

PROPOSAL NO.: LAFCO 3160

HEARING DATE: JANUARY 18, 2012

RESOLUTION NO. 3152

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3160 – A SERVICE REVIEW AND SPHERE OF INFLUENCE ESTABLISHMENT FOR THE PHELAN PIÑON HILLS COMMUNITY SERVICES DISTRICT (sphere of influence establishment to be coterminous with the existing District boundary).**

On motion of Commissioner \_\_\_\_\_, duly seconded by Commissioner \_\_\_\_\_, and carried, the Local Agency Formation Commission adopts the following resolution:

**WHEREAS**, a service review mandated by Government Code 56430 and a sphere of influence establishment mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (hereinafter referred to as “the Commission”) in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and

**WHEREAS**, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and,

**WHEREAS**, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

**WHEREAS**, a public hearing by this Commission was called for on October 19, 2011 at the time and place specified in the notice of public hearing, said hearing was continued to November 16, 2011 in by order of the Commission; and,

**WHEREAS**, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the review, in evidence presented at the hearing; and,

**WHEREAS**, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence establishment are statutorily exempt from CEQA and such exemption was adopted by this Commission on November 16, 2011. The Executive Officer was directed to file a Notice of Exemption within five working days of its adoption; and,

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**WHEREAS**, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the following establishment of a sphere of influence shall be made for the Phelan Piñon Hills Community Services District (hereafter shown as the District) to be coterminous with its existing boundary as more specifically depicted on the map attached hereto as Exhibit "A" and described in Exhibit "A-1", and;

**WHEREAS**, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated November 9, 2011 and received and filed by the Commission on November 16, 2011, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

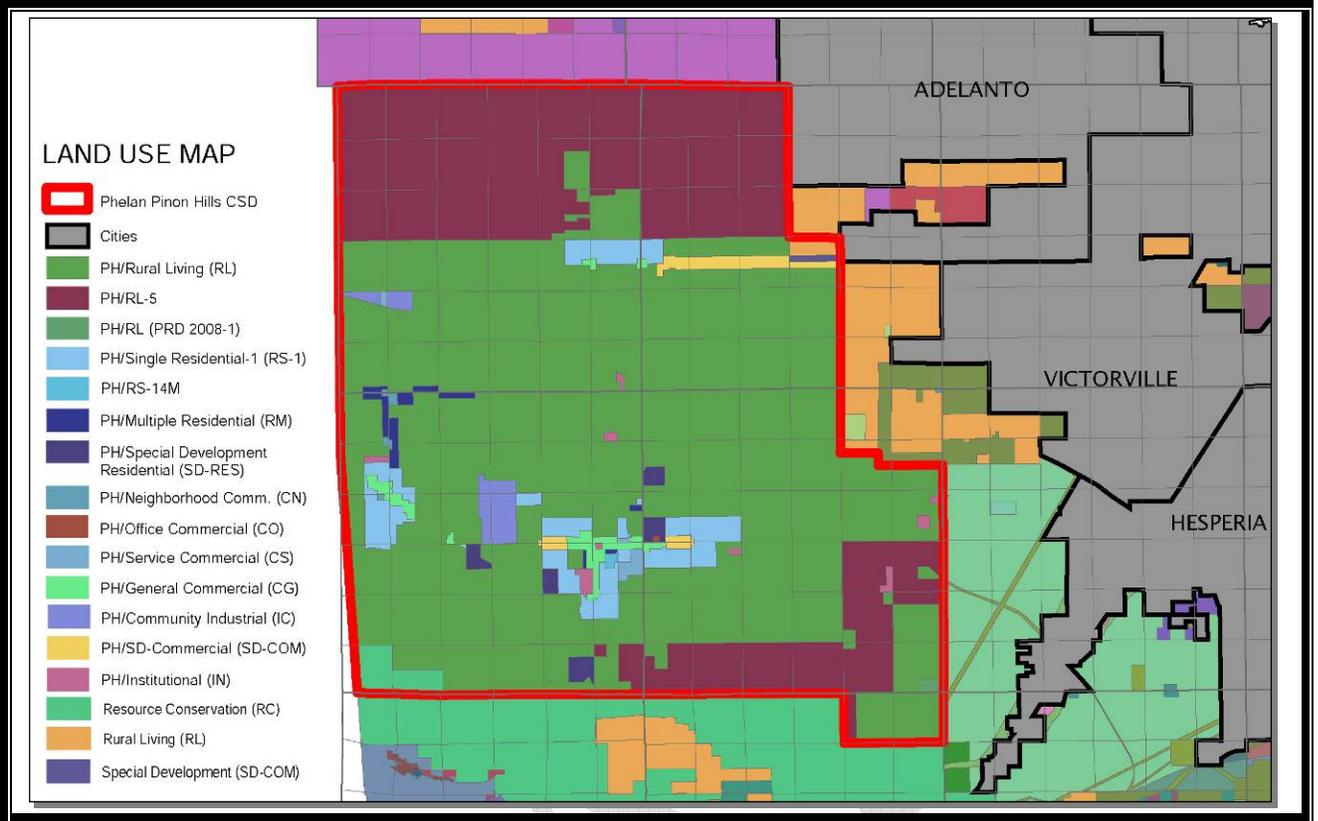
### **1. *Growth and population projections for the affected area.***

The territory of the PPHCSD is wholly unincorporated with land use designations assigned through the County General Plan, augmented by adoption of the Phelan/Piñon Hills Community Plan in March 2007. The community is located along the desert foothills of the San Gabriel Mountains, approximately 76 miles northeast of the City of Los Angeles and approximately 31 miles northwest of the City of San Bernardino. The development of the community has been spurred by its location near the urbanizing areas of the Victor Valley, the appeal of high desert rural living, and its close proximity to travel corridors to the larger urban centers. The residents of the Phelan/Piñon Hills community identified two primary issues and concerns to be addressed by the Community Plan: quality of life – the ability to retain a rural lifestyle while facing growth pressures from the overall Victor Valley region, and Infrastructure – residents were concerned that any future growth would unduly burden an infrastructure system already strained and wished assurance that future infrastructure improvements would be managed to ensure compatibility with the rural lifestyle of the community. The Community Plan was adopted on March 13, 2007 by the County Board of Supervisors and became effective April 12, 2007. At the time that the District was formed, the community again reiterated its desire to retain its rural lifestyle and to provide protection from City sphere of influence encroachment from the east.

#### **Land Use**

The map below identifies the County of San Bernardino General Plan land use designations within the study area. Approximately 63 percent is designated Rural Living (RL) which allows one unit to 2.5 acre minimum lots, 27 percent is RL-5 (Rural Living, minimum 5-acre lots), four percent is RS-1 (Single Residential, 1-acre minimum 1 acre lots), and the remainder of the land uses comprise six percent of the total designated for Special Development (Residential/Commercial), Commercial (Neighborhood, Office, General, and Service), Resource Conservation, Industrial, Multiple Residential, and Institutional). The map shows the commercial cores of the community along Oasis/Mountain View Road for Piñon Hills and Sheep Creek Road and Phelan Road for Phelan.

