

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

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**DATE:**           **NOVEMBER 10, 2008**

**FROM:**          **KATHLEEN ROLLINGS-McDONALD, Executive Officer**  
                      **MICHAEL TUERPE, LAFCO Analyst**

**TO:**             **LOCAL AGENCY FORMATION COMMISSION**

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**SUBJECT:   Agenda Item # 10: LAFCO 3024 – Service Review and Sphere of  
              Influence Update for County Service Area 64**

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**INITIATED BY:**

San Bernardino Local Agency Formation Commission

**RECOMMENDATION:**

Staff recommends that the Commission take the following actions related to LAFCO 3024:

1. Certify that LAFCO 3024 is statutorily exempt from environmental review and direct the Clerk to file a Notice of Exemption within five (5) days.
2. Receive and file the municipal service review for County Service Area 64 (CSA 64) and make the findings related to the service review required by Government Code 56430 as outlined in the staff report.
3. Amend the "Rules and Regulations Affecting Special Districts" to confirm the delivery of Parkway Maintenance as an authorized function and modify the service descriptions for the Water and Sewer functions for CSA 64 to read as follows:

	<b>FUNCTIONS</b>	<b>SERVICES</b>
<b>CSA 64</b> (Spring Valley Lake)	Water	Retail and domestic
	Sewer	Collection and transportation

Roads	Acquisition, construction, improvement and/or maintenance of public streets, roads, bridges, and any incidental works
Street Sweeping	Street Sweeping
Parkway Maintenance	The acquisition, construction, improvement, maintenance, and operation of streetlighting and landscaping on public property, rights-of-way, and easements

4. Expand the sphere of influence of CSA 64 to encompass the entirety of the Mojave Narrows Regional Park and reduce the sphere of influence of CSA 64 to exclude the area within the boundaries of the Town of Apple Valley.
5. Adopt LAFCO Resolution #2987 setting forth the Commission's findings and determinations.

### **INTRODUCTION:**

San Bernardino LAFCO has chosen to undertake its required Municipal Service Reviews on a regional basis, further identified by its community-by-community approach to sphere of influence identification. LAFCO has completed the reviews for the agencies within the Victorville community with the exception of County Service Area 64 ("CSA 64" or the "District"). LAFCO 3024 consists of a municipal service review pursuant to Government Code Section 56430 and sphere of influence (sphere) update to include a sphere expansion and reduction pursuant to Government Code 56425 for CSA 64.

CSA 64 is a dependent special district governed by the County of San Bernardino Board of Supervisors and operated under the auspices of County Service Area Law (Government Code Section 25210 et seq.). Currently, CSA 64 is authorized by LAFCO to provide water, sewer, roads, and street sweeping pursuant to the Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts. The district currently encompasses the community of Spring Valley Lake, the Equestrian Estates residential development (part of the Spring Valley Lake Association), commercial developments along Bear Valley Road, and the Victor Valley Community College. The Spring Valley Lake project is a predominantly residential development, consisting of single-family homes that surround an 18-hole golf course and a man-made recreational lake. Ownership, operation, and maintenance of these amenities are provided by the Spring Valley Lake Association (the property association for Spring Valley Lake).

A chronology of the major governmental events in the history of the community is as follows:

- |         |   |
|---------|---|
| 1968-70 | CSA 64 was formed in by an act of the County of San Bernardino Board of Supervisors for the primary purpose of assuming responsibility for the provision of water and sewer service to the territory commonly known as Kalin Ranch. |
|---------|---|

At the time of its formation, the district was authorized the functions and services of water, sewer, pest abatement, garbage collection, and streetlighting services. LAFCO reviewed and considered the application for formation of CSA 64 (LAFCO 665) and approved the formation. The property located within the original boundaries of CSA 64 was developed by a subsidiary of the Boise Cascade Corporation as a planned unit development known as the “Spring Valley Lake Project”.

The Spring Valley Lake Project was unique in that it was the first major planned development within the Desert region of the County. The Project included construction of a lake which was one of the largest earth moving projects in the history of the Victor Valley at that time. Lake construction began in 1969 and in 1970 pumping began to fill the lake – a process that took over one month. The Project was also unique in terms of the financing for municipal facilities. Under an agreement between the County and Boise Cascade, the developer would install at their expense all improvements including the sewer and water lines and reservoirs. In turn, Boise Cascade would be reimbursed at a later time when the assessed valuation reached a pre-determined level that supported the bond sale and redemption since the development will be in existence and the assessed valuation will be substantial. This mechanism necessitated the formation of a county service area to acquire the facilities.

In 1970, the electorate approved the proposition to incur indebtedness through a general obligation bond assessing the individual parcels a tax for payment. Boise Cascade deeded the facilities to CSA 64 for operation and maintenance of the facilities. The bonds were sold by the County in 1982 which resulted in a more favorable interest rate that could be handled by the property owners.

- 1972-73      Four years after the district’s formation, the LAFCO Commission determined that a “no sphere of influence” designation should be assigned on the basis that the entirety of CSA 64 was within the sphere of the City of Victorville and it should plan for inclusion in the City at a later date (LAFCO 1265). Prior to adopting a zero sphere of influence for CSA 64, the Commission adopted a sphere of influence for the City of Victorville and its associated districts that included all of CSA 64 within those sphere boundaries. The two actions, in effect, stated that the Commission felt that the area ultimately can be best served by the City of Victorville.
- 1976          When special districts gained representation on the LAFCO Commission, the County responded to LAFCO’s request to list the District’s active functions and services. The County identified to LAFCO that the active functions were water, sewer, and roads. LAFCO staff has determined that sometime between 1968 and 1976, the County activated road powers for CSA 64, such expansion not being required to be processed through LAFCO.
- 1976-77      The first attempt to annex CSA 64 to the City and its subsidiary districts (LAFCO 1649) failed at election. The reorganization application which included dissolution of CSA 64 was submitted by the County Board of Supervisors to bring a higher level of services to the area from the City and its

subsidiary districts, primarily for annexation to the Victorville Sanitary District for sewage treatment. The Commission approved the reorganization, but as noted above, it was defeated at election.

1980-88 Within this timeframe, LAFCO processed and approved five annexation proposals that were initiated by property owner petitions. These proposals expanded CSA 64 beyond the original residential confines of Spring Valley Lake and into the Victorville community for the primary purpose of receiving water and sewer services from CSA 64. Three of the five annexations were for service to commercial land uses.

1987-88 A landowner and Board of Supervisors initiated application for annexation (LAFCO 2446) and a sphere of influence expansion (LAFCO 2445) was processed by LAFCO for 21.5 acres west of the District within the City of Victorville sphere of influence. At the time of application, the applicant did not seek annexation to the City as they believed that the it could not provide the needed services to the project area. The City of Victorville demonstrated ability to provide municipal level services to the development, and the applicant subsequently withdrew the proposal to annex.

However, CSA 64 had a zero sphere of influence. The sphere review proposal was considered. The Commission determined the sphere of influence to be the existing area of the District, Victor Valley Community College, and an island of territory surrounded by District boundaries west of the college and east of Ridgecrest Road. No change to the sphere designation has been proposed or considered since that time.

LAFCO 2494 annexed the Victor Valley College to CSA 64 in order for the College to receive sewer service from CSA 64 (CSA 64 actually provided sewer service to the College at that time but desired additional sewer service due to anticipated extension of campus facilities).

1995-96 An attempt for annexation to the City of Victorville was processed in 1996 (LAFCO 2794), sponsored by the Spring Valley Lake Association and initiated by registered voter petition. After the Commission initially approved LAFCO 2794, the City of Victorville requested reconsideration and the Commission granted the request. The Commission ultimately denied LAFCO 2794 on January 17, 1996 on the basis that opposition to the proposal was of sufficient strength and the Spring Valley Lake Association had withdrawn its support of the effort, through recall of the Board of Directors.

