

# LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

215 North D Street, Suite 204, San Bernardino, CA 92415-0490  
(909) 383-9900 • Fax (909) 383-9901  
E-MAIL: [lafco@lafco.sbcounty.gov](mailto:lafco@lafco.sbcounty.gov)  
[www.sbclafco.org](http://www.sbclafco.org)

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**DATE:** JANUARY 11, 2011  
**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** AGENDA ITEM #6: CONSIDERATION OF LAFCO 3164– SPHERE OF INFLUENCE AMENDMENT (EXPANSION) FOR COUNTY SERVICE AREA 42 (ORO GRANDE)

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## **BACKGROUND:**

At the June 16, 2010 hearing the Commission considered the proposals for expansion of the City of Victorville and Victorville Water District spheres of influence 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. 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 action to address the Oro Grande Community:

*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;...*

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

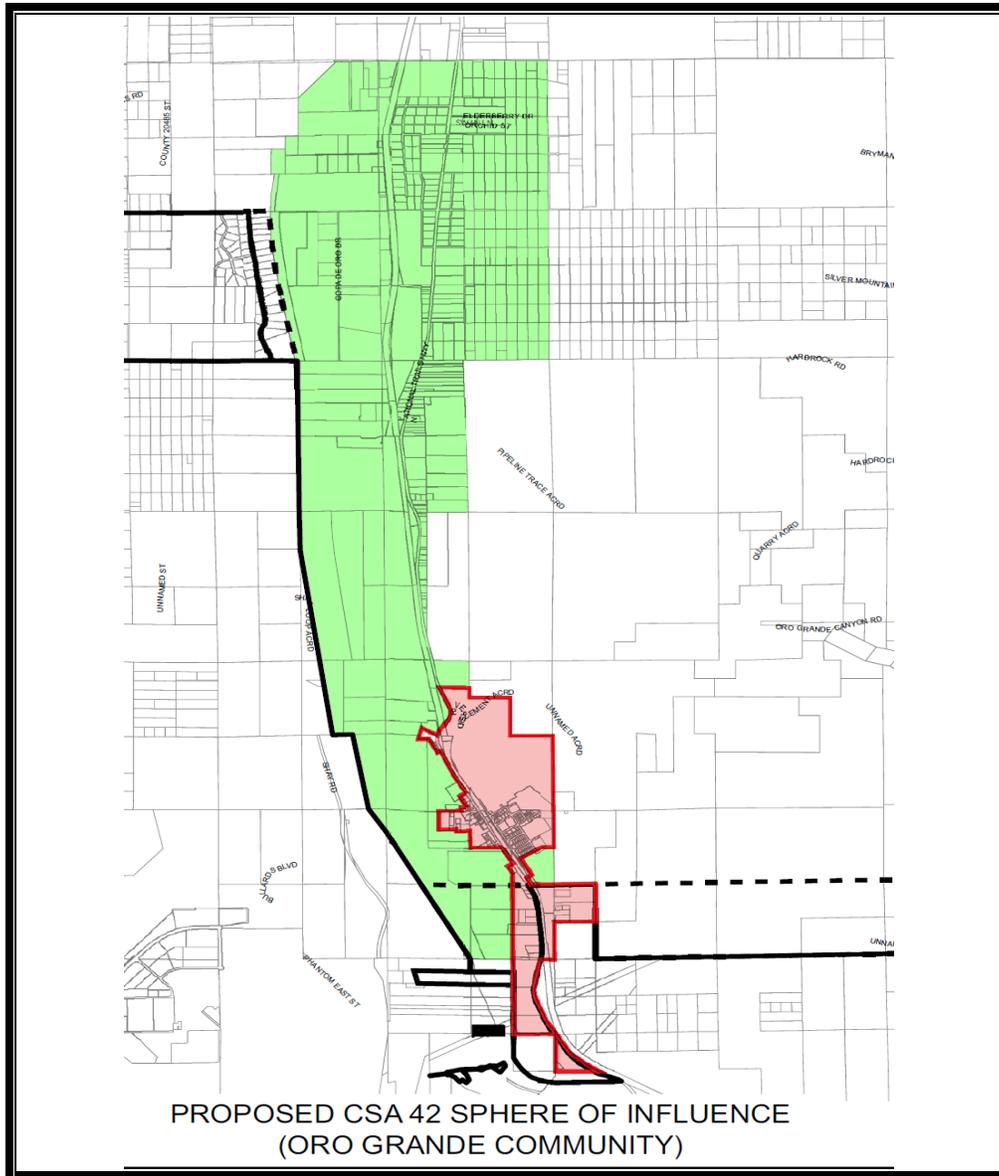
Economic Development -- Mary Jane Olhasso, Director

Public Works – Roger Hatheway

First District – Andrew Silva, Analyst 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 the City of Victorville proposal, LAFCO 3082, and a proposed map for evaluation of the larger community of Oro Grande. The Committee determined that the territory easterly of the centerline of the Mojave River drawn to parcel boundaries would be defined as the Community of Oro Grande. The map below (and included in Attachment #1) outlines the community definition of Oro Grande through the proposed expansion of the CSA 42 sphere.