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**General Plan Land Use  
Within Piñon Hills Community Services District**

Land Use	Acreage	% of Boundary
<b>Phelan Piñon Hills Community Plan</b>		
Rural Living (PH/RL)	51,376	63
PH/RL (PRD 2008-1)	79	<1
PH/RL-5	21,893	27
Single Residential-1 (PH/RS-1)	3,096	4
Single Residential-14,000 (PH/RS-14M)	42	<1
Multiple Residential (PH/RM)	442	<1
Special Development - Residential (PH/SD-RES)	604	<1
Special Development - Commercial (PH/SD-COM)	673	<1
Neighborhood Commercial (PH/CN)	89	<1
Office Commercial (PH/CO)	10	<1
General Commercial (PH/CG)	665	<1
Service Commercial (PH/CS)	177	<1
Community Industrial (PH/IC)	791	<1
Institutional (PH/IN)	327	<1
<b>County General Plan (outside Community Plan but within District boundaries)</b>		
Resource Conservation (RC)	752	<1
Rural Living (RL)	232	<1
Special Development-Commercial	80	<1
<b>Total</b>	<b>81,328</b>	<b>100%</b>

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Population Projections

In 2000, the population within the study area was 16,298 as defined by the Community Plan. Based on the 2010 Census, the current population of the area is 22,733. This represented an average annual growth rate of approximately 3.4% within the given period. The projected growth for the study area was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast, SCAG's 2008 RTP, and the use of average annual growth rate. By 2040, the population within the study area is estimated to reach 33,781. This represents a projected annual growth rate of approximately 1.3% between 2010 and 2040.

**Population Projection 2015-2040  
Within Phelan Piñon Hills Community Services District**

Census		Population Projection					
2000	2010	2015	2020	2025	2030	2035	2040
16,298	22,733	23,114	25,351	27,543	29,652	31,668	33,781

Build-out

The table below provides the potential build-out for the study area. This build-out scenario takes into consideration the existing land use designations assigned for the area for residential uses and the dwelling unit densities assigned for each residential land use type.

**Land Use Maximum Build-Out  
Within Phelan Piñon Hills Community Services District**

Land Use	Acres	Density (D.U. Per Acre)	Maximum Build-out
Resource Conservation	752	0.025	19
Rural Living	51,687	0.2	10,337
Rural Living-5	21,893	0.4	8,757
Single Residential-1	3,096	1.0	3,096
Single Residential-14,000	42	2.42	102
Multiple Residential	442	15.56	6,878
Special Development - Residential	604	2.0	1,208
<b>Total Residential</b>	<b>78,516</b>		<b>30,397</b>

The population projections identified earlier indicates that the population within the study area will be 33,781 by 2040. Based on the maximum residential build-out for the study area, the projected maximum population is anticipated to reach 90,887 (Persons per household @ 2.99 based on the ratio identified in the Phelan/Piñon Hills Community Plan Potential Build-Out table). Likewise, based on the projected population for 2040, it is anticipated that the number of households within the study area will be 11,297 with a maximum potential build-out to reach approximately 30,397. These imply that the study area will reach 37 percent of its potential household and population capacity by 2040.

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Population and Household Projection  
Within Phelan Piñon Hills Community Services District

	Projection 2040	Maximum Build-out	Ratio of 2040 Projection with Maximum Build-out
Population	33,781	90,887	0.37
Households	11,297	30,397	0.37

**2. Present and planned capacity of public facilities and adequacy of public services, Including infrastructure needs or deficiencies.**

For this Service Review factor, referenced materials include Audits and Budgets provided by the District, the Adopted Urban Water Management Plan, and web searches regarding park and recreation activities. Currently, the District is authorized by LAFCO to provide water, streetlights, and park and recreation functions and services. Action taken by the Commission on November 16, 2011 approved the expansion of the District’s authorized functions/services to include solid waste and recycling (LAFCO 3167). The consideration process is anticipated to conclude in January 2012.

Other services provided by regional service providers include: Fire protection provided by the San Bernardino County Fire Protection District and its North Desert Service Zone; flood control provided by the San Bernardino County Flood Control District, the Mojave Water Agency is the State Water Contractor for the area; and the Mojave Desert Resource Conservation District overlays the entirety of the area. In addition, the area is overlain by County Service Area 70 (multiple function agency), and County Service Area 60 (Apple Valley Airport). Analysis of these agencies is not included in this review. Within the study area are several Zones of County Service Area 70 for the provision of road maintenance services (Zone R-39 Highland Estates (includes territory within Hesperia sphere of influence), Zone G and its Zone G Permanent Road Division for Oak Springs).

**WATER**

For water service, materials referenced in making these determinations include the CSD’s 2010 Urban Water Management Plan, the Mojave Water Agency 2010 Urban Water Management Plan, and materials related to the State Water Project. This is the first look at the District since its formation in 2008. Limited discussion of the Sheep Creek Mutual Water Company is also included in this section.

**Regional Water**

**State Water Project (SWP)**

As it has been identified on many occasions, water is the lifeblood for communities in the desert regions due to its limited nature. The availability of water will ultimately determine whether or not a community will prosper in the desert environs of San Bernardino County. Therefore, the most significant regional issue for the Phelan/Piñon Hills community is present and future water supply. The 2007 State Water Project Delivery Reliability Report indicates that SWP deliveries will be impacted by two significant factors. First, it is projected that

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climate change is altering hydrologic conditions in the State. Second, a ruling by the Federal Court in December 2007 imposed interim rules to protect delta smelt which significantly affects the SWP. Further, the *Report* shows, "...a continued eroding of SWP delivery reliability under the current method of moving water through the Delta" and that "annual SWP deliveries would decrease virtually every year in the future..." The *Report* assumes no changes in conveyance of water through the Delta or in the interim rules to protect delta smelt.

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

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

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

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

Source: Mojave Water Agency, 2010. Footnote (2) updated by LAFCO staff in 2011.

The 2007 Reliability Report concluded that contractors to the SWP could anticipate average reliability of 66-69% through the year 2027. The range was provided to account for variable impact associated with different conclusions about the potential effects of modeled climate change. The average assumes that in some years contractors are likely to be allocated less than the stated average and in some years contractors are likely to be allocated more than the stated average.

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

Since preparation of the 2009 Reliability Report, the same Federal Court has found the new biological opinions to be unacceptable (and inappropriately restrictive to Delta water exports)

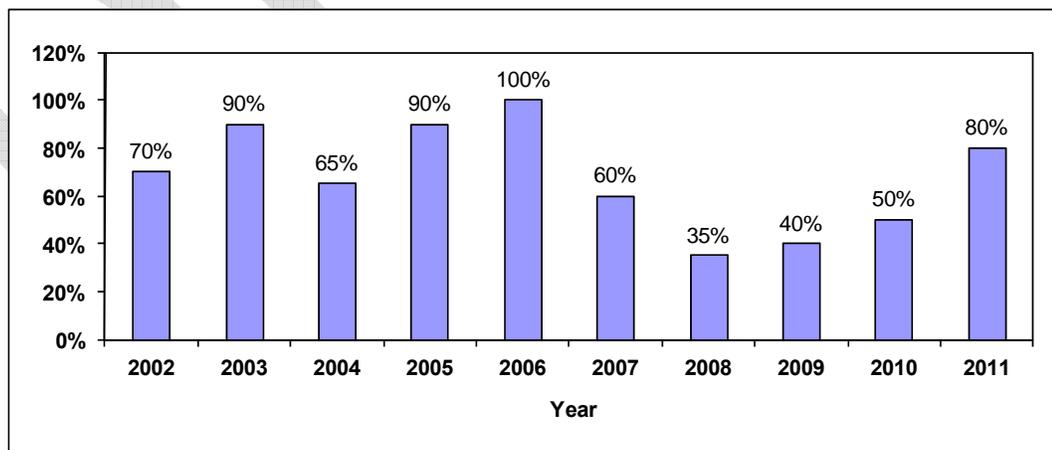
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and has ordered them to be redone. There is also a major effort underway to develop a habitat conservation plan to address the myriad of issues impacting water supply exports from the Delta. That effort, if accomplished in a manner consistent with the “co-equal goals” of ecosystem restoration and water supply reliability envisioned by the State Legislature’s 2009 Comprehensive Water Package, is anticipated to significantly increase reliability of the SWP water supply. The eventual success and/or resulting increase to reliability are unknown at this time; however, the outcome will eventually be reflected in the biennial DWR reliability assessments.