2002 A property owner initiated annexation application was received for the primary purpose of receiving water and sewer services from CSA 64 for a proposed day care center. The proposal was expanded by LAFCO to include the remainder of the area north of Bear Valley Road and east of Ridgecrest Road within the City of Victorville (LAFCO 2883) since portions of the area were already receiving service from CSA 64 which included an assisted living facility, then known as Sterling Commons. This proposal was approved and completed effective August 1, 2002.

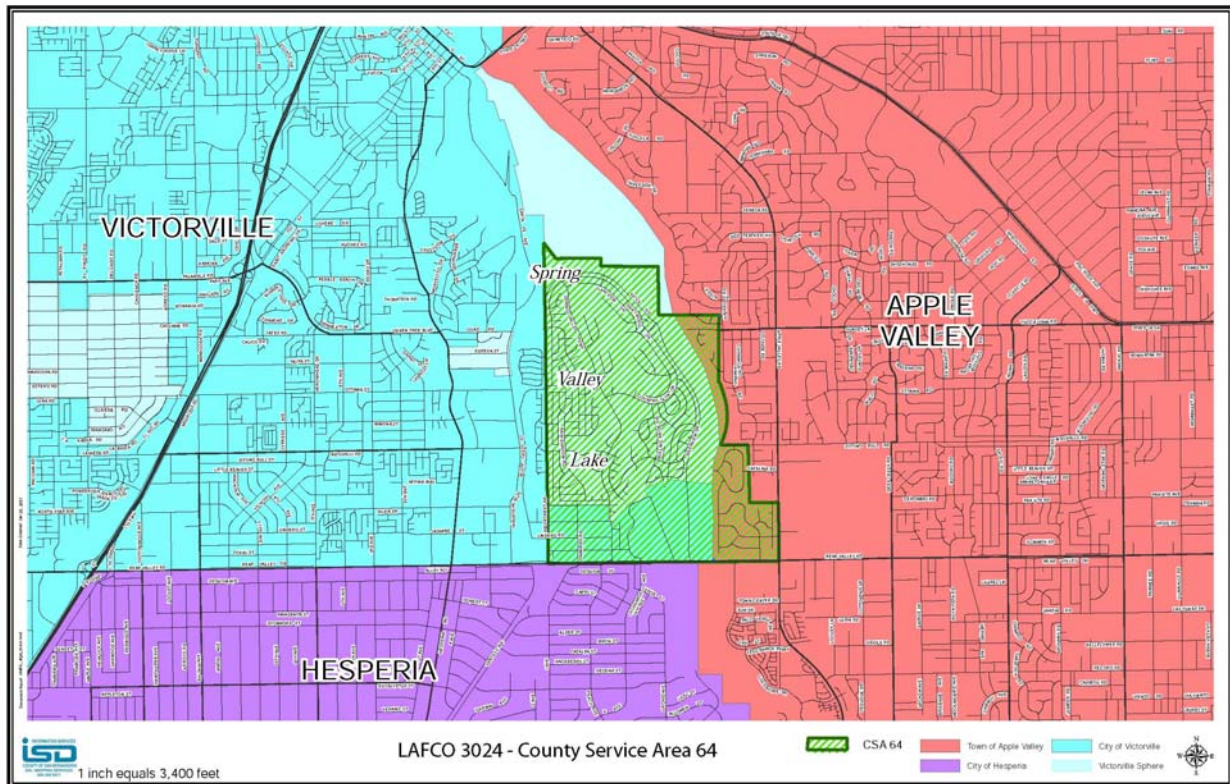
2004 Street sweeping powers were confirmed in 2004 through LAFCO 2951 after LAFCO became aware that CSA actively engaged in the delivery of street sweeping since 1977.

LAFCO 3024 was originally included for consideration as a part of the overall Victorville community municipal service reviews and sphere of influence updates that were heard in February 2007. At that time, the County Special Districts Department, as administrators for CSA 64, requested that the matter be continued to allow for its response to questions regarding current service provision, services authorized, and potential expansion and reduction of the sphere of influence. LAFCO 3024 was continued four more times due to these outstanding issues. In November 2007 staff reviewed the draft report with staffs of the First District of the Board of Supervisors and County Special Districts Department, and the primary issues discussed concerned the delivery of services within CSA 64's boundaries. Following the meeting, the First District Supervisor submitted a request that LAFCO 3024 be taken off calendar to allow time to consult with County Counsel. On November 29, 2007, the Commission removed the item from the calendar.

Not until the processing of this municipal service review and sphere of influence update did Special Districts Department identify that CSA 64 provided streetlighting, maintenance of the medians along Spring Valley Parkway, maintenance of storm drains and drainage ditches, and maintenance of the archway (entrance structure) that spans across Spring Valley Parkway at the entrance to the community. Further, Special Districts Department has identified that it has provided sewer service outside its boundaries and sphere to the Mojave Narrows Regional Park since approximately the early 1990s and possibly as early as the mid 1970s. These issues will be discussed in further detail in this report.

### **BOUNDARIES:**

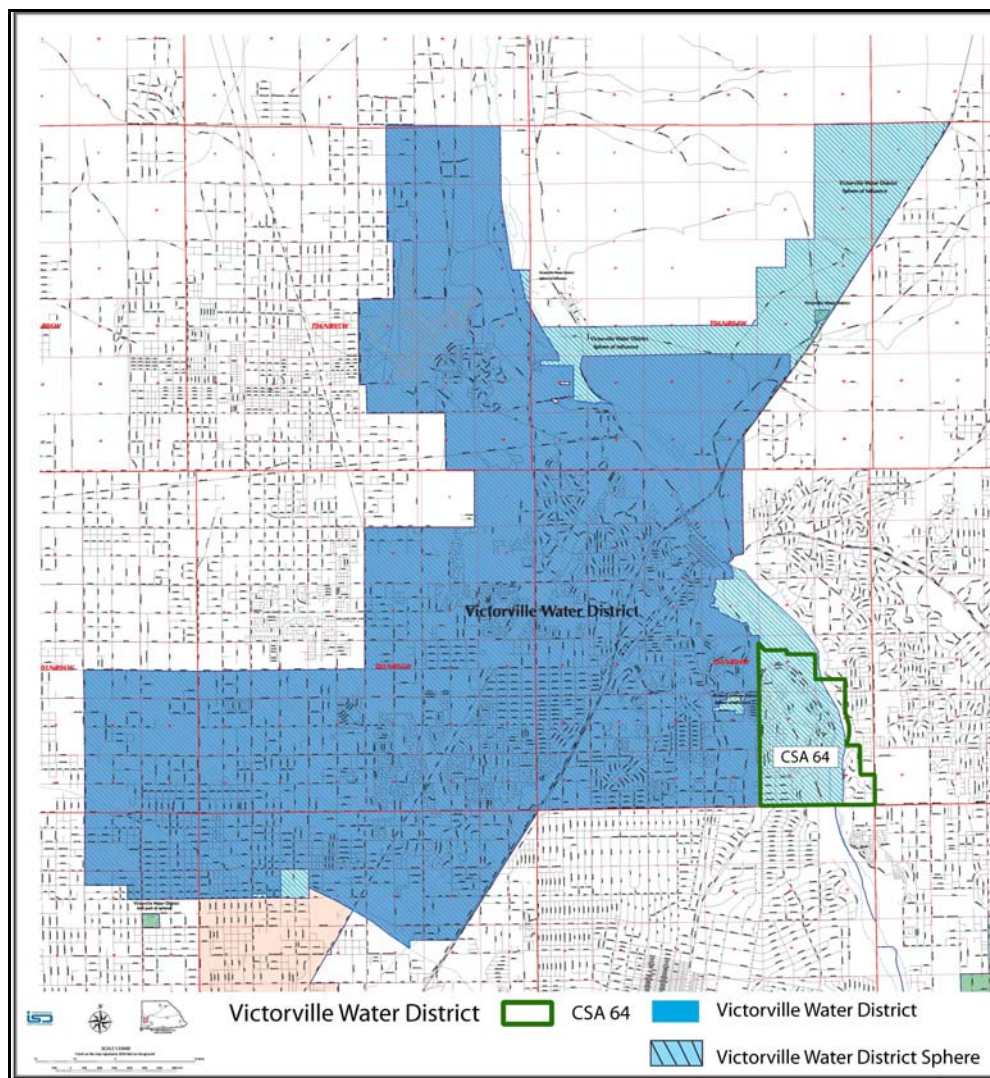
CSA 64 is located in the north desert portion of the County and is generally north of the City of Hesperia, east of the City of Victorville, and west of the Town of Apple Valley, encompassing the community of Spring Valley Lake and the Victor Valley Community College. The district encompasses territory east and west of the Mojave River. As illustrated in the map below and included in Attachment #1, CSA 64's sphere is coterminous with its boundaries which include unincorporated and incorporated territories.