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



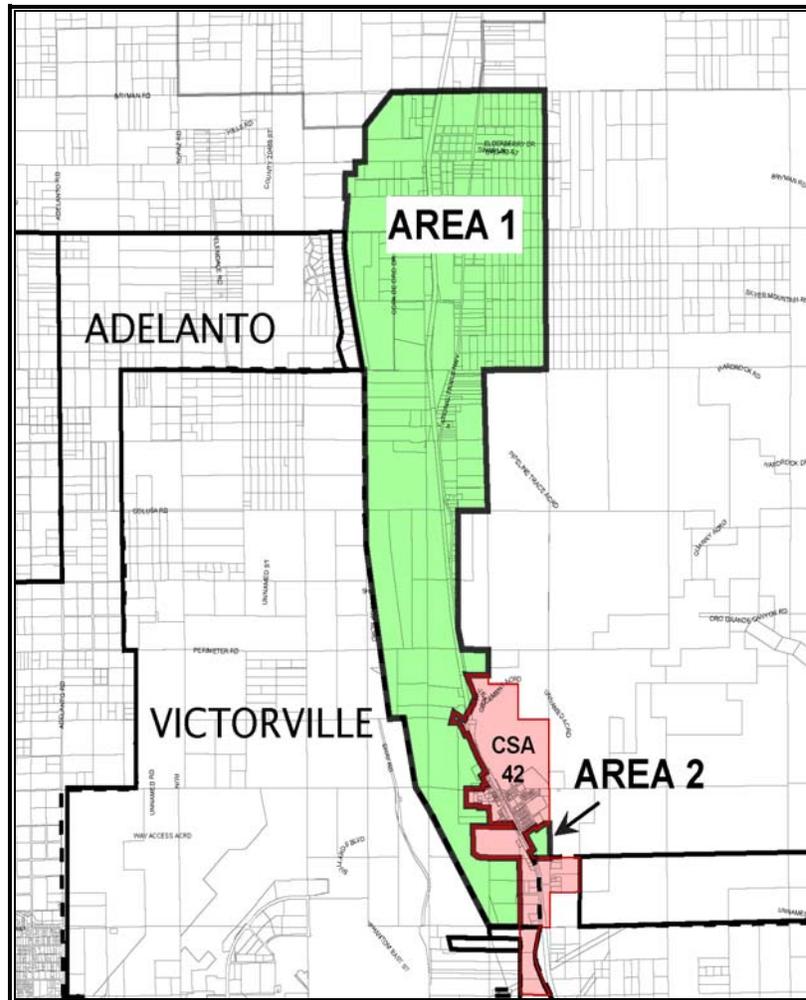
At the September 15, 2010 hearing, the Commission moved forward with the consideration of the City of Victorville and Victorville Water District sphere of influence determinations, indicated its support for the definition of the community of Oro Grande, and continued consideration of the sphere of influence amendment for CSA 42 to the January hearing. Attachment #1 to this report provides a vicinity map and map of the sphere of influence amendments proposed. The following narrative will provide for an update to the Service Review conducted in November 2007 (copy included as Attachment#2) and the outline of the mandatory factors for the sphere of influence amendment as required by Government Code Section 56425.

## SERVICE REVIEW SUMMARY

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. 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 2009, a sphere expansion/annexation occurred to address issues related to water service along National Trails Highway and in 2010 a sphere expansion/annexation to include the Riverside Preparatory Academy (charter school of the Oro Grande Unified School) for water and sewer service.

As the Service Reviews and Sphere discussions for the City of Victorville and the Helendale Community Services District (LAFCO 3082 and 3089 respectively) progressed through the process, residents within the general Oro Grande area, which they identified as being generally the Zip Code assigned the community, 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. The primary rationale for the opposition was 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 expressed their concern that through the introduction of the sphere of influence of the City of Victorville or Helendale CSD, changes in their way of life will come.

The residents of the area expressed a desire to identify their own community for the future to the Commission during the June and September 2010 hearings. 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 the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (hereafter shown as "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 new or additional revenues. Nonetheless, at the September 15, 2010 hearing the Commission defined the community of Oro Grande to be the existing boundary and sphere of influence of CSA 42 with the expansions to the west and south east as shown on the map below:



In reference to the questions of revenues for CSA 42, it was learned during the processing of LAFCO 3082/3089 of the improvements made at the TXI plant, and LAFCO staff questioned the lack of property tax support for the operations of CSA 42 from this facility. This question was prompted by the prior CSA 42 service review in 2007, which 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 was included within the boundaries of the Victor Valley Economic Development Authority (hereafter shown as “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, most specifically the upgrades to the TXI plant. 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:

TRA NUMBER	FY 2010-11			FY 2009-10			FY 2008-09		
	NET VALUE	RDA INCREMENT	VALUE AFTER RDA	NET VALUE	RDA INCREMENT	VALUE AFTER RDA	NET VALUE	RDA INCREMENT	VALUE AFTER RDA
99008									
Secured	\$ 189,973,003	\$ 174,770,223	\$ 15,202,780	\$265,590,076	\$250,387,296	\$15,202,780	\$422,124,471	\$406,921,691	\$15,202,780
Unsecured	\$ 1,872,401	\$ (15,946,185)	\$ 17,818,586	\$845,689	(\$16,972,894)	\$17,808,586	\$1,527,360	(\$16,291,226)	\$17,808,586
TOTAL	\$ 191,845,404	\$ 158,824,038	\$ 33,021,366	\$266,435,765	\$233,414,402	\$33,011,366	\$423,651,831	\$390,630,465	\$33,011,366
1% General Levy of Property Tax	\$ 1,918,454	\$ 1,588,240	\$ 330,214	\$2,664,358	\$2,334,144	\$330,114	\$4,236,518	\$3,906,305	\$330,114
CSA 42 Share of 1% General Levy is 8.74%	\$ 167,673	\$ 138,812	\$ 28,861	\$232,865	\$204,004	\$28,852	\$370,272	\$341,411	\$28,852

The RDA increment shown in the table above has been delivered to VVEDA for its operations, redevelopment of SCLA. 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.

As outlined at the September hearing, LAFCO staff questioned this situation with representatives of the County's Administrative Office, Redevelopment Agency, the Auditor Controller's Office, County Special Districts Department and the First District. LAFCO staff identified 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". To date, no response regarding the support by VVEDA to use this section to address the concerns of this disadvantaged community has been provided.

