

**LAFCO 3082 Staff Report for
September 15, 2010 Hearing**

Attachment 4

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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DATE: SEPTEMBER 7, 2010

FROM: 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)

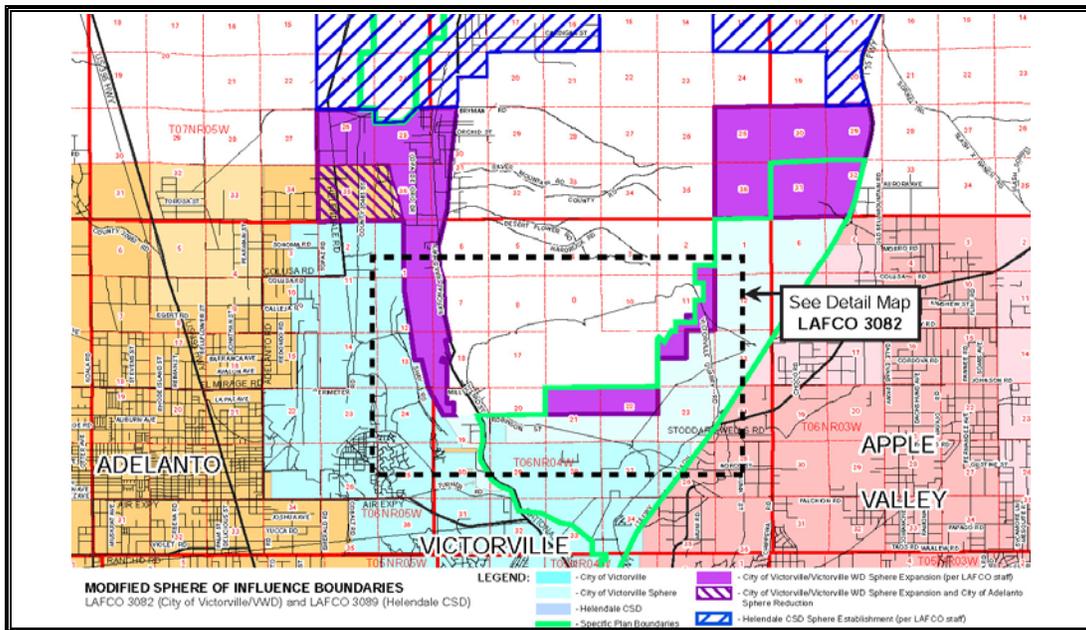
BACKGROUND:

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:

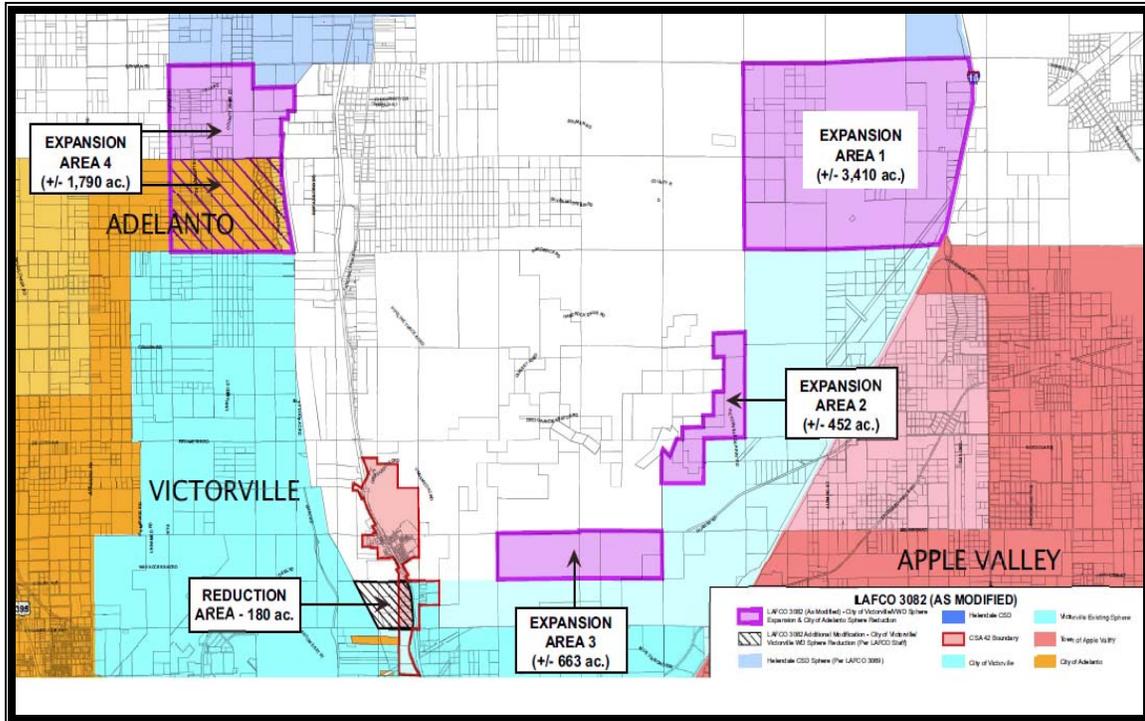
CITY OF VICTORVILLE AND VICTORVILLE WATER DISTRICT:

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

LAFCO 3082 – CITY OF VICTORVILLE AND VICTORVILLE
WATER DISTRICT EXPANSIONS AND REDUCTIONS
CITY OF ADELANTO REDUCTION



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 proposed CSA 42 sphere.

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.

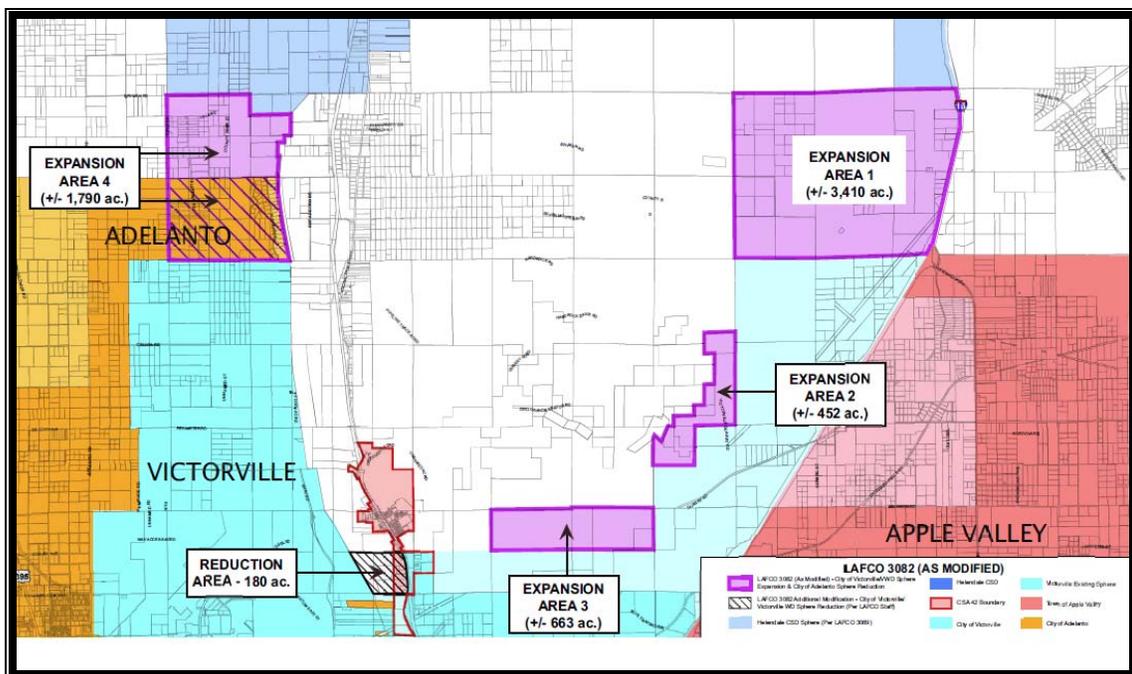
In order to move forward in this consideration, LAFCO staff recommends that the Commission take the following actions:

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.

Service Review and Sphere of Influence Amendments LAFCO 3082 – City of Victorville, Victorville Water District, and City of Adelanto

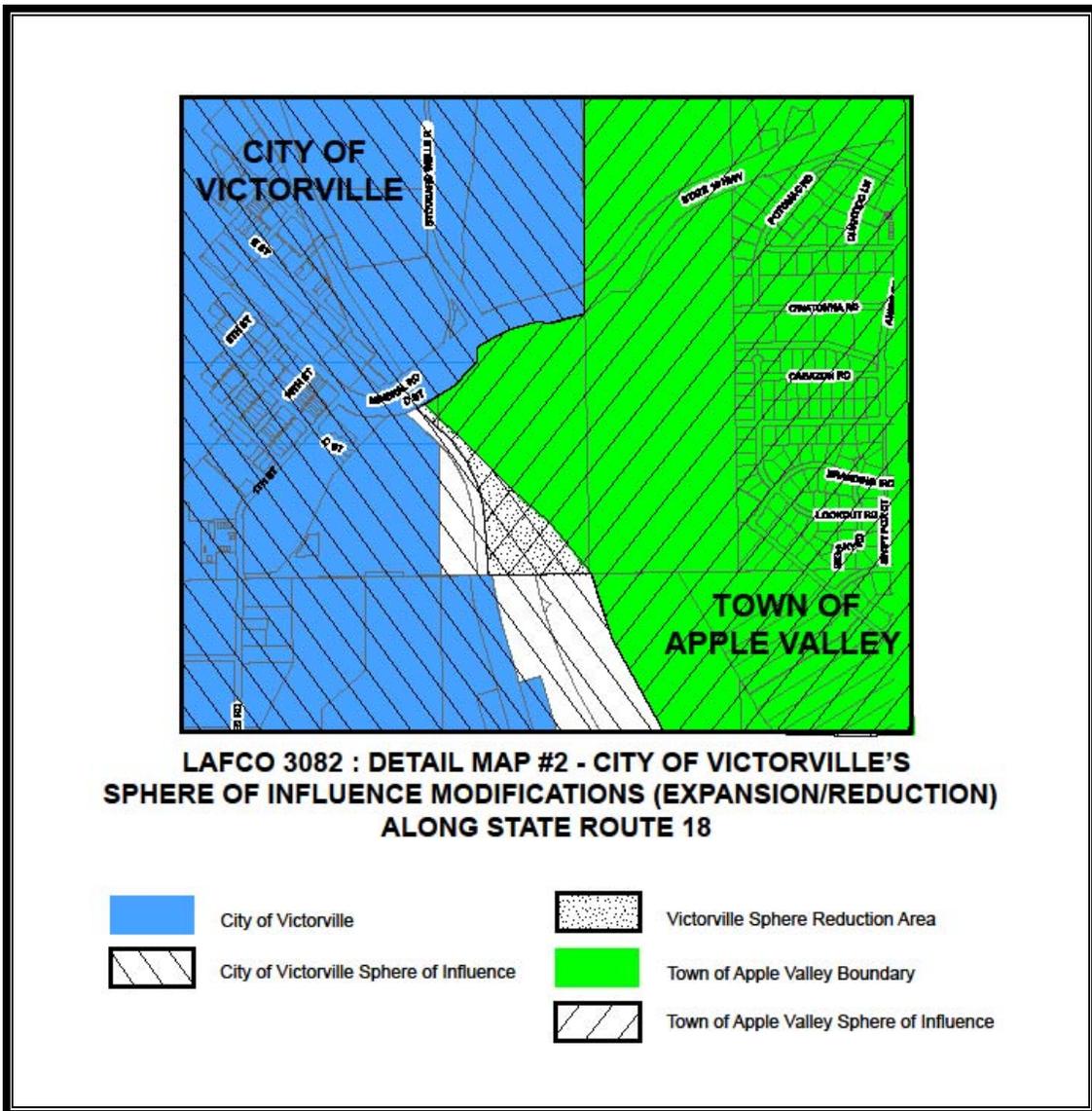
The law requires that in the consideration of a sphere of influence update, a service review as outlined in Government Code Section 56430 must be undertaken. LAFCO policies address issues related to sphere of influence amendments, identifying that when considering the expansion of the sphere of influence of a retail water provider a service review will be undertaken.