### City of Victorville Subsidiary Districts

The City of Victorville extends into the southern portion of CSA 64 as shown in the map above. The Victorville Water District (a subsidiary district of the City of Victorville) sphere of influence is west of the Mojave River, within CSA 64, and its boundary abuts CSA 64's western boundary as shown in the map below.





At the July 2008 hearing, the Commission approved the dissolution of the three other City subsidiary districts. The dissolution of the Victorville Sanitary District (LAFCO 3073) was completed on September 16, 2008. CSA 64 was not within the boundaries of Victorville Sanitary District. However, upon the effective date of the dissolution, the City assumed the sewer responsibility, which encompasses the City's boundaries, extending into CSA 64. This leads to a duplication of service providers within CSA 64's boundaries. The City has acknowledged this situation in the past, and staff has no reason to believe that an actual duplication of service will be encountered in the future.

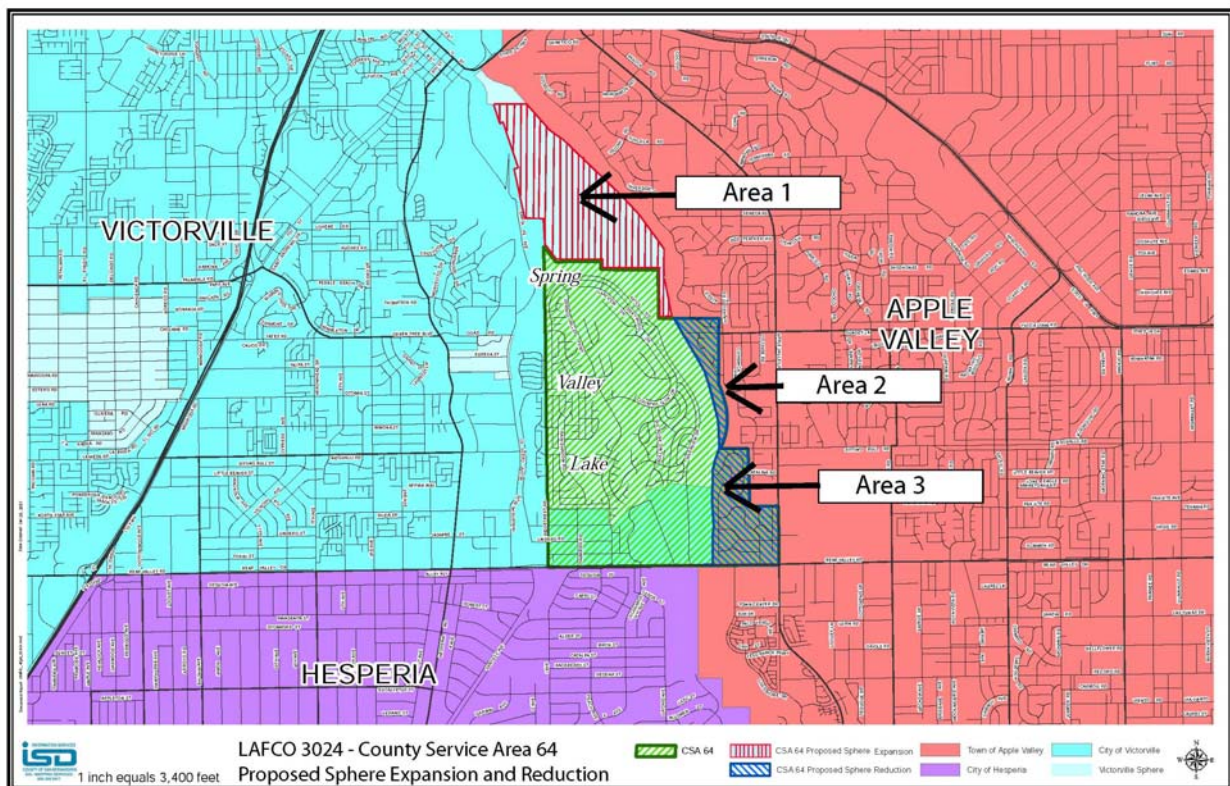
### Sphere Considerations

Discussed in the balance of this report, is a recommended sphere expansion and sphere reduction for the Commission's consideration. These areas are identified on the map below and included in Attachment #1. The proposed sphere expansion to the north of the District's boundaries would include the Mojave Narrows Regional Park to reflect the area currently receiving sewer service from the District (identified as Area 1). The expansion area

encompasses approximately 667 acres and is within the sphere of influence of the City of Victorville. The area is generally bordered by the City of Victorville on the west and its sphere on the north, the Town of Apple Valley on the east, and the boundaries of CSA 64 on the south.

The proposed reduction of the sphere is to exclude the territory within the Town of Apple Valley encompasses approximately 380 acres and was included in the Town when it incorporated in 1988. The area north of Sitting Bull Road does not currently receive or benefit from services provided by CSA 64 (identified as Area 2). This area is within the boundaries of the Town of Apple Valley (sewer service transported to the Regional Wastewater Reclamation Facility) and the Apple Valley Ranchos Water Company.

The area south of Sitting Bull Road includes the Equestrian Estates (a part of the Spring Valley Lake Association), which was developed concurrently with Spring Valley Lake, and consists of larger residential parcels that were zoned for ownership of horses (identified as Area 3). The area south of Sitting Bull Road also includes a commercial development located at the northwest corner of Apple Valley Road and Bear Valley Road. The Apple Valley Ranchos Water Company provides fire flow to the Home Depot within this area by contract with CSA 64.





## **MUNICIPAL SERVICE REVIEW**

The County Special Districts Department, administrators for board-governed special districts, prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Department's response on behalf of CSA 64 to LAFCO's original and updated requests for materials includes, but is not limited to, CSA 64's audits and budgets, and water and sewer plans. The District's response and supporting materials are included as Attachment #3 and are briefly summarized below.

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

According to the Southern California Association of Governments (SCAG), the 2004 population for the area was approximately 11,844. Utilizing the growth forecast for transportation analysis zones, as identified in the SCAG 2008 Regional Transportation Growth Forecast, the District's population projections are as follows:

2010 – 12,283	2025 – 13,600
2015 – 12,722	2030 – 13,600
2020 – 13,161	

Historical trends indicate moderate to high growth within this area since 1999, according to water and sewer connection growth (19.7% and 20.6% respectively), Special Districts Department staff, and the County's General Plan land use designations. The district has a defined boundary with 4,185 lots at build-out, which equates to an approximate population of 13,600. In 2001, the population was at 88% of build-out and the population has only increased since that time. Current estimates indicate that build-out will be reached by 2025.