MWA operates under the guidance of its Board adopted integrated regional water management plan and is also required by State law to submit an Urban Water Management Plan (“UWMP”) to the State of California every 5 years ending in “0” and “5”. The MWA UWMP compiles information on all known water supplies and demand on a sub-regional scale for the entire MWA. Future water supplies and demand (population growth) are also projected for at least the ensuing 20 years. MWA adopted its 2010 UWMP in June 2011 which incorporates the most recent reliability information provided by DWR (2009), indicating a reliability of 61% on average. Initial analysis indicates that given projected growth rates, the modeled decrease in reliability for the SWP by DWR, and the acquisition of additional SWP contractual amounts by MWA, there will be sufficient supply to meet anticipated increased demands through the required 20 year planning horizon (2030).

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase since 2000, which averages 68% over the 10 years summarized. For example, MWA is entitled to purchase up to 82,800 acre-feet of imported water per year. For 2011, the allocation percentage was 80%; therefore, MWA could purchase up to 66,240 acre-feet. MWA mitigates for this variability in supply by utilizing the significant water storage capability within the agency ground water basins to take delivery of SWP water when it is available. Water available from the SWP in excess of local demand is delivered and stored in the ground water basins to be used to meet demand during those years when the amount of water available from the SWP is less than the annual demand.

**Department of Water Resources State Water Project  
Final Allocation Percentages Statewide (2002-2011)**



source: Department of Water Resources

The high growth rate in the region, coupled with a continued overdraft of the Mojave groundwater basin in its entirety, the primary source of supply, is an infrastructure deficiency.

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The groundwater basin is adjudicated 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.

### **Phelan-Piñon Hills Community Services District**

#### **Supply and Demand**

The District provides water to almost 6,800 service connections within an approximate 119 square mile service area. The PPHCSD water service area is almost entirely single family residential with approximately 99 percent of water service connections serving single-family residences.

The District's water distribution system consists of approximately 353 miles of pipelines ranging from 4-inch to 16-inch in diameter. The District obtains its water supply from the local groundwater aquifer through the use of 11 active wells that pump directly into the distribution system or into storage reservoirs. The District purchases replacement water from MWA, who replenishes the used groundwater primarily with imported water from the State Water Project. The District maintains 35 storage tanks ranging from 1.0 million gallon (MG) to 0.04 MG with a total capacity of 11.5 MG.

The District has three interties, one intertie with each the City of Victorville, Sheep Creek Mutual Water Company, and San Bernardino County CSA 70 Zone J. These interties are typically only used to allow sharing of supplies during short-term emergencies or during planned shutdowns of a primary source, not during normal operating conditions when regular supplies are available.

Within the District, groundwater for potable use is currently produced from eleven operating wells. The District's active wells vary in depth, with production varying from 62 gallons per minute (gpm) to 750 gpm with a total estimated system capacity of approximately 4,000 gpm (as shown on the figure below taken from the 2010 UWMP). There are currently five inactive wells within the system. The District's Well 14 is located in Los Angeles County and is not a part of or subject to the MWA adjudication. Production from this well is not reported to MWA and is not associated with the District's free production allowance.

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**Table 2.2-2 PPHCSD Active Wells<sup>[1]</sup>**

<b>Well</b>	<b>MWA Subarea</b>	<b>Discharge Location</b>	<b>Well Depth (feet)</b>	<b>Capacity (gpm)</b>
1B	Oeste	Zone G	470	62
2A	Oeste	Zone G	450	72
2	Oeste	Well Tanks 2-1, 2-2	660	180
3 <sup>[2]</sup>	Oeste	Well Tanks 2-1, 2-2	680	-
5	Oeste	Well Tanks 2-1, 2-2	800	359
6A	Oeste	Reservoir 1B	952	292
6B	Oeste	Reservoir 1B	1,080	420
9B	Alto	Reservoir 1C	1,100	263
10	Oeste	Well Tank 10-2	850	676
11	Oeste	Well Tank 10-2	778	200
12	Oeste	Well Tank 10-2	950	750
14 <sup>[3]</sup>	NA	Tanks 2A, 2B, 2C	1,100	707
<b>Total (gpm)</b>	-	-		<b>3,981</b>

[1] Source: PPHCSD 2010 Water Facilities Master Plan, Table 2-2.

[2] Well recently rehabbed and capacity reduced significantly.

[3] Well 14 is located in Los Angeles County and is not a part of the MWA adjudication area.

The figure below, also taken from the 2010 UWMP, identifies that 36% of the CSD's water production in 2010 came from Well 14. The pumped amount of 1,102 AFY is a sharp increase from 421 the prior year.

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<b>Well No.</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
1B	0	25	16	14	12
2A	52	49	16	17	14
2	278	259	206	208	204
3 <sup>[1]</sup>	266	374	474	415	1
4 <sup>[1]</sup>	208	192	107	0	0
5	651	636	441	264	331
6A	236	275	294	240	121
6B	155	300	115	382	175
9A <sup>[1]</sup>	377	205	70	58	0
9B	177	389	352	278	167
10	250	383	188	171	408
11	103	192	89	111	111
12	584	736	723	566	413
<b>Subtotal<sup>[2]</sup></b>	<b>3,337</b>	<b>4,015</b>	<b>3,091</b>	<b>2,724</b>	<b>1,957</b>
14 <sup>[3]</sup>	171	37	101	421	1,102
<b>Total District</b>	<b>3,508</b>	<b>4,052</b>	<b>3,192</b>	<b>3,145</b>	<b>3,059</b>

[1] Well is inactive.  
 [2] Subtotal within MWA adjudication area and included in MWA Watermaster Reports.  
 [3] Well 14 does not lie within the MWA adjudication area and its production is not included in the MWA Watermaster Reports.

The figures below are taken from the 2010 UWMP. The first figure indicates that supply will increase through 2035. However, not discussed in the CSD's 2010 UWMP is the pending court case to adjudicate and provide a physical solution to the Antelope Valley Groundwater Basin. There is the potential for an outcome to adversely affect the pumping of Well 14 in the future. According to the most recent Mojave Watermaster Annual Report, for Water Year 2009-10 (May 1, 2011), in Oeste the CSD's pumping immediately adjacent to San Bernardino County but from a well in Los Angeles County could be impacting the water supply to Oeste. Water levels in two wells which are about two miles north of the CSD's Los Angeles County production well, are falling, one well has declined about 30 feet and the other has declined about 30 feet since 1950 (page 33). Should the wells continue to fall, this could challenge the CSD's ability to produce water in this area.

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**Table 5.2-1  
PPHCSD Projected Water Supply and Demand  
Normal Water Year (AFY)**

Water Sources	2015	2020	2025	2030	2035
Available Supply <sup>1</sup>	4,358	4,741	5,019	5,312	5,574
Demand <sup>2</sup>	3,760	4,141	4,538	4,935	5,331
Difference	598	600	481	377	243
Difference as a Percentage of Supply	13.7%	12.7%	9.6%	7.1%	4.4%
Difference as a Percentage of Demand	15.9%	14.5%	10.6%	7.6%	4.6%

[1] Available Supply determined from water demand projections for PPHCSD provided by Mojave Water Agency. Supply/demand ratio assumed to be proportional to Mojave Water Agency's supply/demand during normal years. Supply/demand ratio determined from Mojave Water Agency 2010 UWMP and indicated in Table 4-3 of this report.

[2] Demand provided by Mojave Water Agency.