The sphere of influence amendments for the City of Victorville and Victorville Water District (expansions and reductions) and the City of Adelanto (reduction) as modified are shown below and have been outlined in the narrative discussion above:

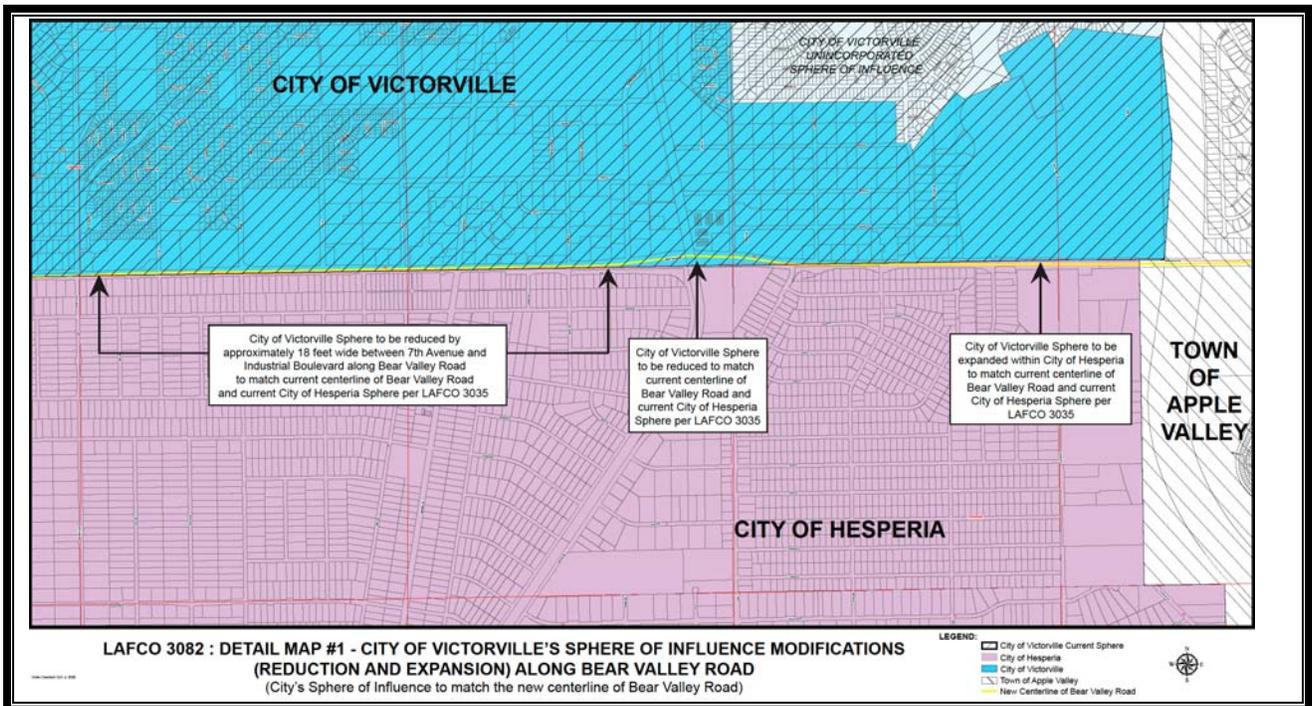


In addition, to address the adjustments made during the services reviews for the Community of Apple Valley, City of Adelanto and the Community of Hesperia, the City of Victorville and Victorville Water District sphere of influence need to be expanded or reduced as follows:

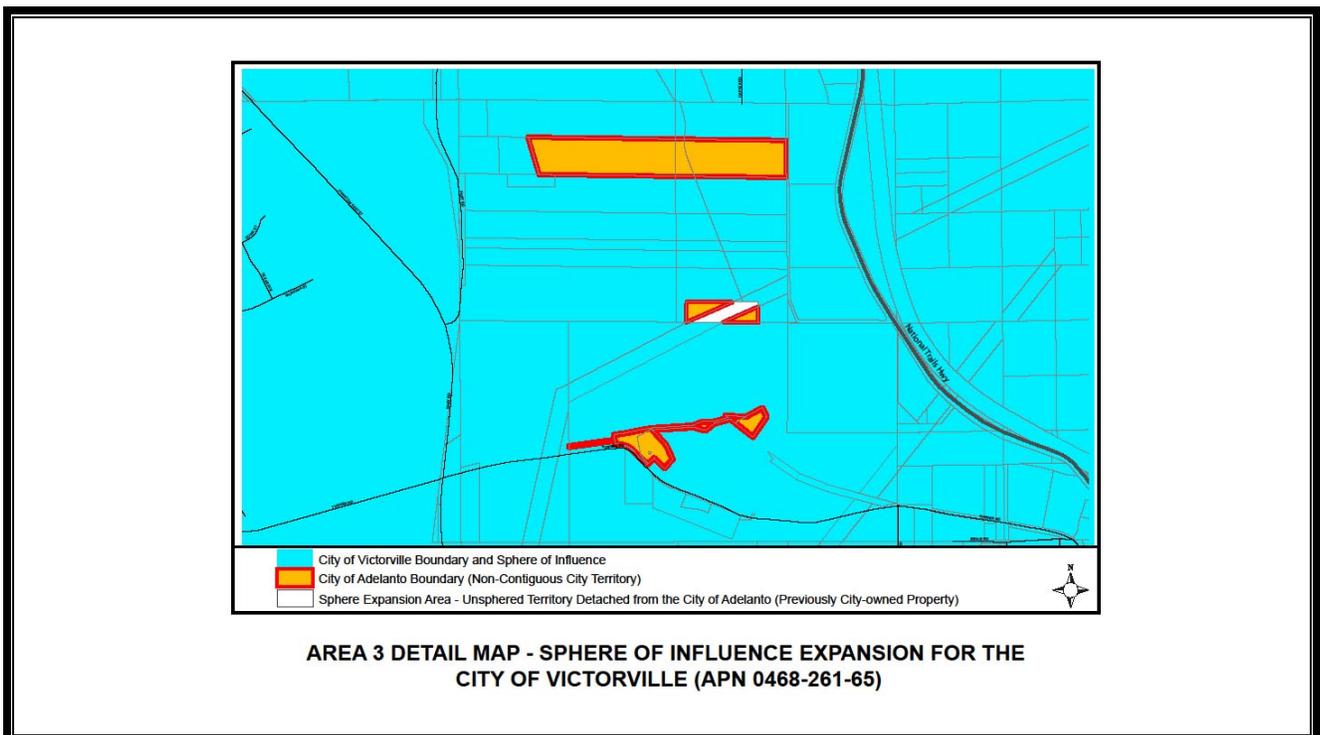
1. Make the adjustment to reduce the City of Victorville and Victorville Water District sphere of influence to address changes approved in the Apple Valley Service Review, 15 +/- acres as shown on the map below:



2. Make the adjustments in the City of Victorville and Victorville Water District sphere of influence (expansions and reductions) which were approved in the Community of Hesperia Service Review along Bear Valley Road. This amendment places the boundary at the realigned centerline of Bear Valley Road:



- Expand the sphere of influence for the City of Victorville and Victorville Water District to include the parcel detached from the City of Adelanto as a result of LAFCO 3143:



Since these additional sphere of influence amendments have been fully evaluated in the prior considerations, they are minor in nature, and do not involve residential or commercial land uses, they will not be individually addressed in the materials which follow. The balance of this Service Review will address the changes associated with the northern sphere expansion.

SERVICE REVIEW SUMMARY

In March 2007 the Commission conducted a comprehensive Service Review for the Community of Victorville addressing the City of Victorville, its subsidiary Fire Protection, Recreation and Park and Sanitary Districts and the independent Baldy Mesa and Victor Valley Water Districts. In addition, at the same time, the City had submitted a proposal to consolidate the Baldy Mesa and Victor Valley Water Districts into a single water district with the request that the consolidated district be established as a subsidiary district of the City of Victorville. On July 30, 2007 the consolidation was certified as complete and the Victorville Water District was established as a subsidiary district of the City of Victorville.

The determinations of that Service Review expressed the concerns of the Commission that the City's existing subsidiary districts were not operated as special districts, but as departments of the City without separate budgets, audits or appropriation limits as required by law. Following the recommendations of the Commission's service review that the best alternative to address the situation was the dissolution of the agencies, the City of Victorville submitted and LAFCO approved the dissolution of the Victorville Sanitary District (effective September 16, 2008), the Victorville Fire Protection District (effective May 18, 2009) and the Victorville Recreation and Park District (effective May 18, 2009) declaring the City of Victorville the successor agency for all. The changes have altered the general statements of the City of Victorville because it is no longer a "no property tax city" having succeeded to the ad valorem property taxes of the Agencies. The City's share of the general ad valorem property tax is now approximately 12.74%.

The Northern Sphere Expansion was originally proposed as a part of the overall Service Review, but was separated from that consideration in March 2007 and continued until completion of the City's General Plan Update. The City of Victorville General Plan 2030 was adopted by the City in October 2008; however, litigation was filed against that approval involving the Final EIR which was settled in August 2010.

In January 2010, the City of Victorville prepared and submitted an updated service review and sphere of influence report and provided a copy of its 2008 and 2007 Audits of City operations and a copy of its Budget for Fiscal Year 2010-11. In addition, LAFCO staff has gathered from the City of Victorville's website a copy of its 2009 Audit and the Mid-year Budget Review for the City and Water District. The Victorville Water District submitted a service review report and provided copies of its audits for 2009 and 2008 along with supplementary budget information to that contained within the City of Victorville Budget.

In February 2010, the City of Adelanto submitted an application consenting to the reduction of its sphere of influence for the territory northerly of SCLA along with an outline of its anticipated conditions for the ultimate exchange of the territory with the City of Victorville. These conditions were included in the resolution of application shown as follows:

WHEREAS, the City of Adelanto and the City of Victorville have met and the City of Adelanto has agreed to the detachment of approximately 800 acres in the Northeast section of Adelanto (map attached) in exchange for financial assistance for intersection improvements at major intersections along Highway 395 from Mojave Drive north and road improvements to Adelanto Road from its beginning at Highway 395 north to Colusa Road and Rancho Road from Adelanto Road west to Highway 395 and allowing the detached area to be placed into the Sphere of Influence for the City of Victorville; and

It is the position of LAFCO staff that the condition as outlined in the City of Adelanto Resolution is inappropriate for inclusion in the sphere amendment review on the basis that it appears that one city is proposed to pay for improvements within another with no apparent benefit to the City supplying the funding. While a sphere of influence is a planning tool for the affected agencies to address these types of issues for a future change of organization, the language of this condition asserted by the City of Adelanto is not recommended for inclusion by the Commission in the resolution to be adopted for LAFCO 3082. In addition staff would indicate its position that in any future reorganization proposal that would include this exchange of territory such a financial arrangement to secure consent will be scrutinized to be sure that: 1) there is benefit to the residents of the City of Victorville should it pay for such improvements and 2) that LAFCO Legal Counsel has no concern that any such payments could be considered a gift of public funds.

Copies or excerpts from the documents listed above are included in the Attachments to this report.