In 2001, the Victor Valley College's population had roughly 11,000 students. Since that time, the student population has experienced little growth. The College has projected a build-out enrollment of 20,000 students. The area within the City of Victorville with commercial designations is mostly undeveloped and comprises approximately 173 +/- acres, and includes an assisted living facility and a day care facility.

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

The most recent Urban Water Management Plan for CSA 64 is for the year 2000 and was adopted in January of 2002. Pursuant to the Urban Water Management Planning Act<sup>1</sup>, each urban water supplier shall update its plan at least once every five years on or before December 31, in years ending in five and zero, and shall file with the Department of Water Resources (DWR) a copy of the plan. In years ending in six and one, DWR submits a report to the State Legislature summarizing the status of the plans and identifies the outstanding elements of the individual plans. LAFCO staff has reviewed the DWR report to the Legislature for the 2005 urban water management plans, and the report identifies that San Bernardino County – CSA 64 did not submit a 2005 urban water management plan<sup>2</sup>.

<sup>1</sup> California Water Code, Division 6, Part 2.6, Section 10610, et seq.

<sup>2</sup> Department of Water Resources, "Summary of the Status of 2005 Urban Water Management Plans", Report to the Legislature. 31 December 2006.

Special Districts Department staff indicates that the major water recommendations have not yet occurred from the 2000 Urban Water Management Plan and that the storage and supply figures remain accurate. Special Districts Department is currently working with So and Associates Engineers to complete an update to the 2000 Urban Water Management Plan.

An additional report referenced for this service review is the County Service Area 64 Water and Sewer System Analysis Final Report prepared by So and Associates Engineers in March 2001. This Report was prepared to identify the district's current and projected infrastructure requirements. Copies of these reports are on file in the LAFCO staff office. The results and recommendations of the reports are discussed in the remainder of this report and excerpts from the reports are included as a part of Attachment #3.

## Water

### *Regional Water*

As LAFCO staff has stated on many occasions, water is the lifeblood for communities located in the desert and those that have access to water thrive, while those without adequate supply will see their service abilities deteriorate. 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, 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.

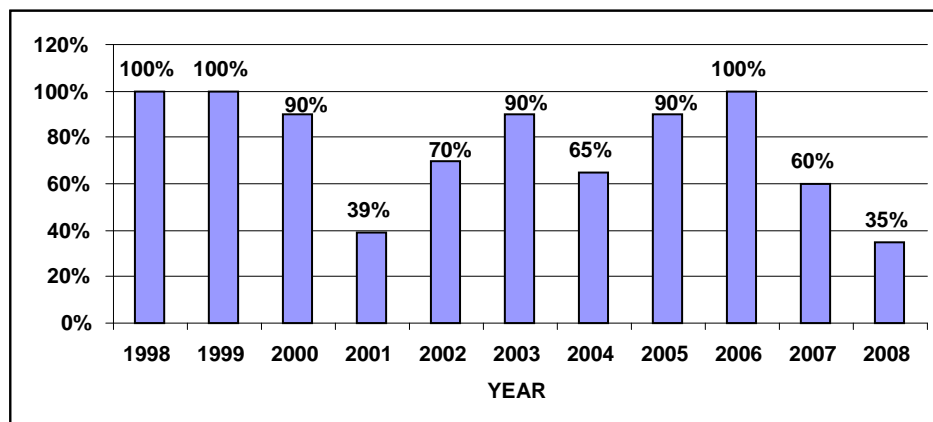
The figure below shows the allocation percentage that State Water Contractors were allowed to purchase for the past ten years. For example, Mojave Water Agency (MWA) (the State Water Contractor that encompasses the community) is entitled to purchase up to 75,800 acre-feet of imported water per year, and for 2008 the allocation percentage is 35%<sup>3</sup>. Therefore, MWA can purchase up to 26,530 acre-feet in 2008. This sharp reduction in supplemental water supply will reduce the amount of water that can be placed into the groundwater basin where the community pumps its water. However, the initial allocation for 2009 has been reduced to only 15 percent of what State Water Contractors have requested<sup>4</sup>. This will be the second lowest initial allocation ever for the State Water Project.

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<sup>3</sup> "Snowpack Normal, but DWR Water Deliveries Limited by Federal Court Ruling", Press Release. 26 March 2008.

<sup>4</sup> "DWR Releases Initial State Water Project Allocation", Press Release. 30 October 2008.

### Department of Water Resources State Water Project Allocation Percentages (1998-2008) Statewide



source: Mojave Water Agency, *The Panorama*, Vol. 41, Issue 2, Winter 2008.

The water supplied for consumption and/or use within the community is pumped from the local groundwater basin. The high growth rate in the region, coupled with a continued overdraft<sup>5</sup> of the groundwater basin, which is the primary source of supply, is an infrastructure deficiency. The groundwater basin is adjudicated<sup>6</sup> under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre-feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft. Producers are required to replace any water pumped above their Free Production Allowance by paying the Watermaster to purchase supplemental water or by purchasing unused production rights from another party. Due to the ongoing over-draft 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.

Effective July 1, 2008, the County of San Bernardino Board of Supervisors approved an increase in the water rates primarily due to increasing energy and water replenishment costs. A comparison of the water rates charged by the agencies within the Victor Valley Region is found on the chart below.

<sup>5</sup> 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”. Department of Water Resources, California Water Plan Update - Bulletin 160-98, pg. G-3 (November 1998).

<sup>6</sup> Adjudication is defined in the 2005 California Water Plan as the “Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision.” Department of Water Resources, California Water Plan Update 2005, Vol 4, Glossary (2005).

**Water Agency Rate Comparison (2008)**  
(rates measured in hundred cubic feet)

Agency	Water Use Fee				Monthly Meter Charge (1" Meter)	Monthly Average Cost
	Tier One	Tier Two	Tier Three	Tier Four		
Apple Valley Ranchos Water Company	\$1.54	-	-	-	\$53.65	\$108.65
Victorville Water District <sup>1</sup>	1.08	-	-	-	21.00	62.72
Hesperia Water District	0.71	1.20	1.47	1.74	25.18	51.82
Golden State Water Company – Apple Valley Service Area	2.11	-	-	-	24.05	n/a
City of Adelanto	1.85	.95	-	-	--	20.37
CSA 42	1.68	1.87	2.02	-	52.33	69.13
CSA 64	0.59	0.72	0.77	-	13.53	31.57
CSA 70 Zone J	1.51	1.73	2.27	-	17.53	52.08
Juniper Riviera CWD	2.68	2.81	2.95		8.50	40.00
Mariana Ranchos CWD	35.00	1.25	1.75	2.00	--	n/a
Apple Valley Heights CWD	-	2.25	2.25	3.25	35.00	62.00
Thunderbird CWD	1.50	-	-	-	32.00	48.88
Apple Valley Foothill CWD	-	17.00	1.00	2.00	-	40.00

<sup>1</sup> The Baldy Mesa Water District and the Victor Valley Water District were consolidated in 2007. In addition to the water use fee, ten cents per hundred cubic feet is charged for arsenic treatment. Monthly meter charge is based upon how much water is used during the billing period and ranges from \$13 to \$100. The median charge is \$21.

*Water Rights and Production*

CSA 64 has water production rights (also known as Base Annual Production) of 3,822 acre-feet (AF). The District is within Alto sub-region, and Free Production Allowance (FPA) is currently at 60% of Base Annual Production, which permits the District 2,294 AF of FPA for 2008-09. As noted in the most recent Watermaster Annual Report, "further rampdown is not warranted in Alto at this time" <sup>7</sup>. Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused production rights from another party. As indicated in the table below, the historical trend for CSA 64'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. However, for two years it has been obligated to pay for Replacement Water that otherwise could have been purchased from other water agencies.