**Table 6.1-1  
Past, Current and Projected Water Use by Billing Classification (AF)**

District Billing Class	2004	2009	2015	2020	2025	2030	2035
Single Family Residential	2,623	2,486	3,009	3,314	3,632	3,949	4,266
Multi-Family Residential	5	4	4	5	5	6	6
Commercial	167	243	294	323	354	385	416
Industrial	0	0	0	0	0	0	0
Institutional/Governmental	0	0	0	0	0	0	0
Landscape Irrigation	0	0	0	0	0	0	0
Agriculture	0	0	0	0	0	0	0
Other - Outside of Billing System	5	1	2	2	2	2	2
<b>Subtotal</b>	<b>2,800</b>	<b>2,734</b>	<b>3,309</b>	<b>3,644</b>	<b>3,993</b>	<b>4,343</b>	<b>4,691</b>
Unaccounted for System Losses <sup>[2]</sup>	798	68	397	497	545	592	640
<b>Total Water Use<sup>[3]</sup></b>	<b>3,598</b>	<b>2,802</b>	<b>3,706</b>	<b>4,141</b>	<b>4,538</b>	<b>4,935</b>	<b>5,331</b>

[1] Source: Year 2004 and 2009 data from PPHCSD for calendar years. All future total demands from Table 5-1; future projections by class are proportionate to class percentages reflected in the year 2009 data.

[2] 2004 and 2009 losses are based on actual data; all other years assume losses of 12 percent, based on average loss percentage from WY 1999 -2009 from PPHCSD 2010 Water Facilities Master Plan.

[3] Total water use per Mojave Water Agency 2010 UWMP.

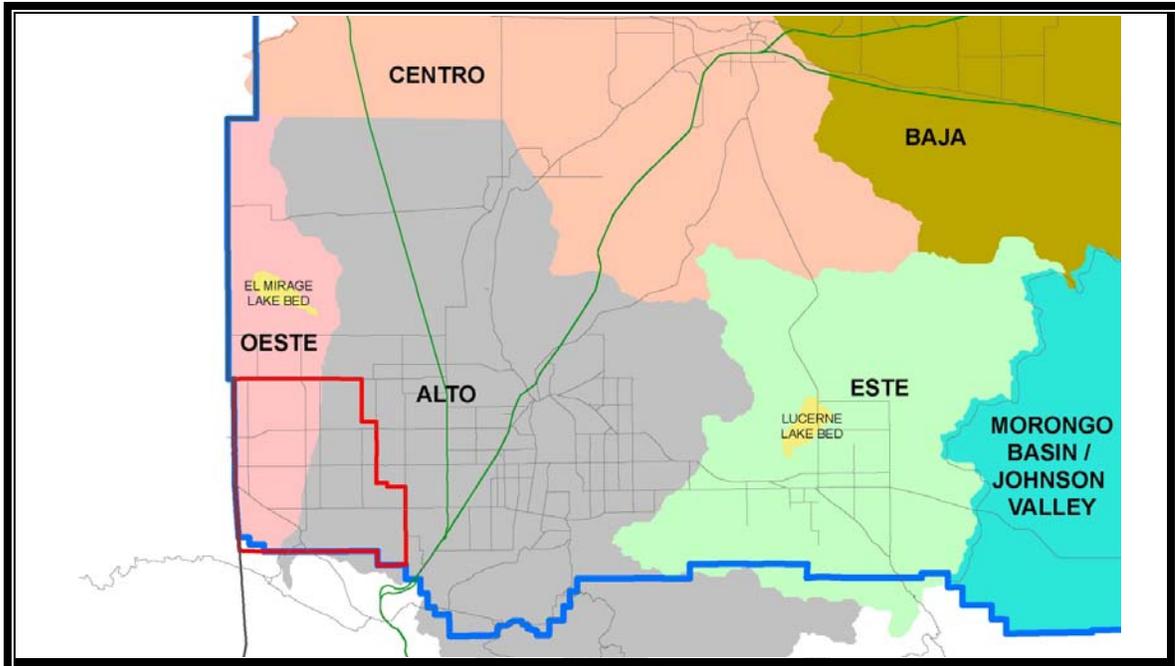
All customers in the District currently discharge their wastewater into septic tanks. There is no wastewater treatment plant within the District, so recycled water is not an economically feasible source of water for the District in the near future.

Mojave Water Groundwater Basin - Water Rights and Production

The CSD is within Alto and Oeste sub-regions of the Mojave Groundwater Basin. According to the most recent Mojave Watermaster Annual Report, for Water Year 2009-10 (May 1, 2011), the CSD has water production rights (also known as Base Annual Production) of 1,416 acre-feet (AF) in the Oeste sub-basin. In Oeste, Free Production Allowance (FPA) is

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currently at 80% of Base Annual Production, which permits 1,133 AF of FPA for 2011-12. The CSD also has Base Annual Production rights of 355 AF in the Alto Sub-basin. In Alto, FPA is currently at 60% of Base Annual Production, which permits 213 AF of FPA for 2011-12. The locations of the District and basin definitions are shown on the map below:



As noted in the most recent Watermaster Annual Report additional rampdown in Alto is not warranted at this time. In Oeste, the Watermaster report states that the CSD's pumping immediately adjacent to San Bernardino County but from a well in Los Angeles County could be impacting the water supply to Oeste. Water levels in two wells, not owned by the CSD, which are about two miles north of the CSD's Los Angeles County production well are falling, declining approximately 30 feet since 1950 (Watermaster 33).

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. As indicated in the table below, the recent trend for the CSD's 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 the Oeste sub-basin, for WY 2008-09 the CSD produced 1,261 AF in excess of FPA. To offset the over production, the CSD transferred-in 1,345 AF from other agencies. In turn, the replacement water obligation to the Watermaster was removed.

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**Phelan-Piñon Hills CSD – Oeste Sub-basin**  
(Units in Acre-feet unless otherwise noted)

<b>Water Year</b> [Base Annual Production (BAP)]	<b>Base Free Production Allowance [FPA]</b> [Rampdown % of BAP]	<b>Carryover from Previous Year and Transfers from Other Agencies</b>	<b>Verified Production</b>	<b>Unused FPA<sup>1</sup> or (Agency Overdraft)</b>	<b>Replacement Water Obligation [Agency Overdraft]</b>	<b>Makeup Water Obligation [Watermaster Replacement to Centro Sub-basin]<sup>2</sup></b>
<b>2007-08</b> [1,416]	1,133 [80%]	1,349 <sup>3</sup>	2,669	(187)	378 obligation at a cost of \$127,386 <sup>4</sup>	0 obligation
<b>2008-09</b> [1,416]	1,133 [80%]	1,345 <sup>3</sup>	2,394	84	66 obligation at a cost of \$25,476 <sup>5</sup>	0 obligation
<b>2009-10<sup>6</sup></b> [1,416]	1,133 [80%]	744 <sup>7</sup>	1,790	87	0 obligation	0 obligation
<b>2010-11<sup>8</sup></b> [1,416]	1,133 [80%]	57	n/a	n/a	n/a	n/a
<b>2011-12</b> [1,416]	1,133 [80%]	-	-	-	-	

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

<sup>2</sup> Obligation to the Centro sub-basin is not applicable to those within the Oeste sub-basin.

<sup>3</sup> Amount is categorized as Carryover in Lieu of Replacement

<sup>4</sup> Original obligation was 1,727 acre-feet at a cost of \$581,999

<sup>5</sup> Original obligation was 1,411 acre-feet at a cost of \$544,646

<sup>6</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Eighteenth Annual Report of the Watermaster due May 2012.