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

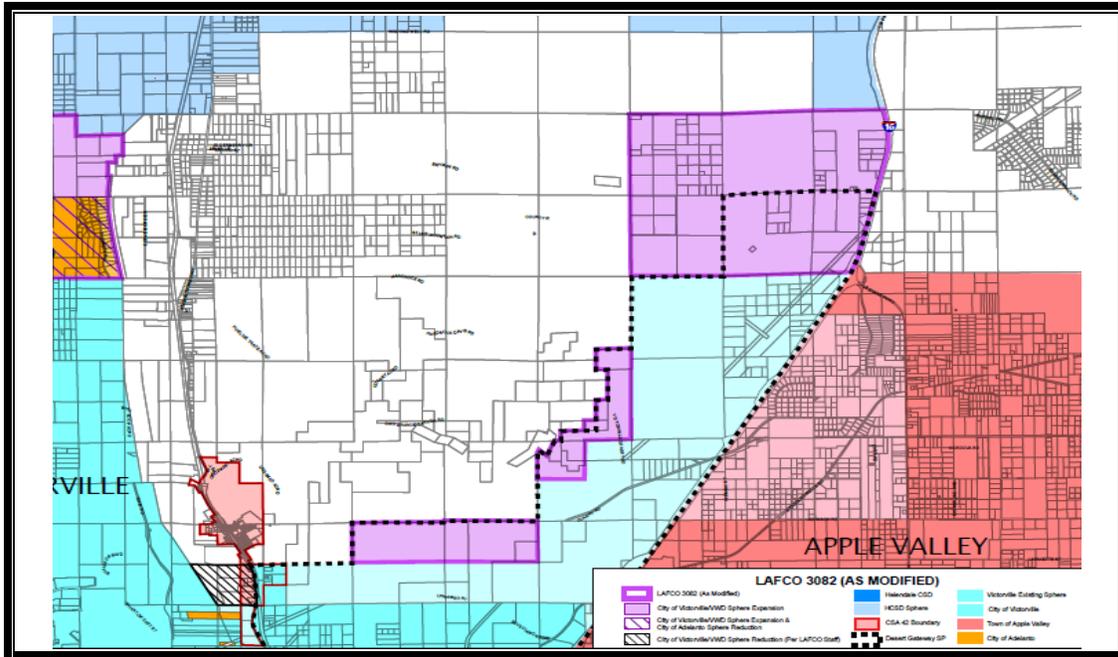
Growth and Population Projections for the Sphere Amendment Territory

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.

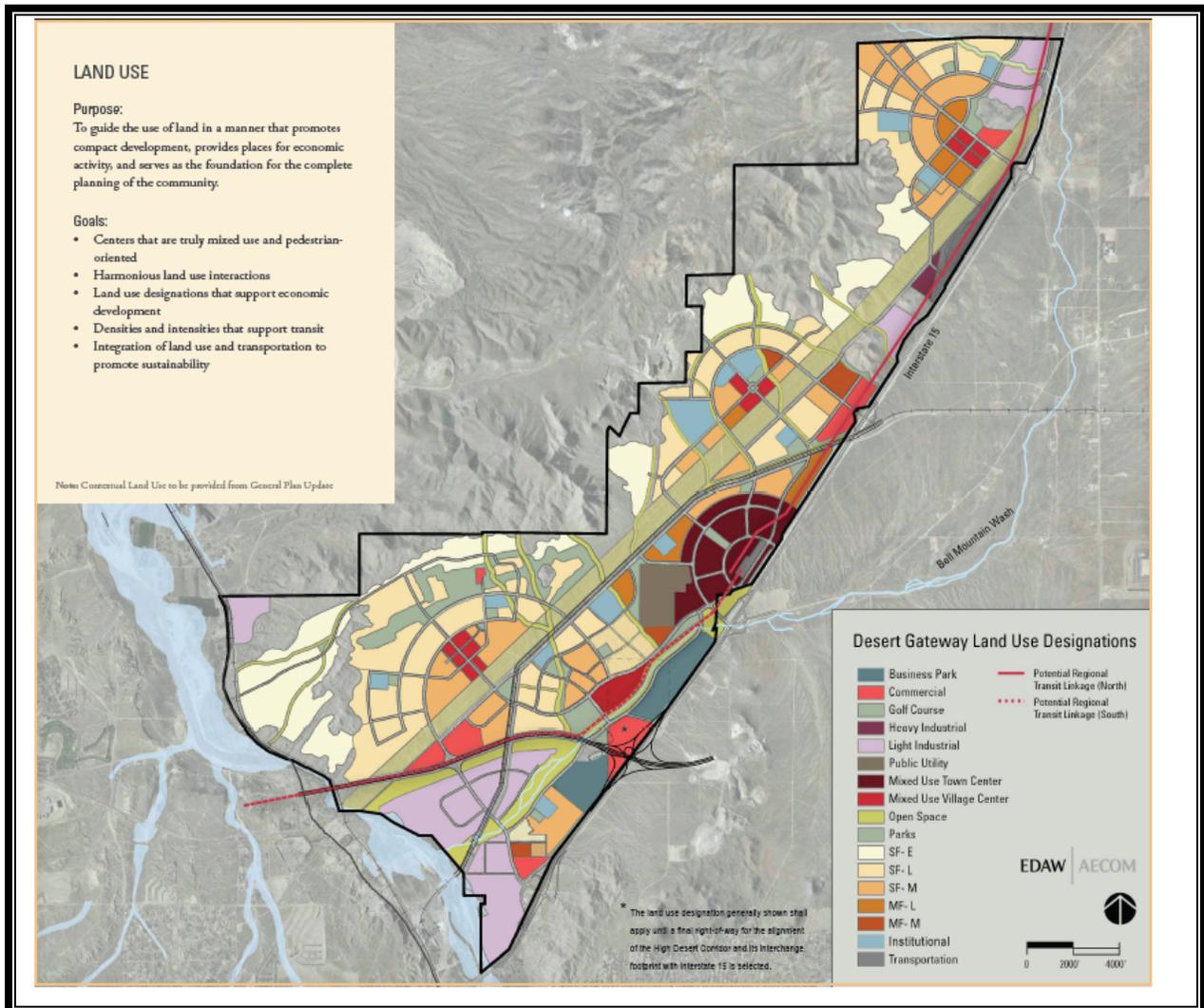
The City of Victorville currently has a population of 112,097 as of 1/1/2010 (Department of Finance) which does not include the data from the 2010 Census. The City's projected population at build-out was estimated to be 340,000 in its prior General Plan; however, General Plan 2030 anticipates a build-out population of 440,802, a 30% increase over its prior projection.

The population within the City's existing sphere area is approximately 12,000 and is expected to double at build-out. The primary sphere of influence amendments outlined in the

modified LAFCO 3082 address the City's adopted Desert Gateway Specific Plan, approximately 2,050 +/- acres of the eastern sphere expansion. The Desert Gateway Specific Plan anticipates the development along the I-15 corridor of 26,100 dwelling units for a population projection of 82,900 (3.19 residents per dwelling unit) on 4,271 acres, 2,180 acres of commercial, industrial, golf course, transportation and public facilities, and 3,752 acres of open space which includes passive and utility corridor areas. The total plan area encompasses 10,203 acres. The map below outlines the Specific Plan boundary within the area proposed for sphere expansion:



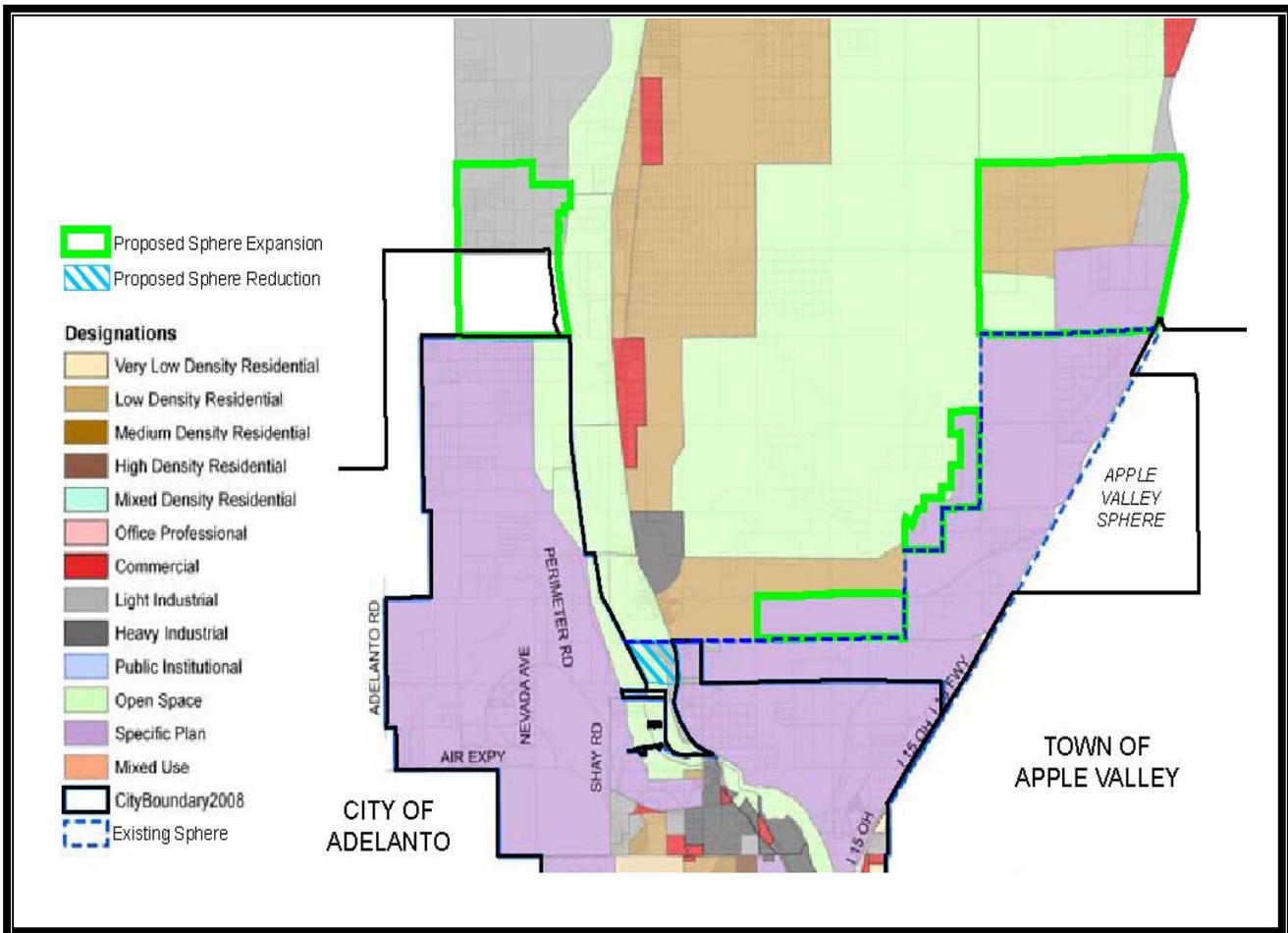
On December 15, 2009 the City of Victorville approved the Desert Gateway Specific Plan. The approval of the Specific Plan and the prior approval of the *Master Development Agreement by and among the Southern California Logistics Rail Authority, the Victorville Redevelopment Agency, the City of Victorville and Desertexpress Enterprises LLC, Transit Real Estate Development, LLC, and Inland Group Inc. for the Development of Rail Facilities and Industrial, Commercial and Residential Properties in the City of Victorville* in 2007 will guide the development of the territory. Copies of these documents are included as attachments to this report. The land use map adopted by the City of Victorville as a part of its approval of the Desert Gateway Specific Plan is shown below:



The balance of the eastern sphere of influence, encompassing approximately 2,475 acres, is located northerly of the Desert Gateway Specific Plan boundary generally along the I-15 corridor. This area has been assigned land use designations through the General Plan 2030 as follows:

- Approximately 360 +/- acres of mixed density residential;
- Approximately 1,715 +/- acres of Low Density Residential; and,
- Approximately 400 +/- acres of Light Industrial (located along I-15)

The Figure below is taken from the City’s adopted General Plan which shows the assignment for the overall area. LAFCO staff has outlined on this map the area of the proposed sphere expansions.



Map from the Draft Environmental Impact Report, page 3-17, “City of Victorville – Draft Proposed General Plan – Land Use Policy”

The territory within the proposed detachment from the City of Adelanto sphere of influence under the Adelanto General Plan is identified as DU-9 – Desert Living with one unit to 9 acres net and Drainage and Open Space corridor along the Mojave River. This land use designation has an anticipated population of 260 (82 units at 3.18 persons per dwelling unit). The materials submitted by the City of Adelanto identify the presumption that the territory would be added to the City of Victorville General Plan as an industrial use, commensurate with the land use designations to the north identified in the General Plan 2030. However, the evaluation of land use would need to take place in the future through a General Plan Amendment as the City of Victorville’s General Plan does not address this area. This area is outlined by LAFCO staff on the map show above.