As a follow up to the September hearing, LAFCO staff met with representatives from the County seeking to receive a position on 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. On December 28, 2010 the County Administrative Office responded that negotiations are ongoing with VVEDA and no information is available at this time. LAFCO staff is hopeful that a positive resolution to this issue will be forthcoming so that those residents which must deal with the issue surrounding the operations of the TXI plant receive some service benefit through increased funding for the inconvenience.

Regardless of the questions of sustainability for CSA 42 and the potential changes to the funding stream for CSA 42 as outlined above, the residents of this area have expressed a desire to have a defined community of their own and the expansion of the CSA 42 sphere of influence will provide for addressing the defined community of Oro Grande. That territory would expand the sphere of influence to include a total of 4,319 +/- acres; 493 comprising the existing CSA 42 boundary and sphere, Expansion Area #1, 3,800 +/- acre expansion to the west abutting the City of Victorville sphere of influence and Expansion Area #2, 26 +/- acres in the southeastern portion of the district.

The following narrative discussion will provide an abbreviated response to the individual factors of consideration required by Government Code Section 56430 and Commission policy for a sphere of influence amendment.

### ***Growth and Population Projections for the Sphere Amendment Territory***

In the 2007 Service Review for CSA 42, it was identified that the area had a 2002 population of 422, all within the existing boundaries of the District. Historic trends for the area indicated little growth according to a review of water and sewer connections. The 3,826 acre sphere expansion will include vast areas developed with rural residential uses – farming, cultivating, etc. which are not expected to provide for the type of growth previously experienced by the Victor Valley region. The previous report identified the following related to population projections:

*By 2000 the Inland Empire's combined population had increased by almost 100,000 residents each year. The 2000 Census data noted San Bernardino County's population at over 1.7 million, an increase of 20.5% over 1990 Census data. The Cities of Adelanto, Fontana, Highland, Rancho Cucamonga, Rialto, Yucaipa and Victorville recorded the highest percent growth; all increased in population by more than 25%. Overall, San Bernardino ranks as the fourth-highest populated county in California, and is projected to be home to more than 2.8 million residents by 2020, an increase of 65% over the 2000 data. However, this type of growth is not anticipated to occur within the community of Oro Grande due to the factors of the lack of infrastructure, the land use designations for the area, the flood patterns of the Mojave River, and the overall desire of the residents to maintain a rural lifestyle.*

The Transportation Analysis Zones formulated by the Southern California Association of Governments (SCAG) in this area are quite large and are difficult to pinpoint to the sphere modification. There has not been a community plan prepared for the community of Oro Grande; therefore, no specific growth projections have been included. Nonetheless, population or household growth is not anticipated to be significant based upon the reasons outlined above.

### ***Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies***

Currently, the District is authorized by LAFCO to provide water, sewer, streetlights, park and recreation. The materials submitted by the County Special Districts Department for this sphere amendment outlines its recent activity in securing funding for improvement to the historic Oro Grande Cemetery owned by the County of San Bernardino. This funding was received from the County's Community Development Block Grant and the grant receipt documents identify CSA 42 as the Operation and Maintenance entity for the 30 year life of the grant funding. This is a historic cemetery which no longer accepts internments, but is the final resting place for many of the historic figures which populated the early Victor Valley. Of note, CSA 42 is not authorized the existing function for operation and

maintenance of a cemetery, even one which is closed. County Special District staff has indicated that it is their desire that the County Museum assume control of this facility due to its historic significance. LAFCO staff will continue to work with the representatives for CSA 42 to clear up this issue as the District has no authority to expend funds for this operation under its current authorizations, nor does CSA 70 have the necessary service structure authorization to accommodate these activities.

Other services provided by regional service providers include: Fire protection is provided by the San Bernardino County Fire Protection District, its North Desert Service Zone and Zone FP-5; flood control is provided by the San Bernardino Flood Control District, the Mojave Water Agency is the State Water Contractor for the area and the Mojave Desert Resource Conservation District overlays the entirety of the area. In addition, the area is overlain by County Service Area 70 (multiple function agency) and County Service Area 60 (Apple Valley Airport). Analysis of these agencies is not included in this review.

The following narrative provides a discussion of the services actively provided by CSA 42:

### Water

As the Commission 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.

The Department of Water Resources prepares biennial SWP water delivery reliability reports in order to provide the public with reliability estimates for both current and projected 20 year conditions. This is accomplished by modeling the effects of current hydrologic and SWP facility conditions and changes that are projected to occur. The table below summarizes the history of the current and future MWA contractual maximum annual amount from the SWP and the SWP reliability factors that have been and are being used for water supply planning purposes since 2005.

Year	MWA Table A <sup>(1)</sup> Annual Maximum	SWP Reliability Factor (long-term)	Average Annual SWP Yield (Acre-feet)
2005	75,800	77%	58,366
2007	75,800	66-69%	50,028 – 52,302
2009	75,800	61%	46,238
2010	82,800	61%	50,508
2015	85,800	61% <sup>(2)</sup>	52,338 <sup>(2)</sup>
2020	89,800	61% <sup>(2)</sup>	54,778 <sup>(2)</sup>

(1) Table A refers to the section within the MWA contract with DWR which specifies the maximum annual amount of water that the MWA can receive from the State Water Project.

(2) Reliability estimates will be updated again in 2011. The 2009 Reliability Report estimated an average reliability of 60% for the SWP, but also modeled reliability for each Contractor, concluding that the average annual supply for MWA would be 61%. The 2009 Reliability Report estimate is the only known reliability variable at this time and is used for the purposes of this discussion and for water supply estimates in the MWA 2010 UWMP currently under preparation. Current court proceedings and efforts to address issues in the Delta (supply source for the SWP) may result in future changes to SWP supply reliability.

