastern I-15 corridor area which includes portions of the current City sphere of influence and approximately 2,000 acres of the sphere expansion. During the processing of the application LAFCO's Environmental Consultant, Tom Dodson and Associates, and LAFCO staff have participated in the City's environmental process, have reviewed these documents and provided responses to the City for its consideration. Mr. Dodson has indicated that the documents provided to the Commission are adequate for the Commission's use as a responsible agency. A copy of the environmental documents, including, but not limited to, the Final EIR, Mitigation Monitoring Plan, and Statement of Overriding Considerations were provided to Commission members on November 17, 2009.

On May 6, 2010, LAFCO staff was notified by a representative of the City of Victorville that the City was close to settlement of the issues related to the litigation filed against the City of Victorville Final EIR and the General Plan Update 2030. This was the first notification to LAFCO staff that a lawsuit was involved in the process. On June 1, LAFCO staff was notified of a proposed schedule for review of updates to the General Plan by the City of Victorville Planning Commission and City Council noting that the introduction of the updated mineral resource maps would be included in the General Plan as a part of this process. On June 1, LAFCO staff requested that the City provide a copy of the lawsuit filing and any public documents related to settlement issues; which were received on June 3, 2010. At the same time, LAFCO staff reviewed this circumstance with the Commission's Environmental Consultant and Legal Counsel who have advised staff that no final action can be taken on the environmental document until such time as the updates are processed; whatever the environmental determination is made is filed on the changes, the appeal period has expired and the lawsuit is settled. It has been the Commission's longstanding practice, that when it is a responsible agency under CEQA, it will not move forward with a proposal until litigation affecting its environmental assessment is settled. Therefore, staff is recommending that the Commission make a determination regarding the conflict area and that the matter of LAFCO 3082 addressing sphere of influence amendments for the City of Victorville, Victorville Water District, and City of Adelanto be continued to the September 15, 2010 LAFCO hearing for a final determination.

CONCLUSION:

The Commission, its staff and environmental consultant have been presented with mountains of paperwork for the matter of addressing the environmental assessment for the City of Victorville's inclusion of the area within its General Plan 2030, the matters related to the area of conflict between the City of Victorville and the Helendale CSD, the sphere of influence expansion and establishment proposals, and the directives of State law as they relate to the preservation of mineral resources and the guiding of urban development through the sphere of influence program away from such areas. Staff believes that the modification in boundary for the conflict area will address these concerns, provide for the development of the Desert Gateway Specific Plan and its anticipated Desert Xpress facility and provide for a clean division of service delivery based upon topography, drainage, and efficient and effective service provision.

Therefore, LAFCO staff is recommending that the Commission modify the compromise applications submitted for LAFCO 3082 and LAFCO 3089 as outlined in this portion of the

AGENDA ITEM #8 --
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report, continue the consideration of LAFCO 3082 to the September 15, 2010 hearing to allow for completion of the environmental and/or litigation process and move forward with the discussion of the Helendale CSD sphere of influence establishment, LAFCO 3089, as outlined in the balance of this report.

In order to achieve these recommendations, LAFCO staff recommends that the Commission take the following actions:

1. Modify the compromise boundary presented for LAFCO 3082 -- Sphere of Influence Amendments for the Cities of Victorville and Adelanto and the Victorville Water District to exclude the territory identified by LAFCO staff related to the mineral resources encompassing approximately 23 square miles;
2. Continue consideration of LAFCO 3082 to the September 15, 2010 Commission hearing to allow for settlement of existing CEQA litigation against the City's Final Environmental Impact Report for the General Plan 2030 Update; and
3. Modify the compromise boundary present for LAFCO 3089 -- Sphere of Influence Establishment for the Helendale Community Services District to exclude the territory identified by LAFCO staff related to the mineral resources encompassing approximately 8+/- square miles.

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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DATE: SEPTEMBER 7, 2010

FROM: *Kathleen Rollings-McDonald*
KATHLEEN ROLLINGS-McDONALD, Executive Officer
SAMUEL MARTINEZ, Senior LAFCO Analyst
MICHAEL TUERPE, LAFCO Analyst

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #14: CONSIDERATION OF LAFCO 3082 – SPHERE OF INFLUENCE AMENDMENT (EXPANSION/REDUCTION) FOR THE CITY OF VICTORVILLE AND VICTORVILLE WATER DISTRICT (NORTHERN AREA) AND SPHERE OF INFLUENCE AMENDMENT (REDUCTION) FOR THE CITY OF ADELANTO (INITIATED BY CITIES OF VICTORVILLE AND ADELANTO AND VICTORVILLE WATER DISTRICT)