Present and Planned Capacity of Public Facilities and Adequacy of Public Services, Including Infrastructure Needs & Deficiencies

The materials submitted by the City of Victorville identified seven key services (i.e., water, wastewater, storm drainage, streets, fire, police, and parks) and noted the most urgent needs

and deficiencies within each service category. The over-arching issue affecting infrastructure was the region's historic rapid growth and development. Fire service demands will increase by 3% per year and the City will try to maintain a standard of a five-minute response time in heavily-populated areas. The demand for police service will also increase; the City is expected to invest \$9.6 million in police-related capital improvements through 2020. The rapid pace of development has created significant infrastructure needs in the City of Victorville. Approval of the sphere of influence expansion will require that the City plan for the full range of its municipal services to be ultimately extended to the area.

The Desert Gateway Specific Plan anticipates the delivery of the full range of municipal services at urban intensities. Therefore, the development of the Desert Gateway Specific Plan area will require substantial investment to create the infrastructure required for the plan to come to fruition as the area is essentially vacant at the present time. Many of these services will require the participation of the developer in order to secure funding for infrastructure development costs. The financial ability of the City of Victorville to provide for these services is discussed in other areas of this report. However, the most costly and contentious, sewer and water service, are outlined in more detail below:

Sewer

For this discussion regarding sewer service to the proposed City of Victorville sphere expansion, LAFCO staff has referenced the *City of Victorville General Plan 2030 (2008)*, *Sewer System Master Plan and Collection System Model (2008)*, *Desert Gateway Specific Plan (2010)*, LAFCO service review for the Victor Valley Wastewater Reclamation Authority, and *Sphere of Influence Update and Municipal Service Review Report* that the City submitted as a part of its application. Should the City desire annexation of this area in the future, it would need to submit as a part of its application package a complete Plan for Service and Fiscal Impact Analysis detailing in specificity the provision of sewer collection and transportation service as well as the funding mechanisms necessary to acquire the infrastructure.

Growth and Regional Sewer Projections

Since 2000, the City has experienced rapid growth. With few exceptions, new developments are being connected to Victorville's wastewater collection system. The City anticipates that the use of septic systems within its sphere of influence will eventually be phased out as new development extends the area served by the collection system and as existing septic systems fail and properties are connected to the City's sewer system. According to *The City of Victorville General Plan – Resource Element*, "...Sewer trunk lines are available for use by new development throughout the majority of the incorporated area of the City, including some areas where rural subdivisions containing lots in excess of 18,000 square feet exist. All new developments are required to connect to public sewer, excepting rural subdivisions not located within two hundred feet of a sewer line." For the western area of the proposed sphere expansion the land use designation does not require connection to a sewer system.

The *2008 Sewer System Master Plan* anticipates its Northern Sphere Expansion area (as originally proposed) to have the following population by 2014 and 2030 as shown below:

Population type	2014	2030
Single-family dwelling unit	4,139	11,498
Multi-family dwelling unit	4,113	11,426
Retail employee	1,489	4,136
Non-retail employee	2,432	6,708
TOTAL	12,173	33,768

The modifications approved to the sphere expansion request have retained the Specific Plan areas of the General Plan and encompass most of the population increases identified in the Master Plan. Therefore, LAFCO staff has not attempted to recalculate these numbers.

The City of Victorville is currently a member of the Victor Valley Wastewater Reclamation Authority (“VWRA”)¹. As stated in VWRA Ordinance 001 (Rules and Regulations for Sewer Service), the member entities collect wastewater through locally owned and operated collector systems within their respective boundaries which are a part of VWRA and transmit the wastewater to the VWRA treatment plant, owned and operated by the VWRA, through the VWRA interceptor pipelines for treatment and ultimate disposition of treated effluent. The member entities have jurisdiction and control over their respective collector systems and the VWRA has jurisdiction and control over the regional system.

The area identified as the original Northern sphere expansion is anticipated to generate average daily wastewater flows as follows:

- By 2014 - 1,348 million gallons per day (mgd) residential and 95 mgd commercial
- By 2030 – 3,744 mgd residential and 264 mgd commercial

Although the City/Water District is currently constructing a smaller sub-regional treatment facility, identified as the SCLA Industrial Wastewater Treatment Plant, it is anticipated that the flow generated within the proposed sphere expansion area will be treated at the VWRA regional facility. However, the *Sphere of Influence Update and Municipal Service Review* document that the City submitted as a part of its application assumes a VWRA capacity of 18 mgd. According to VWRA staff, VWRA is in the process of reducing its plant capacity from 18 mgd to 14 mgd to accommodate a new treatment process that would enable the plant to meet imposed nitrate regulations. Further, the VWRA projections do not take into account the additional development in the sphere expansion area as shown on

¹ VWRA is a joint powers authority, a public agency formed in the late 1970s under Section 6500 et seq. of California Government Code to provide regional wastewater collection and transportation to its member agencies and treatment at its wastewater treatment plant as authorized and permitted by the Lahontan Regional Water Quality Control Board.

the chart below. The VVWRA regional interceptor system will need improvements and capacity enhancements to convey the additional effluent should development in sphere expansion area come to fruition.

Projected VVWRA Flow based on Historical Growth Rates
(flow shown in million gallons per day)

Year	Victorville		Hesperia		Apple Valley		Spring Valley/Oro Grande		Totals		
	Avg. Daily Flow	EDU Growth	Avg. Daily Flow	EDU Growth	Avg. Daily Flow	EDU Growth	Avg. Daily Flow	EDU Growth	Avg. Daily Flow	EDU Growth	Annual Growth %
2009	7.91	572	1.82	293	1.82	111	0.90	111	12.46	1,088	1.6%
2010	8.02	572	1.87	293	1.84	111	0.92	111	12.65	1,088	1.5%
2015	9.97	2,175	2.88	1,113	2.22	423	1.02	111	16.09	3,822	4.3%
2020	11.93	2,175	3.88	1,113	2.60	423	1.04	0	19.45	3,711	3.4%
2022	12.71	2,175	4.28	1,113	2.75	423	1.04	0	20.79	3,711	3.2%

Source: VVWRA Flow Projection Update, April 2009. Prepared by RBF Consulting.

City of Victorville Improvements

There are no pipes currently located or identified for construction in the sphere expansion areas that are located north of SCLA. Connection fees may not cover the City’s costs of extending sewer infrastructure to developed areas in the area where residents rely on private septic systems and the development of industrial uses is contemplated. Additional financing sources may be required such as state loans and/or supplemental sewer service charges. The City states that it plans to pay its share toward expansion of regional wastewater infrastructure and plans to invest \$13.2 million in its wastewater collection system over the next five years.

Particular to the Desert Gateway Specific Plan area, the VVWRA regional wastewater treatment plant is anticipated to serve the area. The 2014 Capital Improvement Plan as a part of the *Sewer Master Plan* identifies two projected master sewer pipes are anticipated to be constructed through the Gateway Specific Plan area. One is 15 inches (23,410 feet) and will lead into an 18 inch pipe (16,300 feet). This is identified as Reach 6, with 39,710 feet in length at a cost of \$7.5 million.

Sewer Rates

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)

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

There are other issues related to the discussion of sewer service which need to be discussed as a part of LAFCO’s service review consideration, as they affect the sphere of influence amendments as well as the existing spheres as a whole. These issues relate to actions taken by the City Council in its official capacity for the City and in its ex-officio capacity as the governing body of the Victorville Water District. As staff has done its analysis of LAFCO 3082, it was learned that since approximately February 2009 there have been discussions, negotiations, and actions taken to transfer the operation the City’s wastewater collection and transportation facilities along with the responsibility to construct the subregional SCLA Industrial Wastewater Treatment Plan (hereafter SCLA IWWTP) to the Victorville Water District. A listing of some of these actions is provided below:

1. As the City sought bond financing for the development of the required SCLA IWWTP to serve the Dr. Pepper/Snapple Plant as outlined in the City’s Owner Participation Agreement (OPA) with the Dr. Pepper Snapple Group, it solicited a lease agreement from the Victorville Water District for the entirety of the City’s wastewater operation including the IWWTP (City Council Agenda Item of March 17, 2009), approved a package of items related to the IWWTP which included leasing the Wastewater Operations and the issuance of up to \$55,000,000 in Wastewater Revenue Notes (City Council and Victorville Water District items April 7, 2009), and identified that the City’s Reclaimed Water System was a part of the Wastewater Enterprise Lease (City Council Item April 21, 2009).

However, while the necessary resolutions were adopted by the respective agencies to lease the facilities, City Council, Board of Directors of VWD, or both, the lease was not implemented by the City. When reviewed with City staff, it was indicated that since the bonds were not sold no actions were taken to implement the lease arrangements as the resolutions adopted proposed.

2. As a Special Agenda item for the May 5, 2009 Meeting, a joint meeting of the Victorville Water District, City Council and the Joint Powers Financing Authority (City and its Redevelopment Agency) information was presented and approval requested for a new resolution to lease the Wastewater Enterprise to the Victorville Water District (prior resolution No. VWD-09-001 was rescinded), Resolution No. VWD-09-003 approved, and the Joint Powers Financing Authority and the Water District

agreed to issue bonds for construction of the IWWTP. As a part of this approval, a \$20,000,000 loan was approved from the City of Victorville RDA Housing Funds to the Water District for construction of the IWWTP. The terms of the loan require the payment of interest based upon the Local Agency Investment Fund (LAIF) rate of return during the term of the loan.

One of the problems identified by LAFCO staff with this chain of events is that when the former Victor Valley Water District and Baldy Mesa Water District were consolidated (LAFCO 2991) effective August 15, 2007, the function and service authorized the consolidated Agency – the Victorville Water District – was limited to water. LAFCO has maintained *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* since 1976 which includes an inventory of services authorized all Special District entitled *Exhibit A -- Listing of Special Districts Functions and Services* (hereafter shown as Exhibit A). This document is required by Section 2 of the Rules. This Exhibit A was amended in August 2007 to add the Victorville Water District (consolidated and subsidiary district) as follows:

DISTRICT	FUNCTIONS	SERVICES
Victorville (Subsidiary District) (established 8/15/07)	Water	Retail, agricultural, domestic, replenishment

During the review of LAFCO 2991, the services to be authorized the consolidated district was discussed extensively with City staff as the Baldy Mesa Water District was authorized an active sewer function. The City's position was to limit the services authorized under LAFCO's Rules and Regulations to water service only since the Victorville Sanitary District, a subsidiary district of the City, provided for the collection and transportation of all wastewater within the City and the introduction of another entity would be a duplication of service. Therefore, the consolidated Victorville Water District was approved with its Function and Services as shown above.

At some point between the effective date of the consolidation in 2007 and early 2009 when the question of leasing the wastewater operation to the District was presented to the governing bodies of the City/District, the determination was made that wastewater (or sewer service) was a function that could be provided by the Victorville Water District. All the documents related to the leasing of this activity and/or funding the construction of the Wastewater Treatment Plan identify that the District is authorized both water and wastewater activities. Copies are included as attachments to this report.

On June 2, 2009 LAFCO staff met with representatives of the City and the Water District to review the Commission's Rules and Regulations affecting Special Districts. As clearly outlined in Sections 8, 9 and 10 of the Rules and Regulations, there is a specific process for a special district to make application to receive authorization of a new or different function or service and a process for the Commission to review such an application. This was received as new and different information to the City and District representatives, who indicated that the materials

would be reviewed further by the City and District. In a meeting with the City and District staffs on August 26th it was conveyed to LAFCO staff that the Victorville Water District will be placing the adoption of the necessary resolution and other items on a City/District agenda in September to seek official approval by the Commission of the activation of its latent wastewater (sewer) authority.

Other staff questions regarding the actual financing and actions taken for the development of the IWWTP through the Water District are outlined in the section which follows entitled “Financial Ability of Agencies to Provide Services”.

VICTORVILLE WATER DISTRICT

For this discussion regarding water service to the proposed Victorville Water District (“District”) sphere expansion, LAFCO staff has referenced the *City of Victorville General Plan 2030 (2008)*, *Desert Gateway Specific Plan (2010)*, *Victor Valley Water District 2005 Urban Water Management Plan*, and *Sphere of Influence Update and Municipal Service Review Report* that the District submitted as a part of its application. This is the first look at the District since its consolidation and establishment as a subsidiary District of the City of Victorville in 2007.