<sup>7</sup> Amount is categorized as Free Production Allowance

<sup>8</sup> Draft data (Appendix B) not available until early 2011.

sources: Mojave Basin Area Watermaster  
*Annual Report of the Mojave Basin Area Watermaster, for Water Years 2007-08 through 2009-10.*

*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 2007-08 through 2009-10.*

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. As a cost savings measure in order to not be subject to the higher Make-up water assessments of the Watermaster, the CSD has purchased FPA and Prior Year Carryover water from Centro water producers before-hand. For 2006-07, the Make-up

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Obligation was originally 12 AF. However, the CSD purchased Centro water before-hand (at a lower cost) and used this to help satisfy its Make-up obligation.

**Phelan-Piñon Hills CSD – Alto Sub-basin**  
(Units in Acre-feet unless otherwise noted)

<b>Water Year</b> [Base Annual Production (BAP)]	<b>Base Free Production Allowance [FPA]</b> [Rampdown % of BAP]	<b>Carryover from Previous Year and Transfers from Other Agencies</b>	<b>Verified Production</b>	<b>Unused FPA<sup>1</sup> or (Agency Overdraft)</b>	<b>Replacement Water Obligation [Agency Overdraft]</b>	<b>Makeup Water Obligation [Watermaster Replacement to Centro Sub-basin]<sup>2</sup></b>
<b>2007-08</b> [355]	213 [60%]	0	422	(209)	18 obligation at a cost of \$6,066	12 obligation at a cost of \$960
<b>2008-09</b> [355]	213 [60%]	54	435	(168)	18 obligation at a cost of \$6,948	Original obligation was 11 at a cost of \$4,323
<b>2009-10</b> <sup>3</sup> [355]	213 [60%]	11	167	57	0 obligation	Original obligation was 2 at a cost of \$640
<b>2010-11</b> <sup>4</sup> [355]	213 [60%]	57	n/a	n/a	n/a	n/a
<b>2011-12</b> [355]	213 [60%]	-	-	-	-	

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

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

<sup>3</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Eighteenth Annual Report of the Watermaster due May 2012.

<sup>4</sup> Draft data (Appendix B) not available until early 2011.

sources: Mojave Basin Area Watermaster  
*Annual Report of the Mojave Basin Area Watermaster*, for Water Years 2007-08 through 2009-10.

*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 2007-08 through 2009-10.

Water Rates

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

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

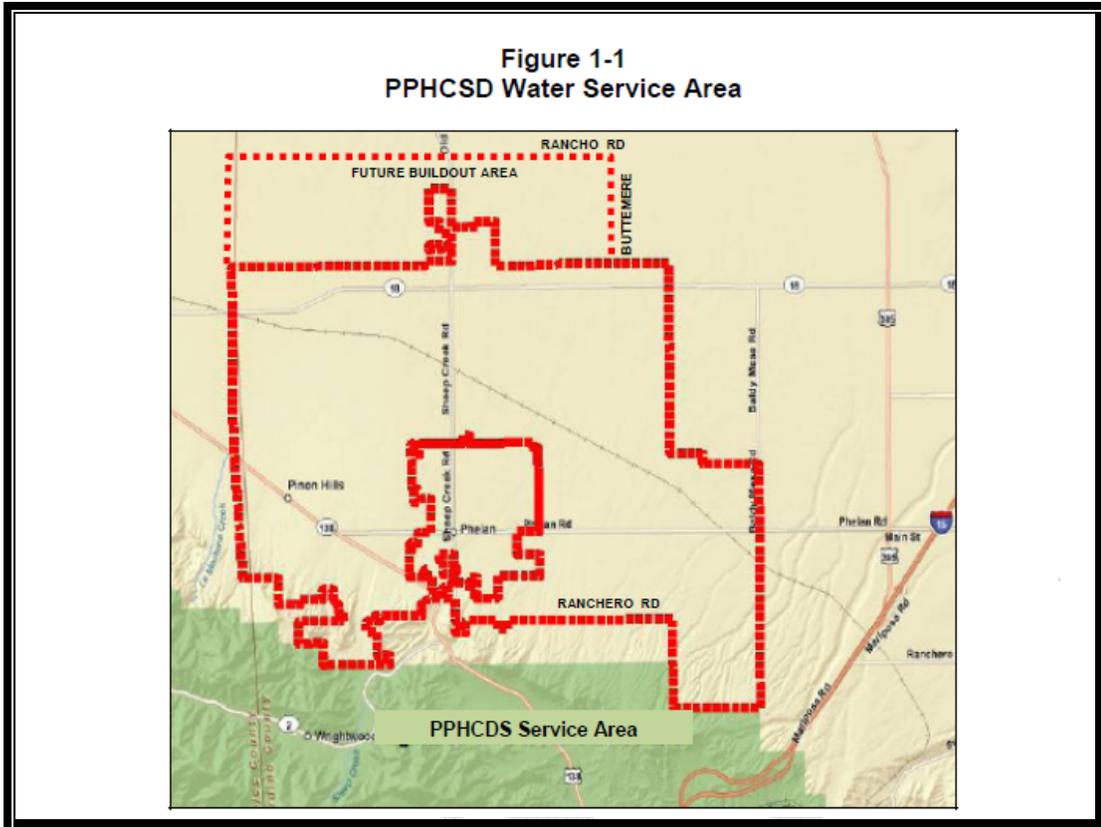
Agency	Water Use Fee				Monthly Meter Charge (3/4" Meter)	Monthly Average Cost (20 units of water)	Monthly Surcharge Added	TOTAL Monthly Average Cost (20 units of Water)
	Tier One	Tier Two	Tier Three	Tier Four				
City of Adelanto (Adelanto Public Utilities Authority)	\$2.40	3.40	4.40	-	18.90	71.90	0.00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

**SHEEP CREEK MUTUAL WATER COMPANY**

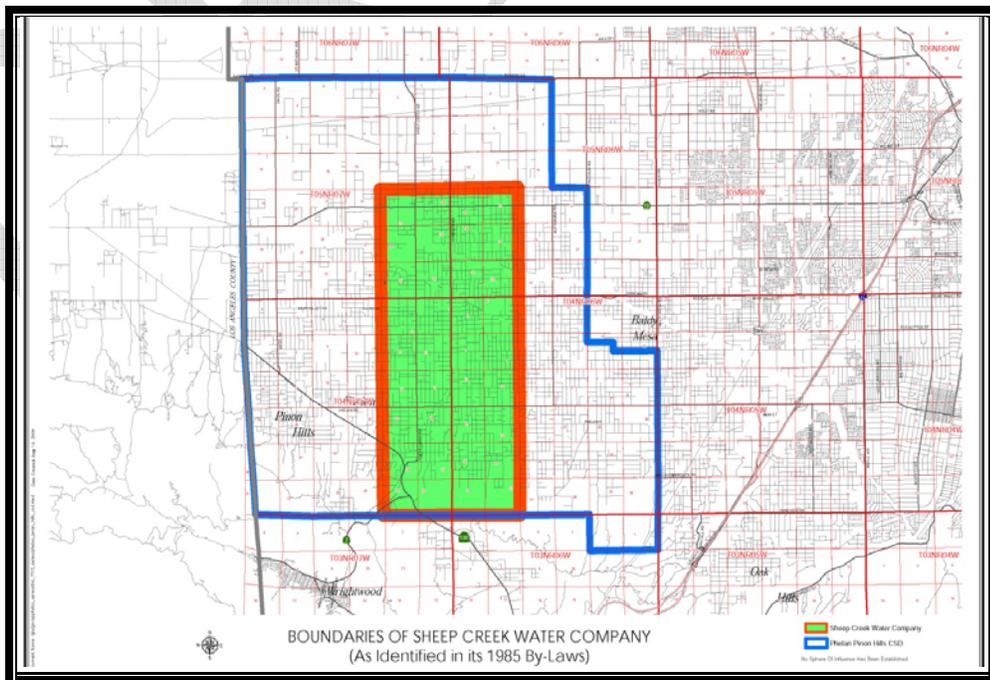
Within the core of the PPHCSD lies the Sheep Creek Mutual Water Company, a shareholder owned water utility, serving approximately 10 square miles. The figure below, taken from the PPHCSD Urban Water Management Plan for 2010, identifies the service location for this agency by exclusion within the core service area. Pursuant to correspondence received by LAFCO during 2004, the Mojave Water Agency identified that the water source for the Sheep Creek Mutual Water Company was outside the boundaries of the MWA and its adjudication; therefore, there are no restrictions imposed by the Mojave River Groundwater Basin Watermaster on its extraction of water. The Commission understands that the Company currently provides for its water from surface flows and other sources. No further information is available regarding the Company at this time. The maps below, included as Exhibits B and B-1 to this resolution, identify the location of the District.