As indicated in the table below, for FY 2004-05 CSA 64 produced 1,013 AF in excess of FPA. To offset the over production, the district transferred-in 871 AF at a total cost of \$136,775. In turn, the replacement water obligation to the Watermaster was reduced to 142 AF (\$39,902).

<sup>7</sup> 14<sup>th</sup> Annual Report of the Mojave Basin Watermaster; April 1, 2008, Ch. 5, pg 29.

**CSA 64 Water Production and Water Obligations**  
(units in acre feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Transfers from Other Agencies	Verified Production	Agency Overdraft	Replacement Water Obligation (Agency Overdraft)	Makeup Water Obligation (Watermaster replacement to Centro sub-basin) <sup>3</sup>
2003-04	2,676	1,164 at a total cost of \$107,805	3,785	0	0	142 obligation 284 purchased at a total cost of \$32,191
2004-05	2,485	871 at a total cost of \$136,775	3,498	(142)	142 at a total cost of \$39,902	0
2005-06	2,294	439 at a total cost of \$76,980	3,734	(1,001)	1,001 at a total cost of \$246,256	101.2 obligation 203 purchased at a total cost of \$18,270
2006-07 <sup>1</sup>	2,294	297 at a total cost of \$56,430	3,764	(1,173)	1,173 at a total cost of \$324,921	107 obligation 214 purchased at a total cost of \$11,770
2007-08 <sup>2</sup>	2,294	-	-	-	-	-
2008-09	2,294	-	-	-	-	-

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2003/04 through 2006/07, (April 1, 2005 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

<sup>1</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Fifteenth Annual Report of the Watermaster due April 2009. Watermaster records indicate that 297 AF has been transferred from other agencies for \$56,430.

<sup>2</sup> Draft data (Appendix B) not available until January 2009.

<sup>3</sup> Obligation to the Centro basin is purchased at a two-to-one ratio

The transfers occur annually and come from varying agencies. For example, for FY 2004-05, CSA 64 produced 1,013 in excess of FPA and transferred-in 871 AF at a cost of \$136,775. A breakdown of the transfers and the agencies transferring the water for these years is below.

**Transfers for Water Year 2003-04**

Transferred from	Amount of Transfer	Cost of Transfer
American States	25	\$2,250
CDFG – Mojave Narrows Regional Park	269	\$25,555
Hi-Grade Materials Company	28	\$2,520
Lake Arrowhead CSD	66	\$6,270
Riverside Cement – Agricultural	155	\$13,950
Riverside Cement – Oro Grande Plant	347	\$31,230
CSA 42	50	\$4,750
Van Berg, Jack C.	224	\$21,280
<b>TOTAL</b>	<b>1,164 AF</b>	<b>\$107,805</b>



source: Mojave Water Agency. Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments for the 2003-04 Water Year. May 25, 2005.

### Transfers for Water Year 2004-05

Transferred from	Amount of Transfer	Cost of Transfer
CDFG - Mojave Narrows Regional Park	25	\$3,125
CSA 42	50	\$6,250
Wagner Family Trust	796	\$127,400
<b>TOTAL</b>	<b>871 AF</b>	<b>\$136,775</b>

source: Mojave Water Agency. Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments for the 2004-05 Water Year. May 24, 2006.

### Transfers for Water Year 2005-06

Transferred from	Amount of Transfer	Cost of Transfer
CDFG - Mojave Narrows Regional Park	282	\$46,530
CSA 42	75	\$12,375
Van Berg, Jack C.	82	\$17,985
<b>TOTAL</b>	<b>439 AF</b>	<b>\$76,980</b>

source: Mojave Water Agency. Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments for the 2005-06 Water Year. May 23, 2007.

### Transfers for Water Year 2006-07

Transferred from	Amount of Transfer	Cost of Transfer
CDFG - Mojave Narrows Regional Park	221	\$41,990
CSA 42	76	\$14,440
<b>TOTAL</b>	<b>297 AF</b>	<b>\$56,430</b>

source: Mojave Water Agency. Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments for the 2005-06 Water Year. May 28, 2008.

The sub-region does have a replacement water obligation and this obligation is anticipated to increase. In 2007, the Watermaster purchased about 16,158 AF for replacement obligations incurred in 2006. Given current rampdown amounts and pumping projections, replacement water obligations, and thus supplemental water purchases, could reach 30,000 AF by 2009 or 2010 <sup>8</sup>. However, as mentioned above, the State Water Project allocation is currently at 35% and the initial 2009 allocation will be 15%. This will hinder the Watermaster's ability to purchase supplemental water not only for consumption but also for replenishment and replacement obligations.

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<sup>8</sup> 14<sup>th</sup> Annual Report of the Mojave Basin Watermaster, Ch. 5, pg. 29.

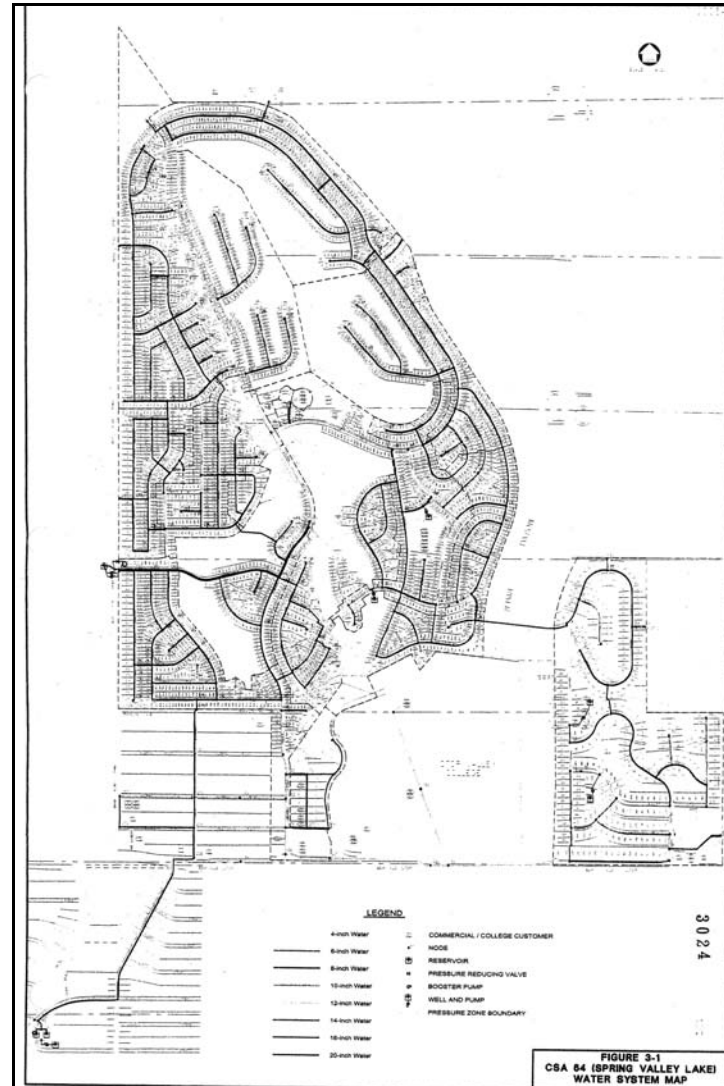
All the agencies pay a share of the Watermaster's replacement, also known as makeup water obligation. If CSA 64 continues to produce in excess of FPA, coupled with a decrease in transfers from other water agencies, it could experience a sharp increase in replacement and make-up water obligations. Below are the current and projected replacement and makeup water obligation rates (per acre-foot) of the Watermaster:

<b>Year</b>	<b>Replacement</b>	<b>Makeup</b>	
2006-07	\$277	\$354	
2007-08	\$250	\$250	Approved March 2007
2008-09	\$399	\$399	Approved March 2008
2009-10	\$413	\$413	Projected
2010-11	\$428	\$428	Projected

### *CSA 64 Water System*

The existing CSA 64 water system serves an area of approximately 2,368 acres with 3,800 residential and commercial connections, including Victor Valley College, and is divided into two pressure zones. Water services in each zone are gravity-fed from storage reservoirs located at higher elevations to provide the required minimum operating pressure. There are three operative reservoirs within CSA 64, with a combined total capacity of 2.65 million gallons. Two of the reservoirs are located on CSA 64 property within the City of Hesperia. These two reservoirs serve the upper zone and have a combined capacity of 1.65 million gallons. The third is located at Pebble Beach Road and Ridgecrest Road and serves the lower zone. This reservoir has a capacity of 1.0 million gallons. Additionally, the district does not have any inter-ties with other agencies for back-up supplies. Special Districts Department staff has indicated that preliminary discussions with the former Victor Valley Water District regarding an inter-tie for emergency water took place about two years ago, but the discussion was put on hold due to the impending consolidation of the Victor Valley Water District and the Baldy Mesa Water District. Special Districts Department intends to resume these discussions with the Victorville Water District, the successor agency to the Victor Valley Water District, and other adjoining water agencies for the same type of emergency inter-ties. Below is a map of CSA 64's Water System which is included in Attachment #2.

### CSA 64 Water System Facilities



According to CSA 64's 2000 Urban Water Management Plan and the 2001 Systems Report, the existing storage of 2.65 million gallons is approximately 30 percent of the recommended 8.86 million gallons of storage needed for emergency, operational, and fire fighting requirements. The existing storage could provide supply to CSA 64 customers for a period of less than eight hours under the maximum daily demand flows. The report identifies an additional 6.21 million gallons is needed to meet the current emergency, operational, and fire fighting requirements, and at build-out the recommended additional storage is 9.19 million gallons, for a total of 11.84 million gallons.

There are six locations where residential fire flow simulations do not meet the required flow of 1,500 gallons per minute (gpm). These residential locations are on a six-inch pipeline at the end of a cul-de-sac. In order to increase fire flows, the existing six-inch pipeline would need to be replaced with a larger diameter pipe. There are four locations where commercial fire flows do not meet the required 3,500 gpm flow: the commercial complex at Bear Valley and

Apple Valley Roads, at the end of Hatchery Road, and two locations on Ridgecrest Road near the Sterling Retirement Center. Due to this limitation, CSA 64 has contracted with the Apple Valley Ranchos Water Company to provide fire flow to the Home Depot located at the corner of Bear Valley and Apple Valley Roads within the Town of Apple Valley (contract included as Attachment #5). The contract will remain in effect until CSA 64 is able to provide the necessary fire flow protection. According to Special Districts Department staff, the Apple Valley Fire Protection District requires a secondary feed from the same pressure zone to serve the Home Depot with fire flow. It was determined that the more cost effective approach to receive the service was to contract with Apple Valley Ranchos Water Company to provide fire flow to the Home Depot.

The current water system operates five wells capable of producing a total of 5,910 gpm. Two wells serve water to the upper zone and three wells serve the lower zone. The existing wells exceed the current maximum day demands in both the upper and lower zones indicating that there are ample sources to meet current demands, given that all wells are operational during the maximum day demand periods. The Systems Analysis Report recommends that two new wells should be constructed, one in each pressure zone. The first new well should be constructed to provide back-up supply. The district has had periods where one, sometimes two wells, are out of service. In order to provide back-up supply in event of unplanned outages, the Systems Analysis Report recommends that sources of supply exceed the projected requirements by 2,000 gpm (the approximate supply of two wells). This new well would be used as a primary source of supply and would extend the service life of the existing wells. The second new well should be constructed for water demand at build-out and should be located in the opposite pressure zone as the back-up supply well. The Report indicates that total existing capacity for the wells is currently 5,910 gpm and maximum daily demand at build-out would be 5,990 gpm, slightly greater than the total capacities of the existing wells.

The adverse effect of the drought on the basin's water table, lack of storage and fire flow, and the projected growth of the area require the infrastructure projects listed below to sustain the day-to-day operations and to improve the quality of water delivered to the customers in the district's service area, as indicated in the materials submitted. Water projects were submitted to the California Department of Public Health, Division of Drinking Water and Environmental Management for Proposition 50 funding. The projects were not eligible for funding in the first two rounds of grant distributions and are not anticipated to be eligible for the third round. Special Districts Department staff has indicated that construction of these projects will need to be funded with local funds. As shown below, in sum there are currently enough funds to support the construction of one reservoir, one well, and the retrofit of Tank #1.

- *Two 3 million gallon reservoirs* - estimated cost \$2.1 million each funded by a combination of local funds and low interest loan. An application for a loan through the California Infrastructure and Economic Development Bank did not qualify. Special Districts Department staff is researching other loan and grant sources for these projects. The FY 2008-09 Capital Improvement Program Budget has an estimated cash balance of \$2,740,793 for this capital improvement project.
- *Seismic retrofit of Tank #1* – estimated cost \$50,000 to \$100,000 funded by local funds. This project is not identified in the FY 2008-09 Capital Improvement Program Budget.

- *Two new wells* - estimated cost \$700,000 each. Funding for the first proposed well is anticipated to come from local funds; however, no funding source has been identified for the second proposed well. The FY 2008-09 Capital Improvement Program Budget has an estimated cash balance of \$430,763 for the addition of one well.
- Water projects completed within the past four years are telemetry system upgrade and the addition of back-up power.

According to the 2007 Consumer Confidence Report for CSA 64, for the 2007 calendar year there were no violations of contaminants in the water system.

As shown in the table below, water service currently consists of 3,805 connections (3,696 active). The golf course and lake owned by the Spring Valley Lake and Victor Valley College irrigation requirements are supplied water by private on-site wells. Water connections have increased 19.9% over the past eight years with an average growth rate of 2.2% per year.

**CSA 64 Water Connections by Year**

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
3,174	3,274	3,356	3,433	3,553	3,615	3,697	3,784	3,800	3,805