The 2007 Reliability Report concluded that contractors to the SWP could anticipate average reliability of 66-69% through the year 2027. The range was provided to account for variable impact associated with different conclusions about the potential effects of modeled climate change. The MWA contracted maximum annual amount of water from the SWP at the time was 75,800 acre-feet. The reliability report was therefore suggesting that the MWA could expect on average a range of 50,028 – 52,302 acre-feet per year. The average assumes that in some years the MWA is likely to be allocated less than the stated average and in some years the MWA is likely to be allocated more than the stated average.

In 2009 the DWR provided an updated reliability report incorporating new biological opinions in place of the referenced interim rules promulgated by the Federal Court. The new biological opinions were significantly more restrictive than the interim rules and consequently the 2009 reliability analysis indicated a reduction in reliability to 61% for long-term (2029) conditions. The MWA has subsequently acquired additional contractual amounts to SWP water, increasing the maximum annual amount from 75,800 acre-feet to 82,800 acre-feet in 2010, 85,800 acre-feet in 2015 and 89,800 acre-feet in 2020. Considering the DWR modeling results, the average annual yield to the MWA would be 50,508 acre-feet in 2010 and 54,778 acre-feet in 2029.

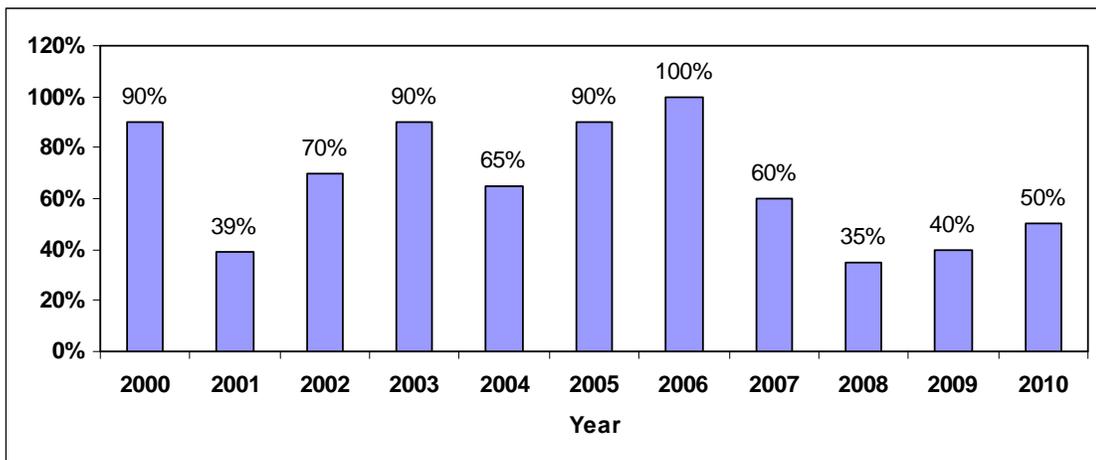
Since preparation of the 2009 Reliability Report, the same Federal Court has found the new biological opinions to be unacceptable (and inappropriately restrictive to Delta water exports) and has ordered them to be redone. At this writing yet another set of interim operational guidelines are being developed with the Court and are expected to be less restrictive to water exports than the biological opinions that were included in the DWR modeling for the 2009 Reliability Report. There is also a major effort underway to develop a habitat conservation plan to address the myriad of issues impacting water supply exports from the Delta. That effort, if accomplished in a manner consistent with the “co-equal goals” of ecosystem restoration and water supply reliability envisioned by the State Legislature’s 2009 Comprehensive Water Package, is anticipated to significantly increase reliability of the SWP water supply. The eventual success and/or resulting increase to reliability are unknown at this time; however, the outcome will eventually be reflected in the biennial DWR reliability assessments.

The MWA operates under the guidance of a Board adopted integrated regional water management plan and is also required by State law to submit an Urban Water Management Plan (UWMP) to the State of California every 5 years ending in “0” and “5”. The MWA UWMP compiles information on all known water supplies and demand on a sub-regional scale for the entire MWA. Future water supplies and demand (population growth) are also projected for at least the ensuing 20 years. The MWA 2005 UWMP utilized the DWR SWP reliability report available at the time, which assumed a long-term reliability factor of 77%. Given that assumption the UWMP concluded that there would be sufficient water supply (natural and imported) within the MWA to meet the projected demand within the requisite 20 year period.

The MWA is currently in the process of developing its 2010 UWMP. The Plan will incorporate the most recent reliability information provided by DWR (2009), which indicates a reliability of 61% on average. Although development of the 2010 UWMP is incomplete, initial analysis indicates that given projected rates of growth, the modeled decrease in reliability for the SWP by DWR, and the recent acquisition of additional SWP contractual amounts by the MWA, that there will be sufficient supply to meet anticipated increased demands through the required 20 year planning horizon (2030).

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase since 1998, which averages 67% over the 11 years summarized. For example, Mojave Water Agency (MWA) (the State Water Contractor that overlays the study area) is entitled to purchase up to 82,800 acre-feet of imported water per year. For 2010 the allocation percentage was 50%; therefore, MWA can purchase up to 41,400 acre-feet in 2010. The MWA mitigates for this variability in supply by utilizing the significant water storage capability within the Agency ground water basins to take delivery of SWP water when it is available. Water available from the SWP in excess of local demand is delivered and stored in the ground water basins to be used to meet demand during those years when the amount of water available from the SWP is less than the annual demand.

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



Source: Department of Water Resources

The allocation percentage for 2011 is 50%; therefore the amount that MWA can purchase for 2011 is 41,400 acre-feet.<sup>1</sup> According to the MWA press release cited, DWR is conservative in estimating water deliveries since farmers and others can suffer if expected amounts cannot be delivered. It is likely that the 50 percent allocation will be increased as rain and snowfall totals continue to increase.