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Figure 1-1  
PPHCSD Water Service Area



In its 1985 bylaws, the Sheep Creek Mutual Water Company identified its ultimate service area to the State Department of Corporations, governing entity for mutual water companies, encompassing approximately 40 square miles in the core of the Phelan community as shown below. The limitation to service within this area is that it cannot duplicate the lines and connections currently provided by the PPHCSD.



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### **PARK AND RECREATION**

PPHCSD operates two community centers with associated park facilities utilized by the entire community, the district provides for recreation activities at these facilities such as yoga and karate classes and senior meals.

At the time of formation, County Service Area 70 had received a Prop. 40 grant of approximately \$600,000 (\$100,000 for Piñon Hills and \$500,000 for Phelan) to develop new park facilities. Based upon the receipt of these grant funds through CSA 70, it was determined that they could not be transferred to the new PPHCSD. As a condition of the formation, the County and the PPHCSD signed an agreement that the County would provide for management and development of the parks under the guidelines of the State with the District assuming ongoing operation and liability for the facility(s). That agreement was signed in November 2009. In February 2010, an additional allocation of \$300,000 from the County Board of Supervisors Elective Projects Budget was provided to the PPHCSD to fund the development of the 80-acre parcel along Sheep Creek Road.

In November 2010 (Board Agenda Item #56) the \$600,000 grant allocation was transferred to the Big Bear Valley Recreation and Park District for its use and an equal amount of funds was transferred to the PPHCSD. The rationale for this exchange, as conveyed to the Commission, was that the time for use of the funds was rapidly drawing near and the PPHCSD/County were not ready to move forward with the projects within the District. The actions preserved the funds for park development through the PPHCSD, but the Commission is unaware of any contractual relationship regarding its use.

In reviewing this matter with members of the PPHCSD staff, it was learned that two parcels have been purchased with these funds for park purposes – one within the Pinion Hills community and an 80-acre parcel within the Phelan community.

### **STREETLIGHTING**

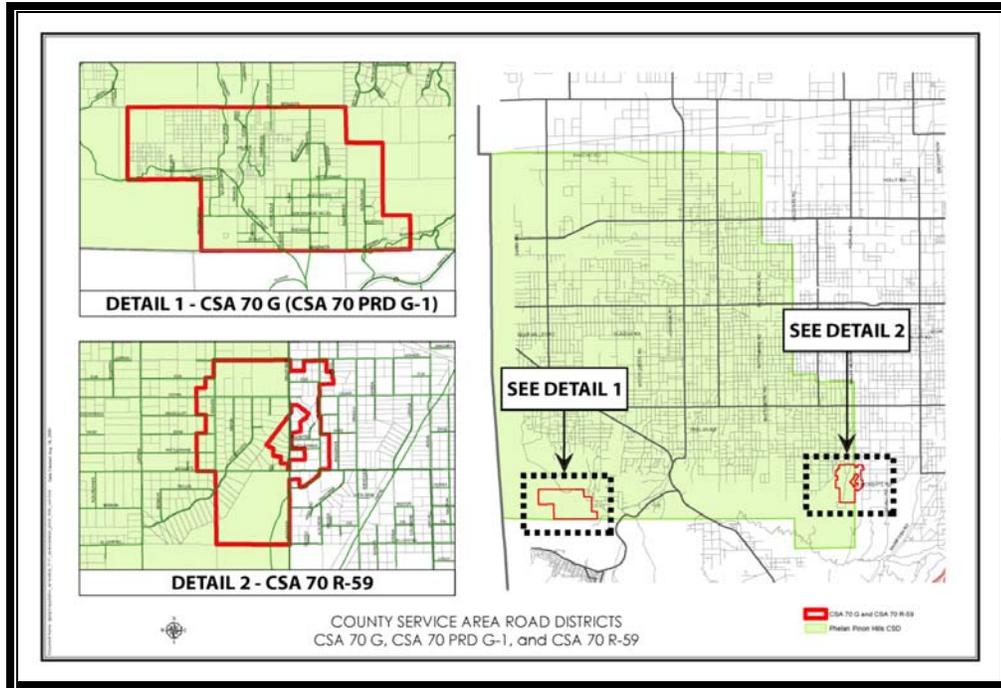
PPHCSD succeeded to the 92 streetlights previously operated by CSA 9. It was estimated at the time that the annual cost for electricity was \$9,200 (\$100 per year per light). No change has been identified by for this service. However, the area of Phelan/Piñon Hills is a part of the County's Night Sky Ordinance which limits the introduction of new streetlights in the area except to address safety issues. In reviewing this matter with PPHCSD staff, it was identified that additional lights may be requested to light intersections within the community for safety purposes.

### **ROADS**

At the time of formation in 2008, County Service Area 9, which served the Phelan community, had an active road function. It was determined during the consideration of LAFCO 3070 that this function would not transfer to the new PPHCSD. In addition there were four separate board-governed entities which provided road maintenance outside the mandatory State Highways maintained by CALTRANS and the County-maintained road system maintained by the County's Transportation Division of the Public Works Department. Those entities were Zones of County Service Area 70 – G (Oak Springs), R-32, R-38, and R-39 (Highland Estates)). At the present time there are three entities which provide for road maintenance,

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Zone G (Oak Springs), PRD G-1(Permanent Road Division for Oak Springs), and R-39 Highland Estates. Zones R-32 and R-38 were dissolved during the interim period. The map below (and included as Exhibit C) outlines the location of these agencies.



Other services available within the community are provided by regional entities such as the San Bernardino County Fire Protection District and its North Desert Service Zone. As a part of LAFCO 3070 forming the PPHCSD, funding for fire protection was protected through transfer to CSA 70 and ultimately to the Fire Protection District, whose share of the general ad valorem property tax from within the District is approximately \$2,043,341. In addition, County Service Area 60 overlays the entirety of the PPHCSD and receives approximately \$132,211 as its share of the general ad valorem property tax to support the services at the Apple Valley Airport.

### 3. ***Financial ability of agencies to provide services.***

The PPHCSD has provided the Commission with a copy of its current fiscal year budget, 2011-12, and copies of the District's Audits for FY 2008-09 and 2009-10 and the Draft Audit for 2010-11. Copies of these materials are available in the LAFCO office or on the Commission's website. The period from March 2008 through June 30, 2008 was operated by the District under contract with County Special Districts and was not audited by the PPHCSD.

The table which follows is taken from information contained within the District's Fiscal Year 2011-12 Budget and identifies that the District is in a positive financial position even with property tax revenues decreasing by 35% due to the recession and foreclosure activity and no new connections for the past two years.