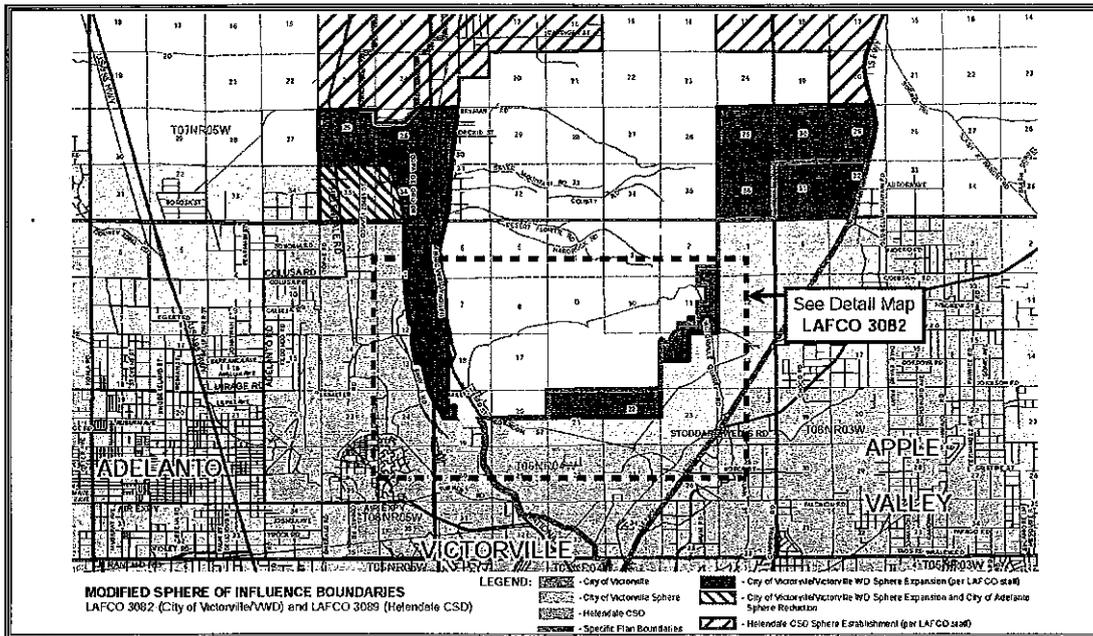
BACKGROUND:

At the June 16, 2010 hearing the Commission considered the proposals for expansion of the City of Victorville and Victorville Water District sphere and reduction of the City of Adelanto sphere of influence (LAFCO 3082) and the sphere of influence establishment for the Helendale Community Services District (LAFCO 3089) as presented by the agencies in January and February 2010. The Staff presented its proposals for modification of the boundaries to remove those areas containing significant mineral resources. After a lengthy hearing, including numerous presentations from citizens in the general Oro Grande area, the Commission took the following actions:

1. Directed LAFCO staff to work with the County, County Service Area 42 (through the County Special Districts Department), the City of Victorville, the City of Adelanto and the community to address the potential to define the Oro Grande Community through a sphere of influence for CSA 42;
2. Modified the area of consideration for LAFCO 3082 (Victorville et al) and LAFCO 3089 (Helendale CSD sphere establishment) to exclude the mineral resources area;
3. Signaled the Commission's support for the modified Sphere of Influence Expansions for the City of Victorville and the Victorville Water District with the understanding that the issues related to mining within the Desert Gateway Specific Plan in Section 21 of the sphere expansion would be addressed by the City;

- Continued the consideration of LAFCO 3082 to the September 15, 2010 hearing due to the inability to address the matter because of pending litigation against the Final Environmental Impact Report for the City's General Plan 2030.

The map below illustrates the area for further consideration within LAFCO 3082 – Sphere of Influence Amendments for the City of Victorville, Victorville Water District and City of Adelanto that was supported by the Commission at the June 16, 2010 hearing:



Following the June hearing, LAFCO staff set about implementing the direction of the Commission through the establishment of a committee to review questions related to the community of Oro Grande and the sphere of influence expansion proposed by the City of Victorville and its subsidiary Victorville Water District. Membership on the Committee was composed of the following:

LAFCO Staff: Kathleen Rollings-McDonald, Executive Officer, Samuel Martinez, Senior LAFCO Analyst, and Michael Tuerpe, LAFCO Analyst

City of Victorville: Jim Cox, City Manager, Bill Webb, Community Development Director, and Keith Metzler, Economic Development/Airport Director