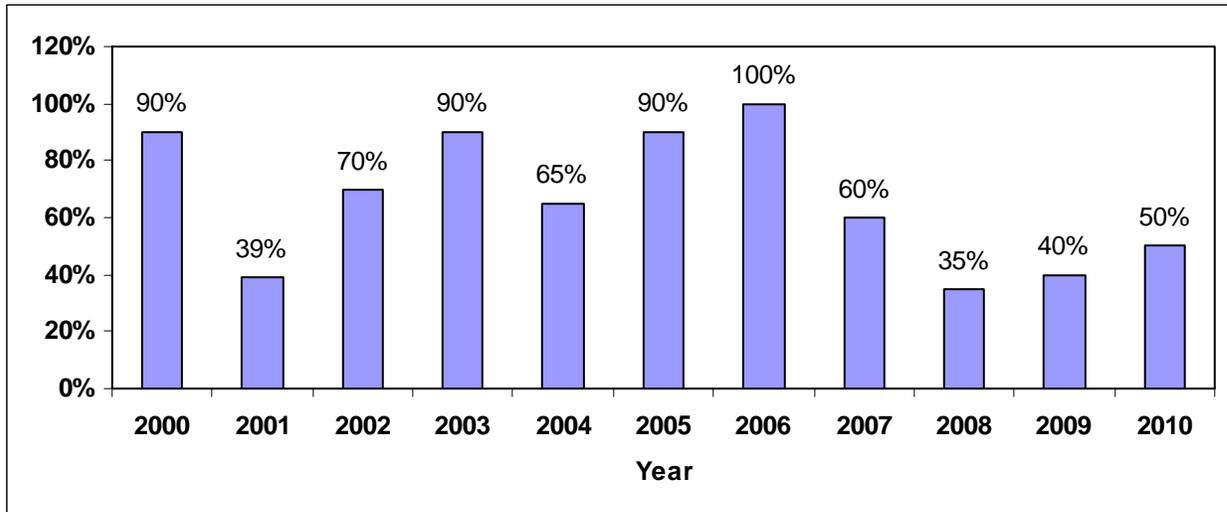
Regional Water

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.

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase since 1998. 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. As of June 23, 2010, for 2010 the allocation percentage is 50%²; therefore, MWA can purchase up to 41,400 acre-feet in 2010. This sharp reduction in supplemental water supply will reduce the amount of water that MWA can place into the groundwater basin where the community pumps its water.

² State of California. Department of Water Resources. “Late Spring Weather Allows DWR to Increase Water Allocation”, Press Release. 23 June 2010.

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



source: Department of Water Resources

The high growth rate in the region, coupled with a continued overdraft³ of the Mojave groundwater basin in its entirety, the primary source of supply, is an infrastructure deficiency. The groundwater basin is adjudicated⁴ 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. 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, to aggressively promote water conservation measures, and to buy more expensive imported water. Finding efficiencies in managing limited supply sources is critical for the future of the community.

³ 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).

⁴ 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).

Water Rights and Production

Victorville Water District has two improvement zones each with its own water production rights (also known as Base Annual Production). Improvement District #1 (formerly Victor Valley Water District) has a Base Annual Production of 20,960 acre-feet (AF) and Improvement District #2 (formerly Baldy Mesa Water District) has a Base Annual Production of 2,932 AF. Victorville Water District is within Alto sub-region, and Free Production Allowance (FPA) is currently at 60% of Base Annual Production, which permits 12,576 AF and 1,760AF of FPA, respectively, for 2009-10.

As noted in the most recent Watermaster Annual Report, “rampdown in Alto is not warranted at this time”⁵. 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.

Victorville Water District Improvement District #1

As indicated in the table below, the recent trend for the Victorville Water District Improvement District #1’s (ID#1) water production indicates that it produces more than its FPA. Thus, it has to purchase water from other agencies within the sub-basin to avoid paying the higher replacement water and make-up water rates charged by the Watermaster. As indicated in the table below, for WY 2006-07 ID#1 produced 11,709 AF in excess of FPA. To offset the over production, ID#1 transferred-in 896 AF from other agencies. In turn, the replacement water obligation to the Watermaster was reduced to 10,813 AF at a cost of \$2,955,201.

Since Water Year 2003-04, 796 of permanent Base Annual Production (637 AF of FPA after rampdown for FY 2007-08) in the Centro sub-basin has been used to satisfy a portion of the make-up water obligation of the Watermaster for the Alto sub-basin. For example, for WY 2006-07, the Make-up Water Obligation was 611 AF. The acre-feet obligation to the Centro sub-basin is purchased at a two-to-one ratio. Therefore, the purchase obligation is 1222 AF. Subtracting ID#1’s 637 AF of Base Annual Production in the Centro sub-basin leaves a purchase obligation of 585 AF to be satisfied, which ID#1 purchased for \$52,650.

⁵ Mojave Basin Area Watermaster, *16th Annual Report of the Mojave Basin Watermaster: Water Year 2008-09*,

(1 May 2010), Ch. 5.

Victorville Water District Improvement District #1 – Alto Sub-basin
(Units in Acre-feet unless otherwise noted)

Water Year [Base Annual Production (BAP)]	Base Free Production Allowance [FPA] [Rampdown % of BAP]	Carryover Previous Year and Transfers from Other Agencies	Verified Production	Unused FPA¹ or (Agency Overdraft)	Replacement Water Obligation [Agency Overdraft]	Makeup Water Obligation [Watermaster Replacement to Centro Sub-basin]²
2003-04 ³ [18,318]	12,823 [70%]	647	19,785	(6,315)	6,315 at a cost of \$1,401,930	680 obligation 723 purchased at a total cost of \$56,680
2004-05 ³ [18,318]	11,907 [65%]	280	19,463	(7,276)	7,276 at a cost of \$2,044,556	\$0
2005-06 ³ [18,318]	10,991 [60%]	1,167	22,152	(9,865)	9,865 at a cost of \$2,426,790	527 obligation 417 purchased at a total cost of \$35,445
2006-07 [20,960]	12,576 [60%]	896	24,285	(10,813)	10,813 at a cost of \$2,955,201	611 obligation 585 purchased at a total cost of \$52,650
2007-08 [20,960]	12,576 [60%]	169	21,695	(8,950)	8,950 at a cost of \$3,016,150	710 obligation 782 purchased at a total cost of \$70,380
2008-09 ⁴ [20,960]	12,576 [60%]	1,160	20,866	(7,130)	7,130 at a cost of \$2,752,180	722 obligation at a cost of \$278,754
2009-10 ⁵ [20,960]	12,576 [60%]	0	n/a	n/a	n/a	n/a
2010-11 [20,960]	12,576 [60%]	-	-	-	-	-

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

² Obligation to the Centro basin is purchased at a two-to-one ratio. Since WY 2003-04, 796 of Base Annual Production (637 AF of FPA after rampdown for FY 2007-08) in the Centro sub-basin has been used to satisfy a portion of the make-up water obligation of the Watermaster for the Alto sub-basin.

³ Area formerly served by Victor Valley Water District until WY 2006-07.

⁴ 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.

⁵ 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.

Victorville Water District Improvement District #2

As indicated in the table below, the recent trend for Victorville Water District Improvement District #2's (ID#2) water production indicates that it produces more than it's FPA. Thus, it has to purchase water from other agencies within the sub-basin to avoid paying the higher replacement water and make-up water rates charged by the Watermaster. As indicated in the table below, for WY 2005-06 ID#2 produced 4,361 AF in excess of FPA. To offset the

over production, the former Baldy Mesa Water District transferred-in 3,703 acre-feet of unused FPA from other water agencies. In turn, the replacement water obligation was reduced to 658 acre-feet. However, since WY 2006-07 (now Victorville Water District), ID#2 has not purchased unused FPA from other water agencies, which would have reduced its replacement obligation. Therefore, the entirety of its over-production has been subject to the higher replacement costs of the Watermaster.

Victorville Water District Improvement District #2 – Alto Sub-basin
(Units in Acre-feet unless otherwise noted)

Water Year [Base Annual Production (BAP)]	Base Free Production Allowance [FPA] [Rampdown % of BAP]	Carryover Previous Year and Transfers from Other Agencies	Verified Production	Unused FPA ¹ or (Agency Overdraft)	Replacement Water Obligation [Agency Overdraft]	Makeup Water Obligation [Watermaster Replacement to Centro Sub-basin] ²
2003-04 ³ [2,932]	2,053 [70%]	3,962	4,660	1,355	\$0	247 obligation 494 purchased at a total cost of \$39,520
2004-05 ³ [2,932]	1,906 [65%]	3,889	4,946	849	\$0	\$0
2005-06 ³ [2,932]	1,760 [60%]	3,703	6,121	(658)	658 at a cost of \$161,868	164 obligation 328 purchased at a total cost of \$29,520
2006-07 [2,932]	1,760 [60%]	0	6,230	(4,470)	4,470 at a cost of \$1,238,190	82 obligation 164 purchased at a total cost of \$14,760
2007-08 [2,932]	1,760 [60%]	0	4,859	(3,099)	3,099 at a cost of \$1,044,363	98 obligation 196 purchased at a total cost of \$17,640
2008-09 ⁴ [2,932]	1,760 [60%]	0	4,823	(3,063)	3,063 at a cost of \$1,182,318	93 obligation at a cost of \$35,717
2009-10 ⁵ [2,932]	1,760 [60%]	0	n/a	n/a	n/a	n/a
2010-11 [2,932]	1,760 [60%]	-	-	-	-	-

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

² Obligation to the Centro basin is purchased at a two-to-one ratio.

³ Area formerly served by Baldy Mesa Water District until WY 2006-07.

⁴ 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.

⁵ 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.

District Water and Proposed Sphere Expansion Area

According to a review of data and maps from the Mojave Water Agency, County of San Bernardino General Plan, and LAFCO, there is no existing domestic water purveyor in the proposed sphere expansion area. The sphere of influence is defined as the plan for the probable future boundary of an agency, and approval of the sphere expansion provides the Commission's indication that the agency must plan for the extension of the full range of its service for the future. An application to annex this area to the District without additional allocation from the Watermaster would impact the District's already limited allocation and the requirements of LAFCO law require the showing that water (a secured source – non-interruptible) is available for the anticipated development needs.

As future development demands approach the District's supply capacity, additional groundwater wells and treatment facilities would need to be constructed. Within the next five years, the District's supply is anticipated to be supplemented by naturally treated State Water Project water from the Mojave Water Agency's R-cubed project. The District's groundwater supply will be replenished by percolating State Water Project Water along the Oro Grande Wash.

At the present time, the District is completing a Water Master Plan update. According to the District, the Water Master Plan will combine the water systems of the previous Victor Valley Water District, Baldy Mesa Water District, and the City of Victorville's Water Department into one interconnected system. The update includes a hydraulic model, revised atlas sheets, a financial model, and a comprehensive planning document for the combined District. The new Water Master Plan will include water demand projections to reflect updated population projects that account for the current economy and future development. Particular to the Desert Gateway Specific Plan area, a water master plan and/ or water supply assessment will be required to determine the water supply needs, size and quantity of reservoirs, transmission pipelines, well, pumping plants, and booster pumping plants to adequately serve Desert Gateway. The combination of a groundwater study or water supply assessment will ensure that adequate water supply and distribution systems will be in place for Desert Gateway. In the western portion of the sphere expansion area along the Mojave River there is development potential for commercial and industrial uses. However, information was not provided for water provision to this area.

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)
	Tier One	Tier Two	Tier Three	Tier Four		
City of Adelanto (Adelanto Public Utilities Authority)	\$1.25	2.16	2.50	-	\$13.38	\$38.38
Apple Valley Ranchos Water Company	2.10	2.22	2.34	-	30.27	72.99
County Service Area 42 (Oro Grande)	1.64	1.82	1.97	-	34.39	68.27
CSA 64 (Spring Valley Lake)	0.64	0.78	0.85	-	10.51	24.15
CSA Zone J (Oak Hills)	1.57	1.80	2.36	-	13.29	46.07
Golden State Water Company – Apple Valley Service Area	2.11	-	-	-	19.15	61.35
Helendale Community Services District	0.81	0.90	1.01	-	8.01	25.38
Hesperia Water District	0.84	1.43	1.74	2.07	18.16	40.86
Phelan Piñon Hills CSD	1.81	2.01	2.08	-	13.01	50.41
Victorville Water District	1.47	-	-	-	17.50	46.90

Rates rounded to the nearest hundredth

As outlined above under the Sewer Service discussion, the planning for the provision of sewer service, albeit by lease of the existing wastewater transportation and collection system or through another mechanism with the City is unclear to LAFCO staff. However, what is clear is that since 2009, ID#1 of the Victorville Water District has provided the funding for the development and construction of the SCLA Industrial Wastewater Treatment Plant.