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Two issues were discussed with the District regarding its Budget and Financial Statements:

1. The Special Assessments, which are the District's Water Standby Charges are shown under General Government Operations which is assigned an activity of parks and streetlighting. District staff has indicated that there are general government activities which are funded under this major account identification, but that is not clear from the materials presented. They have indicated that for the next budget cycle and beyond the Water Standby will be shown under the Enterprise Activities which represent its water services to clear up this confusion.
2. As a condition of approval during the formation process, LAFCO assigned the District a provisional appropriation limit of \$1,203,876 with direction that it was required to set the permanent appropriation limit at the first district election held following the first full fiscal year of operation. On November 8, 2011 Measure G is on the ballot to set the permanent appropriation limit for the District at \$2,746,933. This fulfills the requirements of Government Code Section 56811 and Article XIII B of the State Constitution.

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	<b>BUDGET COMPARISON</b>			
	<b>PPHCSD</b>	<b>PPHCSD</b>	<b>PPHCSD</b>	<b>PPHCSD</b>
	<b>2008/09</b>	<b>2009/2010</b>	<b>2010/11</b>	<b>2011/12</b>
	<b>AUDITED</b>	<b>AUDITED</b>	<b>ESTIMATED</b>	<b>PROPOSAED</b>
	<b>ACTUAL</b>	<b>ACTUAL</b>	<b>YEAR END</b>	<b>BUDGET</b>
				<b>FINAL</b>
<b>OPERATING REVENUE</b>				
Water Sales	\$ 4,348,927	\$ 3,872,217	\$ 3,812,864	\$ 3,850,992
Other Services	\$ 100,820	\$ 127,612	\$ 96,013	\$ 96,941
<b>Total Operating Revenues</b>	<b>\$ 4,449,747</b>	<b>\$ 3,999,829</b>	<b>\$ 3,908,877</b>	<b>\$ 3,947,933</b>
<b>OPERATING EXPENSES</b>				
Water Purchases	\$ 312,250	\$ 498,777	\$ 240,740	\$ 244,500
Professional Services	\$ 399,018	\$ 273,861	\$ 307,171	\$ 351,779
Salaries & Benefits - Enterprise	\$ 1,027,983	\$ 1,652,250	\$ 1,557,768	\$ 1,542,985
Services and Supplies - Enterprise	\$ 1,844,247	\$ 838,279	\$ 693,920	\$ 720,503
Rents and Leases	\$ 46,664	\$ 46,072	\$ 43,834	\$ -
Utilities	\$ 1,079,743	\$ 956,158	\$ 902,139	\$ 915,671
Other	\$ 151,950	\$ 258	\$ 261	\$ 964
Board Compensation	\$ 32,469	\$ 42,497	\$ 63,836	\$ 64,253
<b>Total Operating Expenses</b>	<b>\$ 4,894,324</b>	<b>\$ 4,308,152</b>	<b>\$ 3,809,669</b>	<b>\$ 3,840,655</b>
<b>NET OPERATIONAL INCOME (Water &amp; Admin)</b>	<b>\$ (444,577)</b>	<b>\$ (308,323)</b>	<b>\$ 99,208</b>	<b>\$ 107,278</b>
<b>NON-OPERATING REVENUE (Expenses)</b>				
Investment Earnings	\$ 449,025	\$ 161,050	\$ 91,801	\$ 92,719
Investment Expense	\$ (140,689)	\$ (118,451)	\$ (102,923)	\$ (123,524)
Property Taxes	\$ 1,323,361	\$ 1,011,758	\$ 956,203	\$ 860,849
Special Assessments (Stand-by Charges)	\$ 283,142	\$ 328,243	\$ 359,496	\$ 359,496
State/County Assist (Incl. County Equipment)	\$ 98,397	\$ 1,016,854	\$ 716,854	\$ -
Penalties	\$ 49,933	\$ 131,240	\$ 83,266	\$ 84,098
Other Income	\$ 37,218	\$ (22,434)	\$ 5,174	\$ 5,226
Connection Fees	\$ 80,698	\$ 55,444	\$ -	\$ -
Ordinary Income Government Funds	\$ 79,693	\$ 13,780	\$ 17,944	\$ 18,123
Ordinary Expense Government Funds	\$ (133,279)	\$ (208,135)	\$ (210,007)	\$ (252,214)
Other Income/Expenses Government Funds	\$ 328,233	\$ (4,144)	\$ (2,778)	\$ (2,819)
<b>NET NON-OPERATING REVENUES (EXPENSES)</b>	<b>\$ 2,455,732</b>	<b>\$ 2,365,205</b>	<b>\$ 1,915,030</b>	<b>\$ 1,041,954</b>
<b>NET INCOME</b>	<b>\$ 2,011,155</b>	<b>\$ 2,056,882</b>	<b>\$ 2,014,238</b>	<b>\$ 1,149,232</b>
Loan Principal Payments (CIEDB)	\$ (97,000)	\$ (100,000)	\$ (104,000)	\$ (108,000)
<b>NET CASH AVAILABLE FOR PROJECTS/RESERVES</b>	<b>\$ 1,914,155</b>	<b>\$ 1,956,882</b>	<b>\$ 1,910,238</b>	<b>\$ 1,041,232</b>

The road maintenance services provided by the County Special Districts Department through CSA 70 Zone G, CSA 70 PRD G-1, and CSA 70 Zone R-59 are funded through a combination of property tax and special taxes and charges. In addition, it was identified that CSA 70 G provides for snow removal as an active function; however, no verification of the provision of this service could be made through a review of the Special District website. The chart which follows identifies the financing of these services through the County Special Districts Department:

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	2008/09	2009/10	2010/11	2011/12
	ACTUAL	ACTUAL	ESTIMATED	ADOPTED
			YEAR-END	FINAL
				BUDGET
<b>APPROPRIATION (Expenses)</b>				
CSA 70 G -Operating Expense	\$ 34,803	\$ 47,325	\$ 98,394	\$ 80,058
CSA 70 G - Operating Transfer Out	\$ 99,400	\$ 99,196	\$ 125,688	\$ 297,835
CSA 70 PRD G-1 Operating Expense	\$ 99,400	\$ 99,400	\$ 99,400	\$ 99,400
CSA 70 R-59- Operating Expense	\$ 69,034	\$ 30,504	\$ 48,094	\$ 96,778
<b>TOTAL OPERATING EXPENSES FOR ROAD MAINTENANCE SERVICE BY SPECIAL DISTRICTS DEPARTMENT</b>	<b>\$ 302,637</b>	<b>\$ 276,425</b>	<b>\$ 371,576</b>	<b>\$ 574,071</b>
<b>REVENUES</b>				
CSA 70 G -- Taxes	\$ 14,788	\$ 19,465	\$ 18,633	\$ 18,633
CSA 70 G -- Fee/Rate	\$ 128,459	\$ 122,464	\$ 125,007	\$ 119,603
CSA 70 G -- Other Revenue	\$ 11,918	\$ 4,655	\$ 2,007	\$ 1,800
CSA 70 G -- Operating Transfer In	\$ 26,248	\$ -	\$ -	\$ -
CSA 70 PRD G-1 -- Other Revenue	\$ (1,634)	\$ 80	\$ 12	\$ -
CSA 70 PRD G-1 -- Operating Transfer In	\$ 99,400	\$ 99,196	\$ 99,376	\$ 99,398
CSA 70 R-59 -- Fee/Rate	\$ 48,514	\$ 47,869	\$ 66,952	\$ 66,952
CSA 70 R-59 -- Other Revenue	\$ (3,624)	\$ 118	\$ 113	\$ 100
CSA 70 R-59 -- Operating Transfer In	\$ 14,781	\$ -	\$ -	\$ -
<b>TOTAL FINANCING SOURCES</b>	<b>\$ 338,850</b>	<b>\$ 293,847</b>	<b>\$ 312,100</b>	<b>\$ 306,486</b>
<b>FUND BALANCE</b>				
CSA 70 G			\$ 316,292	\$ 237,857
CSA 70 PRD G-1			\$ 14	\$ 2
CSA 70 R-59			\$ 10,755	\$ 29,726
<b>TOTAL FUNDING</b>			<b>\$ 639,161</b>	<b>\$ 574,071</b>

The fee/rates identified above are shown to be: (a) CSA 70 Zone G receives a \$375 per parcel charge to finance road maintenance and snow removal; (b) PRD G-1 receives an operating transfer in from CSA 70 Zone G annually of roughly \$99,000 to fund its loan payment (\$54,788 – principal; \$44,642 – Interest) for the next five years; and (c) CSA 70 Zone R-59 receives a \$405 per parcel service charge on 110 parcels to maintain 4.5 miles of paved and unpaved roads.