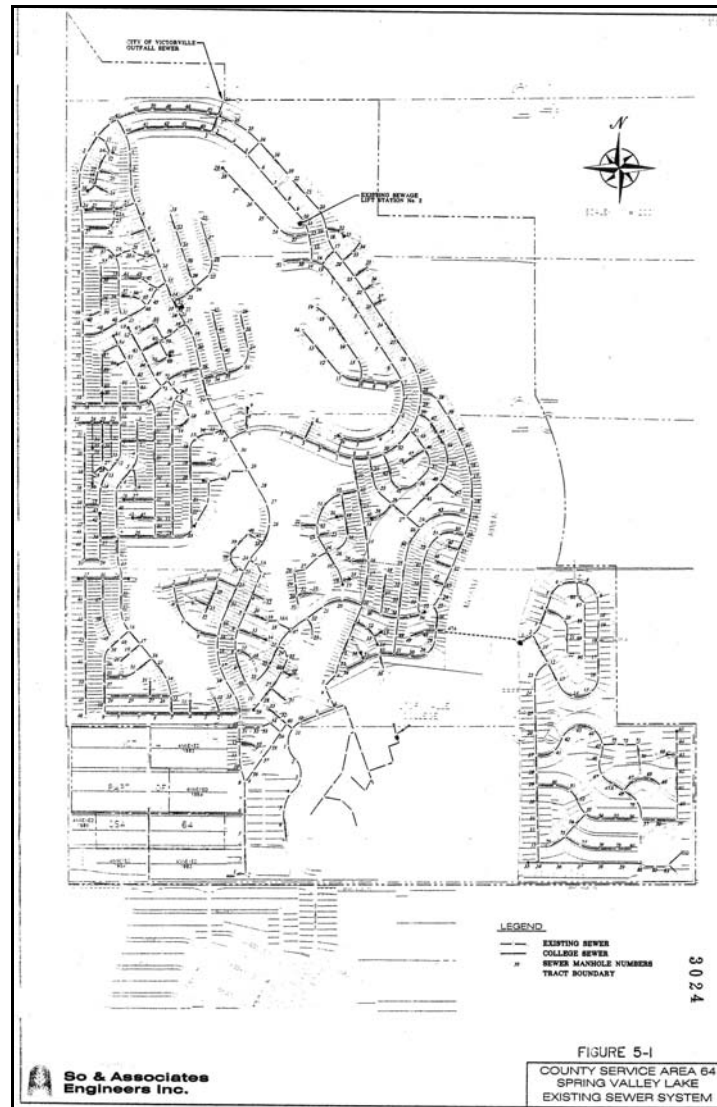
### Sewer

The domestic sewage collection and disposal system serving the Victor Valley Community College, the commercial area north of Bear Valley Road, and the residential community of CSA 64 is segregated into 13 tracts and collectors; sewer service in each tract is subdivided by lots. Effluent within the community is collected by CSA 64's sewer lines and transported to the Victor Valley Wastewater Reclamation Authority's interceptor line located in the northern portion of CSA 64. The effluent is then transported to the Regional Wastewater Reclamation Facility operated by the VVWRA for processing. A map of CSA 64's sewer system is shown below and is included as a part of Attachment #2.

Although authorized sewer powers within its boundaries, CSA 64 has provided sewer service outside of its boundaries and sphere to the Mojave Narrows Regional Park since approximately the early 1990s and possibly as early as the mid 1970s. However, Special Districts Department staff could not locate an out-of-agency agreement for sewer service between CSA 64 and the County Regional Parks Department. The only information available is an agreement from 2001 between the County Public Works Department (Regional Parks Division), VVWRA, and CSA 64 delineating the billing process for Park's use of the interceptor line and a draft contract from 1975 (included in Attachment #7).



### CSA 64 Sewer System Facilities



The sewer model presented in the Systems Report indicates that the existing collection system was constructed for build-out population and has adequate capacity to serve the residential and commercial lots and the Victor Valley College. As the collection piping systems age some repair and replacement will be required, and these projects are listed below:

- *Upgrade of the telemetry system* - estimated cost \$100,000, funding source not available. This project is not identified in the FY 2008-09 Capital Improvement Program Budget.
- *Replacement and upgrade of a lift station* – In progress, estimated cost \$320,000 funded by a combination of the County General Fund (\$250,000) and local funds.

- Projects completed within the past few years are the replacement of two lift stations and the addition of a standby generator.

CSA 64 sewer service consists of 4,215 equivalent dwelling units (EDU) comprising residential and commercial units and the Victor Valley College. The Mojave Narrows Regional Park, outside the boundaries and sphere of CSA 64, accounts for 42 EDUs. As shown in the table below, the EDUs have increased 20.6% since 1999 and at an average growth rate of 2.38% per year.

**CSA 64 Sewer (equivalent dwelling units) by year**

1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
3,494	3,603	3,737	3,809	3,904	3,969	4,059	4,154	4,215	4,224

Effective July 1, 2008, the County of San Bernardino Board of Supervisors approved an increase in the sewer rates driven by increasing energy costs and general regional costs represented by an increase in the Consumer Price Index. A comparison of the sewer rates charged by the agencies within the Victor Valley Region is found on the chart below:

**Sewer Agency Rate Comparison (2008)**  
(rates per equivalent dwelling unit)

Agency	Monthly Average Cost
Town of Apple Valley	\$19.96
Helendale CSD	36.64
City of Victorville	14.72
CSA 42	44.95
CSA 64	24.87
Hesperia Water	35.07
CSA 70 SP-2	33.02
City of Adelanto	n/a

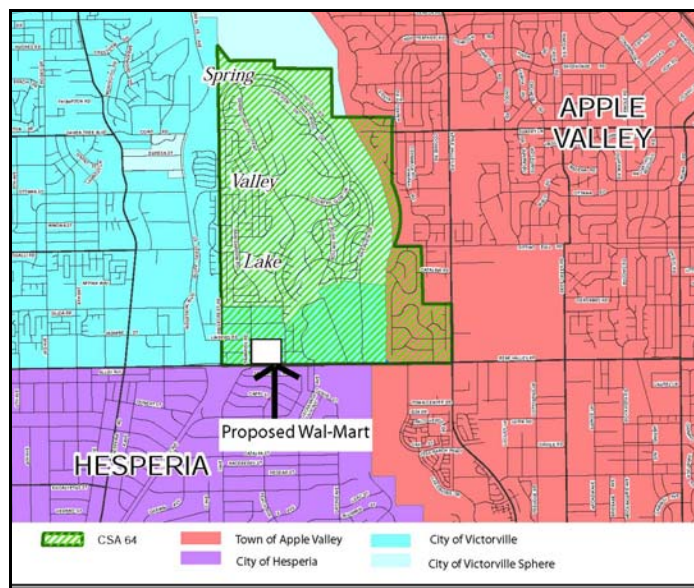
CSA 64 is a member of the Victor Valley Wastewater Reclamation Authority (VWVRA). The VWVRA is a Joint-Powers Agency created expressly for the purpose of treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids. In January 1984, the Regional Wastewater Reclamation Facility went into operation. The facility was constructed with funds derived from Federal and State clean water grants and local share taxes. This facility provides interceptor capacity and wastewater treatment and disposal for the Town of Apple Valley, Hesperia County Water District, CSA 42, CSA 64, and the City of Victorville. The cost of operating and maintaining the treatment plant is paid through user charges (\$0.0783 per gallon received) which are levied monthly throughout each of the providers on an equitable basis.<sup>9</sup> The cost for capital improvement projects to the VWVRA sewerage system are paid through connection fees.<sup>10</sup>

<sup>9</sup> Victor Valley Wastewater Reclamation Authority. Ordinance No. 003. April 1, 2003.

<sup>10</sup> Ordinance No. 002D. April 12, 2006.

### Proposed Wal-Mart Project

Within the area a part of the City of Victorville is a proposed project to develop a Wal-Mart Supercenter at the northeast corner of Bear Valley Road and Tamarisk Road. CSA 64 has water lines in Bear Valley Road and Tamarisk Road and a sewer line in Tamarisk Road as shown in the maps above and included in Attachment #2. The proposed project is being processed through the City of Victorville, and City planning staff has indicated that the planned service providers will be the City for sewer and the County (CSA 64) for water. The Draft Environmental Impact Report (DEIR) for the City of Victorville General Plan 2030 states that the area is currently served by CSA 64 and the City has concern about sufficient water pressure to meet fire flow requirements. The addition of this development would further strain the limited water resources available to CSA 64. The area of the proposed project is identified in the map below.



The DEIR identifies that annexation to the Victorville Water District is to be proposed for the area between Spring Valley Lake and Bear Valley Road – this would include the proposed Wal-Mart project. The area of the proposed Wal-Mart currently has City general plan designations of Commercial and Medium Density Residential. The General Plan update proposes Commercial for the entirety of the project area.