The previously high growth rate in the region has diminished significantly, but may resume with improvement to the regional economy. However, at this time such an improvement is not anticipated prior to 2012. The groundwater basin is adjudicated<sup>2</sup> under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre-feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft. Producers are required to replace any water pumped above their Free Production Allowance by paying the Watermaster to purchase supplemental water or by purchasing unused production rights from another party. The Alto Subarea, which includes the Victorville Water District, has had FPA ramped down to 60% of BAP for municipal producers, which has brought the Alto Subarea into balance (see the “Water Rights and Production” section below). Implementation of the Judgment prompts water purveyors to scale back consumption annually and to aggressively promote water conservation measures, as an alternative to the purchase of more expensive imported water. Finding efficiencies in managing limited supply sources is critical for the future of the community. The MWA operates an effective water conservation program in conjunction with retail water purveyors within the MWA.

### Water Rights and Production

As noted in the most recent Watermaster Annual Report, “rampdown in Alto is not warranted at this time”<sup>3</sup>. Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster a replacement assessment to purchase supplemental water or by purchasing unused production rights from another party in the sub-area for the applicable production year. Additionally, each water producer within the Alto sub-basin, when applicable, is subject to the Watermaster replacement to the downstream Centro sub-basin (obligation is in acre-feet). This obligation is called Make-up Water Obligation and can generally be satisfied by: 1) paying the Watermaster assessment directly, 2) purchasing the acre-feet obligation from Centro water producers at a two-to-one ratio, or 3) purchasing transfer water from Centro producers before-hand.

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<sup>1</sup> State of California. Department of Water Resources. “State Water Project Allocation Increased”, Press Release. 17 December 2010.

<sup>2</sup> 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).

<sup>3</sup> Mojave Basin Area Watermaster, *16<sup>th</sup> Annual Report of the Mojave Basin Watermaster: Water Year 2008-09*, (1 May 2010), Ch. 5.

As indicated in the table below, the historical trend for CSA 42’s water production indicates that it produces less than its FPA. Thus, it has water available for lease to other agencies within the sub-basin.

**COUNTY SERVICE AREA 42 – Alto Sub-basin**  
 (Units in Acre-feet unless otherwise noted)

<b>Water Year</b> [Base Annual Production (BAP)]	<b>Base Free Production Allowance [FPA]</b> [Rampdown % of BAP]	<b>Carryover Previous Year and Transfers to Other Agencies</b>	<b>Verified Production</b>	<b>Unused FPA<sup>1</sup> or (Agency Overdraft)</b>	<b>Replacement Water Obligation [Agency Overdraft]</b>	<b>Makeup Water Obligation [Watermaster Replacement to Centro Sub-basin]<sup>2</sup></b>
<b>2003-04</b> [465]	326 [70%]	(201)	125	0	0	\$19
<b>2004-05</b> [465]	303 [65%]	(179)	124	0	0	\$0
<b>2005-06</b> [465]	279 [60%]	(164)	115	0	0	0
<b>2006-07</b> [465]	279 [60%]	(159)	120	0	0	0
<b>2007-08</b> [465]	279 [60%]	(185)	94	0	0	0
<b>2008-09<sup>3</sup></b> [465]	279 [60%]	0	88	191	0	4.63 obligation at a cost of \$1,787
<b>2009-10<sup>4</sup></b> [465]	279 [60%]	191	n/a	n/a	n/a	n/a
<b>2010-11</b> [465]	279 [60%]	-	-	-	-	-

<sup>1</sup> Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

<sup>2</sup> Obligation to the Centro basin is purchased at a two-to-one ratio.

<sup>3</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Seventeenth Annual Report of the Watermaster due May 2011.

<sup>5</sup> Draft data (Appendix B) not available until early 2011.

sources: Mojave Basin Area Watermaster

*Annual Report of the Mojave Basin Area Watermaster, for Water Years 2003-04 through 2008-09.*

*Requests for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments and Requests for Assignment of Free Production Allowances in Lieu of Payment of Makeup Water Assessments, for Water Years 2002-03 through 2008-09.*

The chart above identifies transfers to other agencies. The tables which follow identify the agency which leased the excess FPA from CSA 42 and the amount paid during the individual water years. The Water Year is defined as October 1 through September 30 of each year. Because of this, it is difficult to verify revenue from transfers to Fiscal Year Budgets and Audits for operation of CSA 42. The revenue from the sale of excess FPA is shown in the CSA 42 budget under the category of “Other Revenue”.

**Transfers for Water Year 2003-04**

<b>Transferred to</b>	<b>Amount of Transfer</b>	<b>Revenue Received</b>
<u>CSA 64</u>	<u>50 AF</u>	<u>\$4,750</u>
<u>CSA70C</u>	<u>50 AF</u>	<u>\$4,750</u>
<u>CSA 70J</u>	<u>51 AF</u>	<u>\$4,845</u>
<u>CSA 70L</u>	<u>50 AF</u>	<u>\$4,750</u>
<b>TOTAL</b>	<b>201 AF at \$95 per AF</b>	<b>\$19,095</b>

**Transfers for Water Year 2004-05**

<b>Transferred to</b>	<b>Amount of Transfer</b>	<b>Revenue Received</b>
<u>CSA 64</u>	<u>50 AF</u>	<u>\$6,250</u>
<u>CSA70C</u>	<u>29 AF</u>	<u>\$3,625</u>
<u>CSA 70J</u>	<u>50 AF</u>	<u>\$6,250</u>
<u>CSA 70L</u>	<u>50 AF</u>	<u>\$6,250</u>
<b>TOTAL</b>	<b>179 AF at \$125 per AF</b>	<b>\$22,375</b>