City of Adelanto: James Hart, City Manager, and Rick Gomez, Community Development Director

Mining Interests: Frank Sheets, Government Liaison, TXI Riverside Cement, Paul Martin, TXI Riverside Cement, and Mark Ostoich, Attorney for TXI Riverside Cement

Oro Grande Community: Dr. Kim Moore, Superintendent, Oro Grande School District

County Departments:

Special Districts: Jeff Rigney, Director, Manuel Benitez, Deputy Director, and
Tim Millington, Regional Manager for CSA 42
Economic Development -- Mary Jane Olhasso, Director
Public Works – Roger Hatheway
First District – Andrew Silva, Field Representative and Robert Eland, Field
Representative

This committee met on two occasions to review and answer the question "What is the appropriate definition of the community of Oro Grande?" and to discuss the area's future relationship with the City of Victorville and its community service providers. At the original committee meeting, LAFCO staff presented its evaluation of opposition received during the course of review of LAFCO 3082, the position of the City of Victorville that it did not wish to include those properties opposed to the City, and the requirements of LAFCO Statutes related to open space lands. The outcome of these discussions was an agreed upon further modification of the boundaries of LAFCO 3082 and a proposed map for evaluation of the larger community of Oro Grande. The maps below illustrate these modifications and are included as Attachment #1 to this report. The sphere amendments are defined as follows:

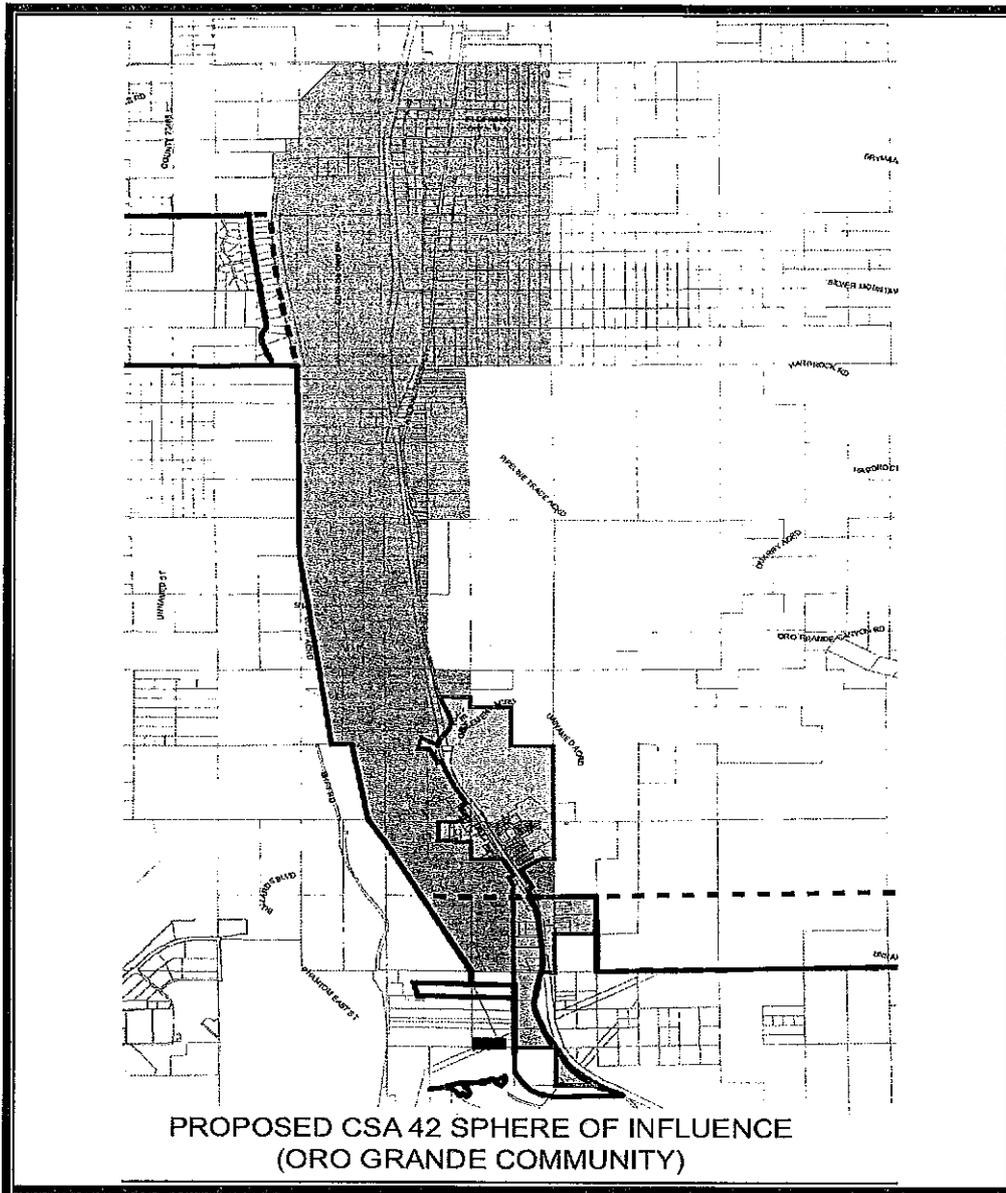
CITY OF VICTORVILLE AND VICTORVILLE WATER DISTRICT:

1. Eastern Sphere of Influence Expansions for the City of Victorville and Victorville Water District – generally the Desert Gateway Specific Plan area for a total of 4,525 +/- acres:
 - a. Area 1 on map 3,410 acres
 - b. Area 2 on map 452 acres
 - c. Area 3 on map 663 acres

2. Sphere of Influence Expansions for the City of Victorville and Victorville Water District including sphere of influence reduction for City of Adelanto – western area – SCLA vicinity Area 4:
 - a. Area 4 1,790 acres
 - b. City of Adelanto Reduction 920 acres

3. Sphere of Influence Reduction for the City of Victorville and Victorville Water District defined as a part of the Oro Grande community
 - a. Reduction area 180 acres

**COMMUNITY OF ORO GRANDE TO BE DEFINED
BY COUNTY SERVICE AREA 42
SPHERE OF INFLUENCE**



The final question posed by the Commission during the June 16, 2010 hearing related to concerns expressed by the James Hardie Building Products Inc. representatives related to Section 21 and the land use designations within the Desert Gateway Specific Plan for that area. Specifically, it was identified that the Bureau of Land Management has leased the northwestern quarter of Section 21 to James Hardie for mining of materials. It was identified that James Hardie's extraction methods for mining include blasting and other methods not conducive to placement in or near residential areas and that the Desert Gateway Specific Plan places Single Family Estate, Single Family Medium Residential and Golf course uses abutting the James

Hardie claims. City Representatives at the hearing indicated their willingness to work with the company to resolve the concerns. The Commission directed LAFCO staff to include a discussion of the progress of these negotiations in the report for the September 15, 2010 hearing.

On September 8, 2010, the City of Victorville Planning Commission will be presented with an Amendment to the Gateway Specific Plan to include a Resource Recovery Overlay within the Plan and to identify that mining is a permitted use through completion of a Conditional Use Permit process. A copy of the materials to be presented to the Planning Commission is included as an attachment to this report. This process was reviewed in a meeting on August 31st with James Hardie Building Productions Inc. representatives, LAFCO staff and members of the City of Victorville and Victorville Water District staffs at the City. To date, no opposition to this process has been received; however, LAFCO staff will update the Commission at the Hearing.

CONCLUSION:

The Commission, its staff and consultants have been presented with mountains of paperwork for the June and September hearings for the matter of addressing the environmental assessment for the City of Victorville's General Plan 2030, the matters related to the exclusion of the mineral resources areas from the sphere of influence of any municipal-level service provider, and the questions regarding development of a community definition for Oro Grande. Staff believes that the modification in boundary proposed in this report will address these concerns, provide for the development of the Desert Gateway Specific Plan and its anticipated Desert Xpress facility and provide for a clean division of service delivery based upon topography, drainage, and efficient and effective service provision.

Therefore, LAFCO staff is recommending that the Commission approve the sphere of influence expansions and/or reductions as supported by the City of Victorville, Victorville Water District, City of Adelanto, and LAFCO staff. Approval of this will allow the Commission to move forward with the discussion of the service review required for the sphere amendment in LAFCO 3082, as outlined in the balance of this report.

In order to move forward in this consideration, LAFCO staff recommends that the Commission take the following actions:

1. Modify the compromise boundary presented for LAFCO 3082 -- Sphere of Influence Amendments for the Cities of Victorville and Adelanto and the Victorville Water District to exclude the territory agreed to be the community of Oro Grande as outlined by staff;
2. Initiate a sphere of influence amendment and service review for County Service Area 42 to address the community of Oro Grande, direct staff to solicit the information necessary to conduct the review from the County and community and to request financial participation in conducting the review from CSA 42; and
3. Direct staff to place the matter of the sphere of influence amendment for CSA 42 for further consideration on the January 19, 2011 Commission hearing agenda.