Financial Ability of Agencies to Provide Service

The City of Victorville submitted its Audits for 2007 and 2008 as part of the service review (copies included as Attachments #5 and #6 to this report). LAFCO staff has retrieved the 2009 Audit from the City’s website along with its mid-year and year-end 2009-10 fiscal analysis (included as a part of Attachment #4 to this report). Of importance in this discussion is that the Auditors for each of the last three reviews have identified significant financial concerns with the operations of the City of Victorville and in the last audit, they have indicated:

“...the City has suffered recurring losses from its General Fund, the Southern California Logistics Airport Authority Enterprise Fund and the Municipal Utilities Enterprise Fund, and those funds have a lack of liquidity and net asset deficiencies that should raise substantial doubt about the City’s ability to continue as a going concern⁶.”

⁶ Mayer Hoffman McCann P.C. Independent Auditor’s Report (2008 August 2009) and (2009 January 29, 2010)

The Audits which have been provided to the Commission outline the issues before the City as of June 30, 2009. Note 21 of the Financial Report identifies that:

- The General Fund of the City at December 31, 2009 had an unaudited fund balance deficit of \$3,754,135;
- The Southern California Logistics Airport Authority⁷ at December 31, 2009 had an unaudited fund balance deficit of \$53,643,711; and,
- Victorville Municipal Utilities System at December 31, 2009 had an unaudited fund balance deficit of \$77,401,702.

The financial difficulties of the City of Victorville have been well documented with a series of layoffs of personnel, the default on contracts with General Electric with a settlement recently achieved, questions regarding its financial systems and audits and the plummeting economy reducing its revenue stream. The economy has affected all agencies in the nation and this County has been dramatically affected and the Victor Valley region is the hardest hit in the County. However, some of the outstanding loans and bond problems associated with the financial straits of the City of Victorville are choices made by the City. Because of these financial concerns and questions raised about the methods employed by the City for its finances, the City of Victorville has requested that the County Grand Jury conduct a forensic audit of its operations “to lay to rest ongoing assertions of wrongdoing”. LAFCO staff understands that the Grand Jury agreed to conduct such a review, the County Grand Jury has received supplemental funding from the County to do so, and a forensic auditor is ensconced at City Hall currently.

At this time, LAFCO staff has not undertaken a detailed review of these financial reports as they are currently subject to forensic review by more qualified personnel than LAFCO staff; however, the following narrative outlines the staff’s areas of concern.

OUTSTANDING BOND DEBT:

The June 2009 Audit, page 155, in chart form identifies the current bond obligations of the City as a whole, based upon the types of debt obligations, i.e., Certificates of Participation, Revenue Bonds, and by type of activity, Government Activities (which includes general government, public safety, community development, public works, parks and recreation operations) and Business-type Activities (which includes water, airport, municipal utility, city golf, solid waste management, sanitary (sewer), and rail operations). This chart is shown below:

⁷Southern California Logistics Airport Authority is a part of the City and is not SCLA

CITY OF VICTORVILLE
 RATIOS OF OUTSTANDING DEBT BY TYPE
 LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities				Business-Type Activities						Total Primary Government
	Certificate of Participation	Tax Allocation Bonds	Capital Lease Agreement	Total Governmental Activities	Lease Revenue Bonds	Revenue Bonds	Tax Allocation Bonds	Lease Purchase Agreement	Notes Payable	Business-Type Activities	
2000	1,060,000	14,355,000	-	15,415,000	-	3,110,000	-	-	-	3,110,000	18,525,000
2001	975,000	14,065,000	-	15,040,000	-	3,042,500	-	-	-	3,042,500	18,082,500
2002	885,000	13,770,000	-	14,655,000	-	2,965,000	12,819,950	-	-	15,784,950	30,439,950
2003	790,000	23,175,000	-	23,965,000	-	2,882,500	12,845,108	2,300,000	-	18,027,608	41,992,608
2004	690,000	24,895,000	-	25,585,000	-	2,808,943	56,349,426	2,144,669	-	61,303,038	86,888,038
2005	590,000	24,605,000	-	25,195,000	41,000,000	2,683,071	97,688,154	3,528,760	-	144,899,985	170,094,985
2006	480,000	47,070,000	-	47,550,000	41,000,000	2,549,700	149,782,030	3,111,273	20,000,000	216,443,003	263,993,003
2007	370,000	45,725,000	1,648,615	47,743,615	83,770,000	2,413,829	280,737,081	5,809,563	-	372,730,473	420,474,088
2008	255,000	44,945,000	2,112,450	47,312,450	83,770,000	2,261,329	329,739,837	4,498,065	25,385,000	445,654,231	492,966,681
2009	130,000	44,130,000	1,528,938	45,788,938	83,770,000	2,124,586	328,976,249	3,620,141	-	418,490,976	464,279,914

⁵¹ Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

While the amount of bond debt is large, what is most troubling is that between 2005 and 2009, during which time the current recession had began, the total bond debt more than doubled. The assessed valuation of the City of Victorville has decreased for the last three years, with 2010's decrease set at 9.09%. The information from the County Assessor's Recap of Assessed Valuations provides the following regarding the assessed valuation of the City of Victorville:

FISCAL YEAR	PERCENTAGE CHANGE IN ASSESSED VALUATION	TOTAL VALUATION (Secured and Unsecured)
2005		\$5,208,248,119
2006	33.0%	\$6,925,790,423
2007	29.57%	\$8,973,645,169
2008	-0.5%	\$8,929,574,188
2009	-17.7%	\$7,351,567,478
2010	-9.09%	\$6,683,206,544

As noted in previous Service Review reports, the decrease in valuation set in motion by foreclosure is permanent, with only a 2% increase annually unless the property is sold as required by Prop. 13. Prop. 8 reductions can be reversed when the values in the areas recover, but that is not projected to occur for a number of years and possibly not within the 2030 horizon of this review. So the methods to pay the bonds, pledges of future revenues or tax allocations, in the staff's opinion, have been compromised.

SEPARATION BETWEEN CITY OF VICTORVILLE AND VICTORVILLE WATER DISTRICT:

A concern heard repeatedly by all LAFCOs throughout California is that cities, when operating enterprise activities, such as water and sewer, charge higher than appropriate administrative charges to cover General Fund needs. Most cities that operate subsidiary

districts adopt policies regarding the level and extent of transfers from enterprise funds and/or subsidiary districts. Concerns were expressed by LAFCO staff in the original Victorville community service review regarding the City's administration of its subsidiary districts in that they were not accounted for separately, no action was taken sitting as the Board of Directors of the District as subsidiary district status confers, and the distribution of pass-through revenues from VVEDA were not apportioned to the taxing entities but were given directly to the City General Fund (a no property tax entity). These concerns were resolved by the City through applications for dissolution of the three subsidiary districts.

However, in reviewing the materials submitted by the City on its own behalf and that of its subsidiary Victorville Water District, LAFCO staff has raised again questions regarding the financial management of the subsidiary district separate and apart from the City. On a positive note, the City has identified the presentation of agenda items under a separate discussion for the Water District to recognize it as a separate entity under its jurisdiction. The following outlines the areas identified and reviewed with City/District staff that concern LAFCO staff:

1. The Audit prepared for the year ending June 2008 identified in its Notes, that there had been interfund transfers to address shortfalls in funding for the City and its "blended component units". In these Notes it identifies that \$39,068,056 was transferred from the Water District to the Southern California Logistics Airport Authority (SCLAA) and the Victorville Municipal Utility System (VMUS). This was identified as short-term borrowing which is intended to be returned during the next fiscal year. In addition, the Audit for the year ending June 2009 identifies that the Water District had provided an "advance" of \$2,700,000 of which \$1,929,420 was outstanding at the end of the fiscal year. As an advance, there were no loan documents provided and no official date of approval by the Victorville Water District Board of Directors.

Of concern to LAFCO staff is that these items while listed as "interfund transfers" or "advances" they are really loans between government agencies. The staff's concern harkens back to its issues on the separation between the District and City. County Water District law does not identify the ability of the District to "loan" money to another agency, but does authorize investment activity. This practice of interfund loans to balance fiscal year activities, should not, in the staff's opinion, include transfers from the Water District without direct approval of the Water District Board of Directors as a loan and the payment of a reasonable interest rate for the use of the funds.

2. Beginning in March 2009, the Victorville Water District Board of Directors has taken a number of different actions to allow for it to finance the development of the SCLA Industrial Wastewater Treatment Plant through its Improvement District #1 (the former Victor Valley Water District territories). The following outlines the chronology of actions taken and in some cases never implemented by District/City staff:
 - April 7, 2009 – Action taken by City Council and Water District to lease the Wastewater Enterprise to the Water District. This enterprise included the existing wastewater collection and transportation facilities formerly operated by the Victorville Sanitary District and the future SCLA Industrial Wastewater Treatment

Plant. While resolutions approving the lease were adopted, the lease agreement was not finalized nor implemented by City and District personnel.

- April 7, 2009 – Action taken by City Joint Powers Financing Authority to sell Wastewater Revenue Notes in an amount not to exceed \$55,000,000 which was indicated to be purchased by the Victorville Water District and subsequently sold to a financial organization. No notes were sold; therefore the presumption is that the promissory note was abandoned.
- April 21, 2009 – Action taken by the City to enter into first contracts for the construction of the SCLA IWWTP, noting that the funding was to be through borrowing from the Sanitary and/or Water District.
- May 5, 2009 – Action taken by City Council and Water District Board of Directors to approve new lease agreement for the Wastewater System including the SCLA Industrial Wastewater Treatment Plant and Reclaimed Water System. Resolution No. 09-003 for the Water District and Resolution No. 09-036 for the City were adopted with the lease agreement attached as an Exhibit. Per Victorville staff the lease agreement was never signed, has not been implemented since the bonds have not been issued to date, and no action has been taken to rescind the resolutions approving the lease. It has been conveyed to LAFCO staff that upon the issuance of the Revenue Notes for the Wastewater Enterprise the lease will be consummated.
- May 5, 2009 – Action taken by Victorville Water District Board of Directors to sign lease agreement with SCLA Authority (City) and District for Wastewater Treatment Plant and a loan from the City of Victorville RDA Housing Funds to the Victorville Water District in the amount of \$20,000,000 for construction of the SCLA IWWTP with interest to be paid at the prevailing interest rate earned by the State's Local Agency Investment Fund (LAIF).
- May 19, 2009 – Action taken by Victorville Water District Board of Directors to approve Resolution No. VWD 09-006 establishing a promissory note between the Water District's Water Enterprise Fund and the District's Wastewater Enterprise Fund in an amount not to exceed \$45,000,000 pending sale of Revenue Notes. It is the LAFCO staff's understanding that to date no Revenue Notes have been sold for this improvement. LAFCO staff has questions the establishment of a "Wastewater Enterprise Fund" for an agency not authorized sewer functions and services.
- Beginning April 21, 2009 through the August 17, 2010 a review of the Agenda by LAFCO staff indicates that the Water District and/or the City have awarded contracts and approved changes orders for the construction of the SCLA IWWTP utilizing the fund accounts identified for Improvement District #1 of the Victorville Water District (the former Victor Valley Water District area). To date, the contracts and change orders for the SCLA IWWTP by staff's review of the agendas totals \$39,661,844. In a discussion with the City, it was indicated that a reconciliation of the costs for the SCLA IWWTP has not been done since the project is not yet

complete.

- On September 15, 2009 the City Council and Board of Directors of the Water District approve a promissory note in the amount of \$20,000,000 from the Water District to the Victorville Municipal Utility System to pay for administrative and operational expenditures. In LAFCO staff's view, this transfer negates the loan to the Water District from the RDA Housing funds in May 2009 (the prior fiscal year) for \$20,000,000.