**Transfers for Water Year 2005-06**

<b>Transferred to</b>	<b>Amount of Transfer</b>	<b>Revenue Received</b>
<u>CSA 64</u>	<u>75 AF</u>	<u>\$12,375</u>
<u>CSA 70J</u>	<u>79 AF</u>	<u>\$13,035</u>
<u>CSA 70L</u>	<u>10 AF</u>	<u>\$1,650</u>
<b>TOTAL</b>	<b>164 AF at \$165 per AF</b>	<b>\$27,060</b>

**Transfers for Water Year 2006-07**

<b>Transferred to</b>	<b>Amount of Transfer</b>	<b>Revenue Received</b>
<u>CSA 64</u>	<u>76 AF</u>	<u>\$14,440</u>
<u>CSA 70J</u>	<u>83 AF</u>	<u>\$15,770</u>
<b>TOTAL</b>	<b>159 AF at \$190 per AF</b>	<b>\$30,210</b>

**Transfers for Water Year 2007-08**

<b>Transferred to</b>	<b>Amount of Transfer</b>	<b>Revenue Received</b>
<u>CSA 64</u>	<u>185 AF</u>	<u>\$44,400</u>
<b>TOTAL</b>	<b>185 AF at \$240 per AF</b>	<b>\$44,400</b>

Source: Mojave Water Agency. Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments for the 2003-04 through 2007-08 Water Years.

Water Rates

A comparison of the residential water rates charged by the agencies within the Victor Valley Region is identified in the chart below.

**Residential Water Rate Comparison (2010)**  
 (rates measured in units, or one hundred cubic feet)

Agency	Water Use Fee				Monthly Meter Charge (3/4" Meter)	Monthly Average Cost (20 units of water)	Monthly Surcharge Added	TOTAL Monthly Average Cost (20 units of Water)
	Tier One	Tier Two	Tier Three	Tier Four				
<b>City of Adelanto (Adelanto Public Utilities Authority)</b>	\$2.40	3.40	4.40	-	18.90	71.90	0.00	71.90
<b>Apple Valley Ranchos Water Company</b>	2.10	2.22	2.34	-	20.18	62.90	8.02	70.92
<b>CSA 42 (Oro Grande)</b>	1.64	1.82	1.97	-	34.39	68.27		68.27
<b>CSA 64 (Spring Valley Lake)</b>	0.64	0.78	0.85	-	10.51	24.15		24.15
<b>CSA Zone J (Oak Hills)</b>	1.57	1.80	2.36	-	13.29			46.07
<b>Golden State Water Company – Apple Valley Service Area</b>	2.11	-	-	-	12.55	54.75	0.82	55.57
<b>Helendale Community Services District</b>	0.81	0.90	1.01	-	8.01	25.38		25.38
<b>Hesperia Water District</b>	0.84	1.43	1.74	2.07	18.16	40.86		40.86
<b>Phelan Piñon Hills CSD</b>	1.81	2.01	2.08	-	13.01	50.41		50.41
<b>Victorville Water District</b>	1.47	-	-	-	17.50	46.90		46.90
Rates rounded to the nearest hundredth								

Sewer

The 2007 Service Review for CSA 42 provides a detailed outline of the service issues and limitations of the system. Since that report, two annexations have occurred, one involving the residences previously served by TXI for water service (LAFCO 3116) and the annexation of the Oro Grande Unified School District Charter School site (LAFCO 3147). In addition, LAFCO 3115 expanded CSA 42's sphere of influence to include a mobilehome park/apartment complex under cease and desist order related to its on-site wastewater system for the purpose of allowing an out-of-agency service contract. To date, no further interest in service extension has been received from the property owner. Outside these two new service obligations, no change has occurred for the sewer service area for CSA 42, which remains at 249 EDU, with no other sewer expansion proposals on the horizon. The area proposed for service through this sphere amendment does not utilize a wastewater collection system, relying instead upon on-site wastewater disposal systems. The large lot configuration of the expansion area does not anticipate a change for the foreseeable future.

The wastewater treatment plant that services CSA 42 is the regional treatment plant operated by the Victor Valley Wastewater Reclamation Authority (VWVRA). A detailed Service Review for this Joint Powers Authority is available at the LAFCO Office or on the Commission's Website (Item #9, October 2009 Agenda).

Sewer Rates

The County Special Districts Department, as the administrator for CSA 42, examines its rates annually, provides for a public hearing process before the Board of Supervisors for their adoption and adjusts the rates as needed. The determination made in 2007 remains, that the infrastructure within CSA 42 have severe service deficiencies and a limited ability to raise the revenues needed to address the deficiencies. A comparison of the residential sewer rates charged by the agencies within the Victor Valley Region is identified in the chart below.

**Residential Sewer Rate Comparison (2010)**

(rates per equivalent dwelling unit)

<b>Agency</b>	<b>Monthly Average Cost</b>
<b>City of Adelanto (Adelanto Public Utilities Authority)</b>	\$47.82
<b>Town of Apple Valley</b>	23.58
<b>CSA 42</b>	72.22
<b>CSA 64</b>	32.32
<b>CSA 70 SP-2 (Oak Hills High County)</b>	36.98
<b>Helendale Community Services District</b>	36.64
<b>Hesperia Water District</b>	20.07
<b>City of Victorville</b>	23.70

As noted, CSA 42 has the highest rate per EDU in the Victor Valley. The City of Adelanto, through its Public Utilities Authority, and the Helendale CSD operate a wastewater treatment facility. The other agencies shown in the chart, including CSA 42, above are participants in the Victor Valley Wastewater Reclamation Authority facility, a joint-powers authority for the treatment of wastewater.