**4. Status of, and Opportunities for, Shared Facilities.**

According to the District's Urban Water Management Plan it has emergency connections with the Victorville Water District, Sheep Creek Mutual Water Company and County Service Area Zone J. No other shared facilities are known at this time.

**5. *Accountability for Community Service Needs, including Governmental Structure and Operational Efficiencies.***

Local Government Structure and Community Service Needs

The Board of Directors meets on the First and Third Wednesday of each month at the District’s offices at 4176 Warbler Road. The District employs a General Manager, Finance Manager, office staff and personnel with appropriate certifications to operate the water system for a total of 18 full time equivalent employees. Some of the recreational services are provided by contract employees.

The Phelan Piñon Hills Community Services District was formed on March 18, 2008 by issuance of the Certificate of Completion after the February 5, 2008 successful election. That election included 4,506 votes with 3,636 voting in favor of forming the district, approximately 81% in support. The current members of the Board of Directors are:

<b>Board Member</b>	<b>Title</b>	<b>Term</b>
Joe Fahlender	President	2015
Mark Roberts	Vice-President	2013
Alex Brandon	Director	2015
Charlie Johnson	Director	2013
Al Morrisette	Director	2013

Operational Efficiency

The District has been in operation for approximately 3.5 years and in that time has worked to provide for an efficient and effective delivery of service. The District continues to work toward operational efficiencies that will improve service delivery and provide for the most cost-effective administration of activities for the services provided its constituents. At the present time it has submitted a proposal to expand its range of services to include solid waste and recycling to provide enhanced services to its constituents.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts –There are no current out-of-agency service contracts on file with LAFCO.
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

With the determination that a coterminous sphere of influence is appropriate for the District there are limited opportunities for other government structure changes. Only two appear potentially viable for the area:

- Assumption of the remaining County Board-governed Special Districts which currently provide for road maintenance in limited areas of the District. County Service Area 70

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Zones G and its Permanent Road Division within the smaller community of Oak Springs and R-39 which serves the Highland Estates which straddles the division between PPHCSD and County Service Area 70 Zone J. Such an assumption of service would expand upon the delivery of service to the community by a single, multi-function jurisdiction.

This option was reviewed with the District along with First District personnel. The Commission understands that due to questions regarding liability issues and sources of funding, the District is not at this time interested in a further amplification of services to the community beyond those outlined in LAFCO 3167.

- Assumption of fire protection and ambulance services. These services are currently provided through a combination of the San Bernardino County Fire Protection District and its North Desert Service Zone. The efficiencies achieved by consolidation of these services under a single umbrella along with the contracts which have been signed with the Cities of Victorville and Adelanto and the Hesperia Fire Protection District provide for a large cohesive standing army concept to respond to the wildland fire dangers inherent in this community. No interest in this option has been discerned nor does the Commission support this change.

With the establishment of a coterminous sphere of influence, the Commission does not identify any potential governmental structure changes at this time for further discussion with the District and/or its constituents.

**WHEREAS**, the following determinations are made in conformance with Government Code Section 56425 and local Commission policy:

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

The PPHCSD encompasses approximately 128 square miles and the sphere of influence proposed to be established is coterminous with that boundary. At present, the land uses assigned by the County General Plan and the Phelan/Piñon Hills Community Plan are predominantly for Rural Living, one unit per 2.5 acre lot in keeping with the community's desire to retain its rural atmosphere. There are two commercial centers within the Community Plan area generally along Phelan Road as it intersects with Oasis/Mountain View Road in the Piñon Hills area and Sheep Creek Road in the Phelan area.

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

There is a need for those who live in the community to receive municipal type services as identified for the District – water, streetlighting and park and recreation. It is anticipated that solid waste and recycling services will be added to this municipal service inventory through approval of LAFCO 3167. The need for these services varies by the type of land use developed. The future need for public facilities and services will increase as the population grows under the provision of the County General Plan and the Phelan/Piñon Hills Community Plan.

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

The District currently provides for water, streetlighting and park and recreation services within its current service territory. Overall, current facilities and services delivered are adequate. The District provides retail water and distribution within its boundaries. Most of the water storage system and primary distribution lines were received from the County during the transition to the independent special district. The groundwater basins that serve as the primary water supply are over-drafted, and the District produces more than its free production allowance as defined by the Mojave Basin Watermaster.

Currently, the District actively provides park and recreation classes through its two community centers. It has acquired two properties upon which it anticipates the development of regional park facilities and other amenities.

The District provides for streetlighting services at major intersections and along other public roadways to address safety issues. The District does not own the light standards, they are owned by Southern California Edison, but provides for payment of electricity charges. The need for future streetlighting efforts are limited by the County's Night Sky Ordinance which restricts light pollution.

The services provided by the District generally meet the service needs of those within its boundaries.

**4. The Existence of Social or Economic Communities of Interest**

The social community of interest is the Phelan Piñon Hills community as illustrated in hearings for the formation of the PPHCSD in 2008. Residents of the community have indicated their desire to maintain the rural lifestyle of their community, as identified through their participation in the development of the Phelan/Piñon Hills Community Plan and its adoption process.

Economic interests include the service commercial business along Phelan Road and Highway 138 bisecting the community. No major industrial or manufacturing entities exist within the community. The Snowline Joint Unified School District serves the area as well as the mountain community of Wrightwood, Baldy Mesa, Cajon Valley, and parts of the City of Victorville. While a social community entity, its broader regional position does not limit its interactions to the Phelan Piñon Hills community.

**5. 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 sphere of influence establishment 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.

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- 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.

**WHEREAS**, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Phelan Piñon Hills Community Services District, as of January 18, 2012, are limited to the following:

**Phelan Piñon Hills**  
**(District formed 3/18/08)**

Water

Supply water for any beneficial use as outlined in the Municipal Water District law of 1911 (commencing with Section 71000) of the Water Code

Park and Recreation

Acquire, construct, improve, maintain and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code

Streetlighting

Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements

**WHEREAS**, having reviewed and considered the findings as outlined above, the Commission determines to establish the sphere of influence for the Phelan Piñon Hills Community Services District as outlined on Exhibit "A" attached to this resolution.

**NOW, THEREFORE, BE IT RESOLVED** by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider this to be the sphere of influence for the Phelan Piñon Hills Community Services District; it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants;

**BE IT FURTHER RESOLVED** that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that Phelan Piñon Hills Community Services District shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's affirmation of the sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

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THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission of the County of San Bernardino by the following vote:

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

\*\*\*\*\*

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SAN BERNARDINO )

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of January 18, 2012.

DATED: \_\_\_\_\_

\_\_\_\_\_  
KATHLEEN ROLLINGS-McDONALD  
Executive Officer