All of the actions related to the payment of contract costs are for a facility which, City staff confirms, remains a City asset; it does not belong to the Water District. This concern would be resolved, to a degree, if the lease agreements entered into had been consummated. The facilities would have been under the governance of the District with the terms identified. However, at this time, there does not appear to be a move to facilitate the completion of the lease transactions which occurred in 2009.

In addition, the City of Victorville Audited Financial Reports for 2009, under Note 21, identifies that for that year the City's Sanitary Fund (the former Victorville Sanitary District) transferred \$15,000,000 to the City General Fund. It was identified that this amount reflected property tax revenues which had been deposited in the Sanitary Fund since the "District's inception in 1964". This concerns LAFCO staff since it is the Sanitary District fund which has the current obligation for operation and maintenance of the wastewater enterprise the Victorville Water District is subsidizing. In reviewing this question with City staff, it was identified that following the dissolution of the Victorville Sanitary District (LAFCO 2073), the City has maintained the capital reserve account in which connection fees are deposited, but did not feel that there was a requirement to preserve the property tax fund.

3. The Promissory Note entered into in May 2009 (not reflected in the Audits since the project has not been completed) indicates that the District's Water Enterprise Fund has promised to provide to its Wastewater Fund up to \$45,000,000 for construction of the SCLA Industrial Wastewater Treatment Plant. However, LAFCO staff would question how such a large pending obligation could not have been included in the notes for the finances of the Victorville Water District.

In addition, LAFCO staff raised the question to the Victorville Water District administration that since the District does not currently have active Sewer/Wastewater functions how does it have a Wastewater Fund? The response from the District is that when discussing these transactions, the legal opinion was that it operates under County Water District Law as defined in the LAFCO resolution of approval which gives it a broad range of powers, including sewer (wastewater) authorities.

As noted under the "Present and Planning Capacity of Public Facilities" section, LAFCO staff has responded with an outline of CKH provisions related to the promulgation of "Rules and Regulations" for special districts and the Commission's authorities over the governance of the activation or divestiture of powers. The Rules and Regulations, originally adopted by San Bernardino LAFCO in 1976, specify the

inventorying of authorized functions and services which was updated at the time of the consolidation of the Victor Valley Water District and Baldy Mesa Water District into the Victorville Water District. At the time, the Victorville Sanitary District provided for the collection and transportation of wastewater generated within its boundaries to the Victor Valley Wastewater Reclamation Authority (VWRA) and the authorization of sewer service to the consolidated agency would have been a duplication of service; therefore, it was not included in the listing of active services and functions.

LAFCO staff has reviewed the question of activation of the District's latent sewer functions with Director of the Water District and other City personnel. It was noted at the time that should the District desire to activate this authority, LAFCO staff would assist the District in preparing the necessary paperwork, answer any questions to assist in the processing and in general work with the agency to resolve the issue. However, LAFCO staff's concerns regarding the promissory note remain, the Sanitary District had the obligation to provide for this funding, and no further explanation to date has been received.

4. On August 17, 2010 the City Council for the City of Victorville took action to establish its Appropriation Limit as required by Article XIIB of the State Constitution; however, there was no companion action for the Victorville Water District. In discussing this with City staff, it was indicated that only a single appropriation limit for the City and all its component units is established. As a separate entity, the Victorville Water District is required to have its own Appropriation Limit and this was clearly established during the approval of LAFCO 2991 which included Condition No. 13 which states:

The appropriation limit of the consolidated Successor District shall be the aggregate appropriation limit of the two consolidating Districts, VVWD and BMWD, estimated to be \$1,742,694.

The failure to set an appropriation limit restricts the ability of the agency to expend property tax revenues and places in question the receipt of the ad valorem property tax. It is LAFCO staff's understanding that the Victorville Water District will be undertaking the actions necessary to set this appropriation limit for the current fiscal year in the near term.

While LAFCO staff has identified the areas of concern regarding the operations of the City of Victorville and its subsidiary Victorville Water District related to the wastewater enterprise, there is no "LAFCO solution" for them. These are financial transactions which do not involve a jurisdictional change, per se. While a few residents within the boundaries of the Victorville Water District, but not the City, have contacted LAFCO staff to discuss the potential to return the district to an independent status, staff has conveyed that there is no such mechanism currently available. Once a Water District is established as a subsidiary district there is no current statutory method to change the Board of Directors back to an elected body. The hope of staff is that the City and District will work to resolve these matters as it continues to work to resolve its financial health. First and foremost would be to implement the terms of the lease agreements so that the Water District funds utilized to finance the construction of the SCLA IWWTP are for a facility under its purview.

Status of, and Opportunities for, Shared Facilities

The City of Victorville noted that there will be opportunities for “eliminating duplicative costs” as it annexes land, although no specific information was submitted to substantiate what costs could be eliminated. The City will be required to submit a detailed fiscal analysis with any annexation proposal or proposals for its sphere territory. The City’s service review noted that it participates in joint ventures and reviews service levels as a means of avoiding costs. The City shares facilities and services with other public agencies, such as being a member of the VVWRA, as well as through contracts with the County Sheriff’s Department for the provision of law enforcement services, with the San Bernardino County Fire Protection District and its North Desert Service Zone for fire protection and paramedic services, and with local schools for park services.

Accountability for Community Service Needs, Including Governmental Structure and Operational Efficiencies

There is no government structure options discussed for the City of Victorville or the Victorville Water District, within its sphere of influence amendment application other than the change proposed for the City of Adelanto sphere of influence. However, as outlined in the finance section, the activation of sewer (wastewater) functions and service for the District have been identified for future application to address and clarify the issue of financing the wastewater treatment facility and reclamation plant for which the District issued a promissory note and funded construction.

Local Accountability & Governance

The City of Victorville is governed by a five-member Council elected at-large to four-year, staggered terms. Through approval of LAFCO 2991, the City Council became the ex-officio Board of Directors for the Victorville Water District. The Figure below lists City of Victorville’s council members and their titles. No information regarding terms of office or stipends paid was provided.

Victorville City Council Membership

Board Member	Title	Term
Mike Rothschild	Councilmember	2008-2012
Rudy Cabriales, Mayor	Councilmember	2008-2012
JoAnn Almond,	Councilmember	2006-2010
Terry E. Caldwell,	Councilmember	2006-2010
Ryan McEachron	Councilmember	2008-2012

The City of Victorville’s City Council and the Victorville Water District Board of Directors holds regularly-scheduled meetings on the first and third Tuesday of each month at 7:00 pm. Each provides its agendas on its website and the City website transmits the audio recording of its hearing through live feed and later playback. However, a number of items related to the SCLA Industrial Wastewater Treatment Plant that were of concern to LAFCO staff were last minute additions to the agendas and the background materials were never posted to the

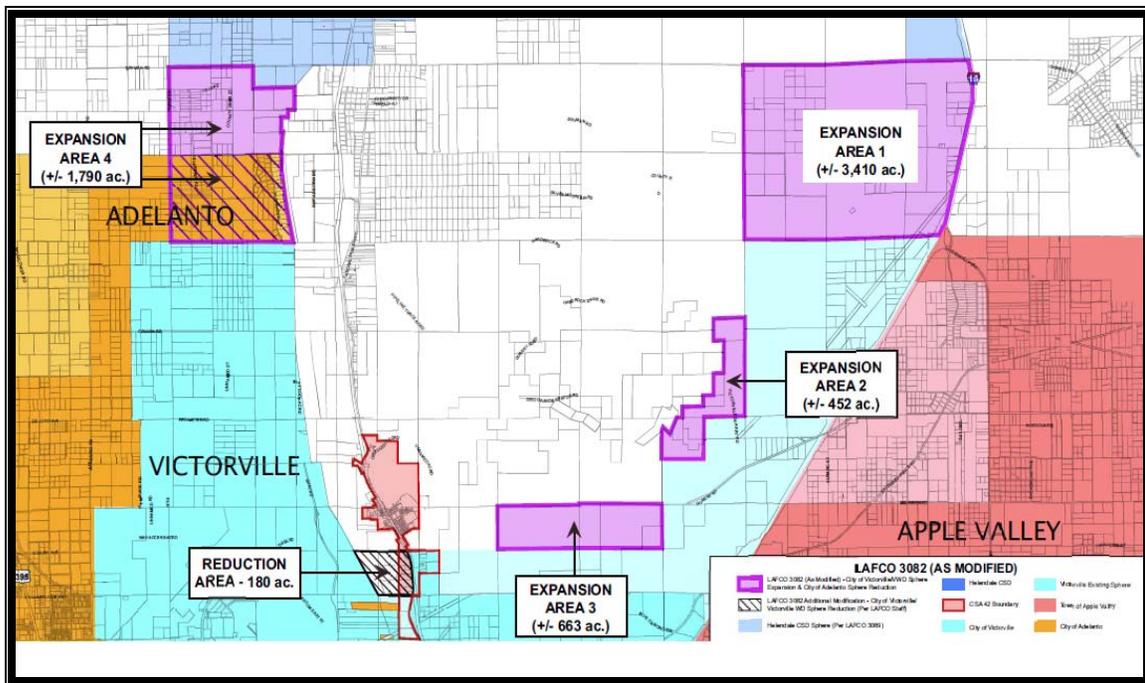
City/District website for review. In order for the general public to understand the operations of its government, it would be most helpful if last minute items were provided for review. This question may have been resolved, however, since current law now requires that any material presented to the City Council or the District Board of Directors must be made available and the location for review identified (Brown Act, Government Code Section 54957.5).

Sphere of Influence Review

City of Victorville

Members of City staff met with representatives of the County to discuss the sphere of influence update and amendment proposed as required by Government Code Section 56425 in 2007. However, to date, no identification of agreement of land use issues or general development patterns has been presented to LAFCO staff for inclusion in this report. No identification of further negotiations with the County on issues of land use or general development patterns following the development of the General Plan 2030 has been provided to LAFCO staff.

As outlined at the outset of this report, LAFCO staff is recommending that the City's request be modified to include only the areas shown on the map below:



City of Victorville/Victorville Water District/City of Adelanto

Present and Planned Land Uses

The City of Victorville encompasses approximately 74 square miles of territory. The present and planned land uses within the City include a range of residential, commercial and industrial uses including large areas available for development. Within the modified northern sphere of influence expansion for the City and Water District the City General Plan 2030

identifies that the approximate 10,203 acres along the eastern edge is assigned a land use designation of Specific Plan. In December 2009, the City of Victorville adopted the Desert Gateway Specific Plan which identifies a full range of residential commercial and industrial uses. The Specific Plan anticipates a build-out population of 82,900 with the City of Victorville General Plan 2020 anticipating a full build out population of 440,802. The City of Adelanto General Plan assigns the territory proposed for exchange a land use designation of Desert Living – 9 (one unit to 9 net acres) and Floodway. The materials submitted have identified that it is presumed that upon approval of the sphere of influence expansion, the City of Victorville will undertake a General Plan Amendment to address the area with an Industrial land use designation.

Much of the land proposed for inclusion within the sphere of influence is owned by the Federal Government under the auspices of the Bureau of Land Management. The development of the Federal lands will require a further process to sell (dispose) of the lands, evaluate the natural resources within the areas proposed for disposal and determine the sales process. As identified at the June 16, 2010 hearing, HR 4332 the “McKeon Bill” contemplates a process to undertake just such a disposal. However, the final disposition of that legislation, given the issues with the lands identified regarding mineral resources and patented and unpatented claims, remains unclear.

The existing County land use designations for the areas include RCN (Resource Conservation) which allows one unit to forty acres and varying levels of low density residential (RL, RL-5, and RL-40).

Present and Probable Need for Public Facilities & Services

The City of Victorville currently provides a full range of municipal services to its approximately 112,097 residents, including parks and recreation, police (through a contract with the County Sheriff), fire and paramedic (through a contract with the San Bernardino County Fire Protection District), trash, economic development, and wastewater collection and treatment. The need for City-provided services will increase, as the city’s population grows. Projected population growth is estimated to be 3% annually with a projected population of 134,000 by 2020 and an approximate build-out population of 440,802 residents.

As the sphere of influence area develops through the approval of the Desert Gateway Specific Plan, the full range of municipal-level services will need to be extended to the essentially vacant lands at present. The Specific Plan and the Master Development Agreement between the City of Victorville and its component government units and the Desertxpress, Transit Real Estate Development and Inland Group identifies a development scenario that will require substantial funding for extension of these identified services.