Park and Recreation

CSA 42 operates a community center and park facility utilized by the entire community, including those residents within the expansion area. During the June and September hearings, residents of the sphere expansion area identified their use of these facilities, their former participation in the Oro Grande Grange, and other activities for the larger community.

Streetlighting

CSA 42 currently operates 39 street lights which are owned and maintained by Southern California Edison. In 2009-10, the County determined to include the streetlighting operations of CSA 42 under its Park and Recreation budget unit as it did not have sufficient revenues to pay the separate administrative cost (estimated as a part of the Fiscal Year 2009-10 Budget as \$13,406 to CSA 70 for management and support services for 07-08 and 08-09). Therefore, the estimated \$5,070 annual cost (39 lights multiplied by an estimated \$130 energy cost per year) is not identified specifically in the budget.

## ***Financial Ability of Agencies to Provide Services***

Following the September 15, 2010 hearing, LAFCO staff requested that County Special Districts and the County Administrative Office provide financial data for CSA 42 to address this determination. On December 22, Special Districts submitted its response to staff's request and on December 28 the County Administrative Office submitted its statement that negotiations were ongoing with VVEDA related to the issue of funding for CSA 42.

Attachment #3 to this report includes the Preliminary Budget for Fiscal Year 2010-11, copies of CSA 42's audits for the years ending June 30, 2009, June 30, 2008 and June 30, 2007, outline of grant funds received and a line-item detail for the Preliminary Budget for Fiscal Year 2010-11. The documents show the continuing financial strain CSA 42 operates under to provide for water, sewer, park and recreation, and streetlighting services. The ultimate inclusion of the sphere of influence expansion area within the boundaries of the District will necessitate the development of new funds for operation, be it through special assessments or through receipt of the redevelopment pass-through.

## ***Status of, and Opportunities for, Shared Facilities***

CSA 42 is a part of the Victor Valley Wastewater Reclamation Authority joint powers authority through the County of San Bernardino. The regional Wastewater Reclamation Facility provides wastewater treatment and disposal. Additionally, CSA 42 shares resources with other CSAs through the County Special Districts Department administration and management.

## ***Accountability for Community Service Needs, including Government Structure and Operational Efficiencies***

The San Bernardino County Board of Supervisors governs CSA 42; it is within the political boundaries of the First Supervisorial District. CSA 42 does not have an advisory commission or Municipal Advisory Council. If meetings are required, they are held with residents in the Oro Grande Community Building, such meetings would include water and/or sewer rate increases. In 2007, the service review indicated that no meetings had been held with the community for the preceding 10 years; however, a community meeting was held in the Oro Grande community during the discussion of LAFCO 3082/3089. According to Special District Department staff, CSA 42 employs a part-time maintenance worker dedicated to the maintenance of the community building and park.

### **Operational Efficiency**

CSA 42 is supported by the County Special Districts Department and pays an allocated share for administrative and district staff costs. As noted earlier in this report, due to the limited funding for streetlighting services that budget unit was merged with the park and recreation in Fiscal Year 2009-10. No resolution of the outstanding amounts owed for administration and support services was identified. The District continues to work toward operational efficiencies that will not decrease the level of service provided its constituents.

## 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 – In September 2010, the Commission approved an out-of-agency service agreement for water and sewer service to the Riverside Preparatory Academy in order to address prior service extension (LAFCO SC#355). However, thereafter the area was annexed to the district. Therefore, there are no current out-of-agency service contracts on file with LAFCO.
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc. – The Service Review in 2007 identified the potential for inclusion of the southerly portion of CSA 42 within the City of Victorville. The hearings conducted in June and September 2010 have clearly indicated that these options are not viable for the Oro Grande community.

## SPHERE OF INFLUENCE REVIEW

The following provides the staff’s response to the mandatory factors of consideration for a sphere of influence amendment as required by Government Code Section 56425.

### *Present and Planned Uses in the Area*

CSA 42 encompasses approximately 493 acres of territory with a population of approximately 422 residents. The sphere of influence expansion will encompass 3,826 acres. At present, the land uses within the sphere of influence proposed for CSA 42 include vacant, mining, farming, and residential land. The majority of the area has current General Plan land use designations assigned by the County of San Bernardino of Regional Industrial and Rural Living. Other land uses include Neighborhood Commercial, Residential Single (minimum lot size of 10,000 sq ft), and Agricultural (a portion of one parcel, non-agricultural use). While the Regional Industrial designation supports an intense use of the land, the balance of CSA 42 does not support an urban intensity of land use.

The sphere expansion area is predominantly assigned rural residential and floodway land uses. While much of the area is used for farming or agricultural pursuits, no Williamson Act contracts exist within the area.

### *Present and Probable Need for Public Facilities and Services in the Area*

CSA 42 provides water, sewer, park and recreation, and street lighting within its boundaries. Pursuant to materials provided in December 2010, CSA 42 has assumed

maintenance and operation functions for the closed historic Oro Grande Cemetery. However, neither CSA 42 nor CSA 70 (countywide unincorporated area) has cemetery functions authorized pursuant to County Service Area Law.

Currently, CSA 42 meets the service needs of those within its boundaries. However, the water and sewer systems experience challenges in consistently meeting those needs. To meet the needs for park and recreation public facilities and services increases would be needed anticipated to include, but not be limited to, renovation of existing facilities and a revitalization of community events, as previously indicated by Special Districts Department staff.

The future need for public facilities and services would increase as the population grows. However, CSA 42 is not anticipated to experience significant growth within its boundaries due to historical growth trends and the general plan zoning of the area. If growth is to occur or if the parcels outside CSA 42's boundaries request connection to CSA 42's sewer or water system, expansion and/or repair of the current water or sewer lines would need to occur to accommodate the growth or connection.

### ***Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs or Deficiencies***

CSA 42 provides water distribution and treatment within its service territory. The groundwater basins that serve as the primary water supply are over-drafted, but CSA 42 produces only about half of its free production allowance. However, the capacity of its facilities does present challenges. In 2007, this system had only one reservoir and does not have any inter-ties with any other agencies or a back-up reservoir for water storage. Three of the four wells have experienced a decrease in production over the years. Even with decreased production, the wells are producing sufficient amounts to supply the existing customers in CSA 42 at this time. Improvements in order to allow for the extension of water service to the residential properties along National Trails Highway previously served by TXI and the Riverside Preparatory Academy have increased reservoir capacity.

As a member of the Victor Valley Wastewater Reclamation Authority, CSA 42's effluent is processed at the Regional Wastewater Reclamation Facility. Inspections of a portion of the sewer lines within a portion of the district's boundaries in 1996 and 1997 indicated that the lines were in poor condition. Repairs to the line have not occurred and the condition has deteriorated since that time. However, these problems are limited to certain sewer lines. Special Districts Department staff indicates that the remainder of the facilities are in good condition.

Currently, CSA 42 has sufficient revenue to support the operation of the streetlights in the area; however, it does not have sufficient revenue to pay the administrative charges for County Special Districts. In addition, a reallocation of the tax base for the area by the Victor Valley Economic Development Authority has had a negative impact on the Park budget causing the depletion of all reserves to fund operations.

## *The Existence of Social or Economic Communities of Interest*

The social community of interest is Oro Grande as illustrated in hearing for the potential inclusion within the City of Victorville sphere of influence. Residents of the community have indicated their desire to maintain the rural lifestyle of their community, which used to support such activities as a local Grange. It was also identified that Oro Grande has historic Through the sphere of influence expansion for CSA 42, the community will be defined. According to the materials submitted for the 2007 review, CSA 42 has a large Hispanic population and the promotion of cultural activities should be advanced to cater to the needs of these residents.

Economic interests include the TXI/Riverside Cement Company, which has been in the area since 1923 and was included within the boundaries of CSA 42 during its formation to help finance municipal services through its taxes. According to Special Districts Department staff, many of the residents in the developed portion of CSA 42 either worked or currently work at TXI.

## *Functions and Classes of Service*

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 information outlined below identifies the functions and services for the District as authorized by the Commission. LAFCO staff has evaluated the functions and services identified and recommends that the Commission confirm the “Rules and Regulations Affecting Special Districts” for County Service Area 42 as follows:

<b>DISTRICT</b>	<b>FUNCTIONS</b>	<b>SERVICES</b>
<b>CSA 42 (Oro Grande)</b>	Park and Recreation	Park and recreation
	Water	Water distribution and treatment
	Sewer	Sewer distribution and treatment
	Streetlighting	Streetlighting

While the material above has outlined the current operation and maintenance of the historic Oro Grande Cemetery through CSA 42 and the County Special Districts Department no current application for expansion of authorized services has been provided. County Special Districts has indicated that it is their desire that the County Museum assume the operational responsibilities for this historic facility for the future.

### **ADDITIONAL DETERMINATIONS:**

- The Commission’s Environmental Consultant, Tom Dodson and Associates, has determined that the service review and sphere of influence amendment are statutorily

exempt from environmental review. The basis for this determination is that the sphere establishment does not appear to have any potential for causing physical changes in the environment, and therefore does not constitute a project as defined by CEQA. Mr. Dodson's response is included as Attachment #5.

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, *The Daily Press*. The sphere of influence amendment proposal was not provided individual notice 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 publication was provided through an eighth-page legal ad.
- As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

## **CONCLUSION:**

In support of the expressed desire of the residents and landowners of the community of Oro Grande to establish a definition for their area, and the position of the City of Victorville that these areas should stand on their own as a separate and distinct community, staff recommends that the Commission take the following actions:

1. Certify that LAFCO 3164 is statutorily exempt from environmental review and direct the Executive Officer to file a Notice of Exemption within five (5) days;
2. Receive and file the service review for County Service Area 42 and make the findings required by Government Code 56430 as outlined in the staff report;
3. Confirm the authorized function and services of County Service Area 42 as identified within the Commission's adopted "Rules and Regulations Affecting Special Districts;
4. Approve the sphere of influence expansion for County Service Area 42 as outlined in this report; and,
5. Adopt LAFCO Resolution No. 3130, as presented at the hearing, setting forth the Commission's findings and determinations

KRM/

**ATTACHMENTS:**

**(This includes some materials previously provided for the June 16, 2010 and September 15, 2010 hearings)**

1. Maps:
  - [Vicinity Map](#)
  - [CSA 42 Proposed Sphere of Influence and Oro Grande Community Definition](#)
2. [LAFCO 3018 Service Review and Sphere of Influence Update for County Service Area 42](#)
3. Financial Materials Provided by County Special Districts Department for County Service Area 42:
  - [Fiscal Year 2010-11 Preliminary Budget for Parks and Streetlights, Sanitation, Water and Associated Capital Improvement Budget](#)
  - [CSA 42 Audit Reports for June 30, 2009, June 30, 2008 and June 30, 2007](#)
  - [Summary of Grant Activity with Copy of Prop 40 Grant and Department of Community Development Block Grant Project,](#)
  - [Supplemental Material Received from County Special Districts Department January 4, 2011 Providing Line Item of FY 2010-11 Budget](#)
4. [Excerpts from Staff Reports for June 16, 2010 and September 15, 2010 Hearings Related to the Discussion of the Community of Oro Grande](#)
5. [Environmental Response Letter from Tom Dodson of Tom Dodson and Associates.](#)
6. [Draft LAFCO Resolution No. 3130 Setting Forth the Commission's Determinations](#)