The Victorville Water District, a subsidiary district, currently provides water service within its boundaries, which includes the existing City of Victorville area and its sphere of influence territories identified as Mountain View Acres (2 islands) and the Baldy Mesa Unincorporated area. The provision of water service to the sphere of influence expansion areas will be required component of any annexation proposal.

Present Capacity of Public Facilities and Adequacy of Public Services

The City of Victorville provides most municipal-level services within its current service territory, with the exception of retail water service which is provided by its subsidiary Victorville Water District. Currently there is not enough capacity to accommodate projected growth for such services as retail water service, wastewater collection and treatment and fire protection under existing City standards. The City's wastewater system, constructed for connection to the facility of VVWRA, will need to be expanded to ensure that capacity is available concurrent with need. The introduction of the City's wastewater treatment plant was designed to fulfill the needs for specific industrial uses and not to address the long-term needs for city-wide treatment facilities. Connection fees do not cover the City's costs of extending sewer infrastructure to some areas and additional financing may be required.

Demand for fire services will increase with growth. Upon dissolution of the Victorville Fire Protection District and the transition of this responsibility to the City of Victorville, the City determined to provide this service through contract with the San Bernardino County Fire Protection District and its North Desert Service Zone. The City's master plan for fire service anticipated at least \$20 million in capital improvements through 2016 with the costs primarily funded through development impact fees. However, recent economic shifts have reduced the potential for funding these needed improvements. As identified in the earlier Service Review for the City a similar increase in the need for police protection services is also expected and the City's original plans were to invest \$9.6 million in police-related capital improvements through 2020. These costs were to also to be funded by development impact fees and general fund revenues.

The planning required for extension of water service to the sphere of influence expansion area by the Victorville Water District will require the development of additional water resources to meet that anticipated demand and the payment of the necessary infrastructure development costs. The Water Supply Assessment included as a part of the General Plan 2030 identified the realization of improvements through regional operations – R-Cubed, Oro Grande Wash recharge – as mechanisms to achieve the additional water supply for service. Any future annexation proposal will need to identify the availability of water for the project pursuant to LAFCO statutes. The Plan for Service policy requirements established by the Commission and outlined in its supplement forms for an application includes the following language:

If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

Social & Economic Communities of Interest

The City of Victorville's residents share social and economic interests. There are several unincorporated communities within the City's existing sphere of influence including Baldy Mesa, Spring Valley Lake (portion), Oro Grande (portion) and Mountain View Acres. Since the 1970s, the social and economic community of interest for the Victorville community has been defined by the joint sphere of influence assigned the City of Victorville and its

subsidiary Victorville Water District (a combination of the spheres of influence of the former Victor Valley Water District and Baldy Mesa Water District).

Victorville Water District

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)). Much of this information has been identified in the narrative above. The information outlined below identifies the functions and services for the District as authorized by the Commission in its approval for the District (LAFCO 2991) effective August 15, 2007. As a part of this review, LAFCO staff has discussed with the District its current operations. The District has identified that it has historically provided water conservation and a reclaimed water service within its service area. These two items were not included in its listing of active services under its existing water function during the approval of LAFCO 2991. LAFCO staff recommends that the Commission take the actions necessary to supplement the “Rules and Regulations Affecting Special Districts” for the Victorville Water District to reflect its historic water operations. The changes are shown in bold italic below to reflect these ongoing water operations:

DISTRICT	FUNCTIONS	SERVICES
Victorville (Subsidiary District) (established 8/15/07)	Water	Retail, agricultural, domestic, replenishment, <i>conservation, reclaimed water for irrigation/cooling towers for power plant</i>

As outlined in narrative discussion above, the Victorville Water District has indicated that it will be submitting an application for the expansion of its latent sewer powers to allow it to continue with its construction of the SCLA Industrial Wastewater Treatment Plant and to complete the anticipated lease of the City’s wastewater collection and transportation system. Once a full and complete application is received, LAFCO staff will work judiciously to bring it back to the Commission as soon as possible.

ENVIRONMENTAL CONSIDERATIONS:

At the June 16, 2010 Hearing on LAFCO 3082, LAFCO staff indicated that the Commission was unable to take action related to the proposal due to pending litigation related to the City’s adoption of the General Plan 2030 and its Final Environmental Impact Report (EIR) in October 2008. LAFCO staff received notification on August 27, 2010 that a settlement had been reached and a stipulated agreement entered by the Court. This action allows the Commission to move forward with its consideration of LAFCO 3082.

The City's processing of the General Plan 2030 has included the adoption of the project's environmental documents. LAFCO's Environmental Consultant, Tom Dodson and Associates has reviewed these documents and indicated that they are adequate for the Commission's use for LAFCO 3082. A copy of the environmental documents, including, but not limited to, the Final EIR, Mitigation Monitoring Plan, and Statement of Overriding Considerations were originally provided to Commission members on November 17, 2009, and are again provided in electronic form to the Commission as a part of Attachment #14 to this report.

In providing for the environmental analysis for the full range of actions contemplated for LAFCO 3082, Mr. Dodson indicated that the change outlined for the City of Adelanto (reduction) submitted in February 2010 and those changes included to address modifications approved during the Service Reviews previously conducted for the Community of Apple Valley, Community of Hesperia and the City of Adelanto are statutorily exempt from environmental review. The basis for this determination is that the sphere amendment 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. A copy of Mr. Dodson's analysis is included as Attachment #14 to this report. The actions recommended for the Commission are:

- Certify that the Commission, its staff, and its Environmental Consultant have independently reviewed the materials compiled in the referenced Final EIR, the Candidate Findings of Fact and Statement of Overriding Considerations and determined that they are adequate for the Commission's use in making its decision related to LAFCO 3082.
- Certify that the Commission has considered the FEIR and the environmental effects as outlined in these documents prior to reaching a decision on the project.
- Determine that the Commission does not intend to adopt alternatives or mitigations measures for the project. Mitigation measures required for the project are the responsibility of the City and others, not the Commission.
- Adopt the Candidate Findings of Fact and Statement of Overriding Considerations as presented by Mr. Dodson. A copy of this Statement is included as a part of Attachment #14 to this report.
- Direct the Executive Officer to file the Notice of Determination within five days and find that no further Department of Fish and Game filing fees are required by the Commission's approval since the City, as lead agency, has paid said fees.
- Certify that those portions of LAFCO 3082 identified as the reduction in the sphere of influence for the City of Adelanto, and the changes associated with the Oro Grande reduction in the City of Victorville sphere of influence and those changes related to prior service reviews of the City of Victorville sphere of influence are statutorily exempt from environmental review and direct the Executive Officer to file a Notice of Exemption within five (5) days;

ADDITIONAL DETERMINATIONS:

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, *The Daily Press*. The modified 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:

After more than three years of review, much discussion of potential modifications in boundaries, and some heated discussions on community orientation, it is the position of staff that the sphere of influence for the City of Victorville, Victorville Water District, and City of Adelanto should be amended as presented in this report. This position is on the basis that the territory will ultimately be in need of the full range of municipal type services and the entities best positioned for service in the future are the City of Victorville and its subsidiary Victorville Water District. With this said, the current financial predicament of the City and the Water District will need to be addressed before any future decisions on annexation or infrastructure extension can be finalized. But the sphere of influence is a planning tool, one designed by the Legislature to provide for the development of the master plans and other efforts necessary to determine that future annexation will be viable and sustainable.

For those reasons, LAFCO staff recommends that the Commission take the following actions to approve LAFCO 3082:

1. With respect to the environmental review:
 - a. Certify that the Final Environmental Impact Report (FEIR) and other related environmental documents prepared by the City of Victorville San Bernardino for the General Plan 2030 project and the Facts, Findings and Statement of Overriding Considerations prepared for the project have been independently reviewed and considered by the Commission, its staff and its Environmental Consultant;
 - b. Determine that the Commission does not intend to adopt alternatives or mitigation measures for LAFCO 3082 (the sphere of influence amendment Project) and that the mitigation measures identified for the project in the FEIR

- are the responsibility of the City and others, not the Commission;
- c. Adopt the Candidate Findings of Fact and Statement of Overriding Considerations, as presented by the Commission’s Environmental Consultant as attached to the staff report; and,
 - d. Direct the Executive Officer to file the Notice of Determination within five days and find that no further Department of Fish and Game filing fees are required by the Commission’s approval since the City, as lead agency, has paid said fees.
 - e. Certify that the changes identified for the City of Adelanto and the modifications for the City of Victorville and Victorville Water District associated with prior service reviews are 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 the City of Victorville and Victorville Water District and make the findings required by Government Code 56430 as outlined in the staff report;
 3. Approve the sphere of influence amendments for the City of Victorville, Victorville Water District, and the City of Adelanto as outlined in this report;
 4. Approve the clarification of services provided by the Victorville Water District to include water conservation and the provision of reclaimed water for irrigation and use by the cooling towers of the power plant; and,
 5. Direct the staff to prepare a resolution reflecting the Commissions findings and determinations and place the item on the Commission’s November 17, 2010 Agenda as a consent item.

KRM/SM/MT

ATTACHMENTS:

CITY OF VICTORVILLE/CITY OF ADELANTO

(This includes some materials previously provided for the June 16, 2010 hearing)

1. Maps
 - LAFCO/City Compromise Map for Northern Sphere Expansion Area
 - CSA 42 Proposed Sphere of Influence and Oro Grande Community Definition
 - City/District Sphere Reduction Related to Community of Apple Valley (Town) Service Review
 - City/District Sphere Expansions/Reductions Related to Community of Hesperia (City of Hesperia/Hesperia Water District) Service Review

- City/District Sphere Expansion in North Related to City of Adelanto Service Review
- 2. City of Victorville Resolution No. 10-003 Amending Sphere of Influence Application and Application Materials (Justification Form, Sphere of Influence Supplement, and Municipal Service Review Report Dated January 2010)
- 3. City of Adelanto Resolution 10-03 Consenting to Sphere of Influence Reduction, City Council Agenda Item, Justification Form, Sphere Supplement Form, and Map
- 4. City of Victorville City Council Agenda Item Dated February 4, 2010 for Quarterly Financial Status Report as of December 31, 2009 and Agenda Item Dated February 4, 2010 for Financial Statements and Supplementary Information for Year Ended June 30, 2009 and City of Victorville Single Audit
- 5. City of Victorville Audit Report for Year Ended June 30, 2008
- 6. City of Victorville Audit Report for Year Ended June 30, 2007
- 7. Adopted Budget for 2010-11 for the City of Victorville and the Victorville Water District and Quarterly Financial Status Report for June 30, 2010 City Council Consent Agenda Item August 17, 2010
- 8. City of Victorville Planning Commission Staff Report for Meeting of September 8, 2010 for Amendment to the Desert Gateway Specific Plan (Northern Triangle) to add a Resource Recovery Overlay Designation for territory within Section 21 (James Hardie Mining Claim)
- 9. Desert Gateway Specific Plan and Master Development Agreement Between City of Victorville and its Component Units and Desertxpress, Transit Real Estate Development and Inland Development Group
- 10. Excerpts from City Council/Board of Directors Agenda Items Related to Infrastructure Financing for the SCLA Industrial Wastewater Treatment Plant from February 17, 2009, March 31, 2009, May 5, 2009, and May 19, 2009

**VICTORVILLE WATER DISTRICT SPHERE OF INFLUENCE AMENDMENT
(This includes some materials previously provided for the June 16, 2010 hearing)**

- 11. Victorville Water District Resolution No. VWD-10-002 Initiating Sphere of Influence Amendment, and Application Materials (Justification Form, Supplement Form, Municipal Service Review Report Dated October 2009)
- 12. Victorville Water District Audit for Year Ended June 30, 2009
- 13. Letter Dated August 25, 2010 from the Victorville Water District Director, Reginald Lamson, Requesting Recognition of Water Conservation and Reclaimed Water as a Service Under the District's Water Function
- 14. Environmental Response Letters from Tom Dodson of Tom Dodson and Associates, Candidate Findings of Fact and Statement of Overriding Considerations, Final Environmental Impact Report for City of Victorville General Plan 2030 (SCH No. 2008021086)