### Street Sweeping

Street sweeping powers were confirmed for CSA 64 in January 2004 through approval of LAFCO 2951. A concern of LAFCO staff at the time was that the boundaries of CSA 64 include territory within the City of Victorville and the Town of Apple Valley and that coordination of this service with these entities would be appropriate. LAFCO staff has confirmed with representatives from the three agencies that street sweeping is provided as follows:

- CSA 64 to the unincorporated area of CSA 64 and to the Equestrian Estates portion which is within the Town of Apple Valley.
- The City of Victorville to the incorporated Victorville portion of CSA 64 outside the Victor Valley College.
- The Town of Apple Valley to the incorporated Town portion of CSA 64 outside the Equestrian Estates.

LAFCO staff has questioned why CSA 64 provides this service within the Town of Apple Valley. When the Town incorporated in 1988 it assumed the responsibility for providing this service within its boundaries. Street sweeping is a governmental type activity, and CSA 64 pays for this service from the Water enterprise fund. To date, Special Districts Department staff has not provided an answer to LAFCO staff regarding this concern.

### Roads

CSA 64 has been authorized by LAFCO to provide Road services since 1976 but does not currently maintain the public roads within its boundaries. In 1970 the electorate approved a bond, the principal sum of \$250,000, for the purpose of providing road and road improvements to CSA 64. The County issued and sold the bonds in 1982. A review of the District's financial records, data available from the County Treasurer-Tax Collector/Public Administrator, and confirmation from Special Districts Department staff indicates there is no longer a repayment obligation for the bonds.

However, the definition of Roads in County Service Area law includes the maintenance of related drainage facilities and structures. Historically, CSA 64 has provided for the cleaning and maintenance of storm drain catch basins and ditches, many of which are located under sidewalks and across private property. The underground storm drains funnel water into above ground concrete ditches that pass through or between private properties with an access opening on public land. At the openings are catches where CSA 64 removes collected debris. On occasion, the district pressure-flows the system with water to flush out debris. Some of the above ground ditches are located within public easements and pass the collected water into Spring Valley Lake and the Spring Valley Golf Course. Both the lake and the golf course are operated and maintained by the Spring Valley Lake Association.

Special Districts Department staff believes that the developer of the community installed these facilities as required by the land use process. The owner's certificates for the tracts identify that the developer (original owner) dedicated to the County of San Bernardino drainage easements. However, the acceptance certificates identify that the County rejected the drainage easement dedications. There is no proof that any other entity owns these facilities. Without any other entity assuming ownership, LAFCO staff believes that ownership of the easements would default to the current property owners. Discussion with County Transportation staff indicates that they will not maintain the drains and ditches if they are not in the public right-of-way and County Flood Control staff has indicated that they do not maintain these smaller facilities.

In order to mitigate liability, the County of San Bernardino Risk Management Department and County Counsel notified Special Districts Department that it must not maintain the storm drains and ditches if they are not in the public right-of-way. According to correspondence

from Special Districts Department, dated February 25, 2008, to the general manager of the Spring Valley Lake Association, on February 11 the two parties met and agreed that effective February 27, 2008 the Spring Valley Lake Association would assume all maintenance and cleaning responsibilities for all the basins and ditches on private properties. The letter is included in Attachment #6. This determination removes the requirement for LAFCO to review this miscellaneous extended service further.

LAFCO staff discussed with Special Districts Department the possibility of removing the Road function since it does not currently provide road services. As discussed in the Sphere of Influence section of this report, Special Districts Department recommends that the Road function remain because future road maintenance and improvements are currently being discussed; however, the service description should be modified to more accurately reflect the service.

#### Maintenance of the Spring Valley Parkway

Historically, CSA 64 has maintained the landscaped median on Spring Valley Parkway from Pahute Avenue to County Club Drive (approximately one mile). However, CSA 64 has not requested or been authorized by LAFCO to perform this service. Special Districts Department staff believes that the Spring Valley Lake builder installed the median without regard for who would maintain it. The district acquired the maintenance of the median by default it appears, since no other entity would. Special Districts Department staff has indicated that this service is paid from the water operating fund, an enterprise fund that derives its funds from the entirety of the district. Recognizing this, Special Districts Department states that it carries a fiduciary duty to the residents of CSA 64 and cannot allow monies collected for water to be used to pay for median maintenance services. According to correspondence from Special Districts Department, dated September 11, 2008, to the general manager of the Spring Valley Lake Association, on August 28 the two parties met and agreed that effective September 1, 2008 the Spring Valley Lake Association would assume all maintenance responsibilities for the Spring Valley Lake Parkway medians. The letter is included in Attachment #6. This determination removes the requirement for LAFCO to review this miscellaneous extended service further.

Additionally, CSA 64 owns and maintains the archway (entrance structure) that spans across the parkway at the entrance to the community. The district has owned the archway since 1979 when it took possession of the structure from Boise Cascade, the developer of Spring Valley Lake, through County Contract 79-572. The east terminus of the archway is on Victor Valley College property, and CSA 64 has been granted an easement by the College for its placement. LAFCO staff is recommending the function of "Parkway Maintenance" be added to the authorized functions of the District pursuant to the provision of Government Code Section 56425(i). It will become incumbent upon the Special Districts Department staff to identify a budget for this service, the liability assumed by the County for providing this service, and what other service and financing requirements fall upon the District through the provision of maintenance of the structure.

#### Streetlighting

Historically, CSA 64 has maintained and paid for the electricity for 28 six-foot tall ornamental light fixtures along the median of Spring Valley Parkway. Special Districts Department staff



believes that the Spring Valley Lake builder installed the lights without regard for who would maintain them. Again, CSA 64 acquired the maintenance responsibility by default because no other entity did. However, the formation of CSA 64 included streetlighting as an authorized power for the district. In 1976 when active functions were verified for CSA 64, Special Districts Department did not identify streetlighting as an active or latent power, even though the district maintained the light fixtures within its boundaries.

Special Districts Department staff has indicated that this service is paid from the water operating fund, an enterprise fund that derives its funds from the entirety of the district. Recognizing this, Special Districts Department states that it carries a fiduciary duty to the residents of CSA 64 and cannot allow monies collected for water to be used to pay for streetlighting services. According to correspondence from Special Districts Department, dated September 11, 2008, to the general manger of the Spring Valley Lake Association, on August 28 the two parties met and agreed that effective September 1, 2008 the Spring Valley Lake Association would assume all maintenance and payment responsibilities for the ornamental lights on the Spring Valley Lake Parkway medians. The letter is included in Attachment #6. This determination removes the requirement for LAFCO to review this miscellaneous extended service further.

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

CSA 64's primary source of funding is through water and sewer charges. Other sources of income are generally comprised of the District's share of the general property tax levy, connection fees, water studies, and investment earnings. The majority of expenditures pay for services and supplies and transfers to other County funds to pay for CSA 64's share of salary and benefit costs and management and services support costs.

According to its most recent audit for FY 2006-07, the District's cash flows increased 15.4% for its sewer enterprise fund and 7.2% for its water enterprise fund. As for its net assets, the sewer enterprise fund increased 4.3% and the water enterprise fund increased 4.6%. However, looking at the Statement of Cash Flows, the Sewer fund operated with an excess of roughly \$49,000 but the Water fund's activities incurred roughly \$335,000 more than operating revenues. Therefore, operating revenues (customer receipts) do not support the enterprise activities of the District. Non-operating revenues (property tax, investment earnings, etc.) are required to support operations.

LAFCO staff has two specific concerns regarding the District's finances. First, in addition to water and sewer powers, CSA 64 is currently authorized street sweeping and road powers. However, neither the budget nor the audit reference that CSA 64 provides roads or street sweeping functions. The budget and audit only identifies enterprise fund accounts for water and sewer. Special Districts Department staff has indicated that drainage services performed were paid from the sewer operating fund, and street sweeping services were paid from the water operating fund. The water and sewer funds are enterprise funds; however, these funds have been paying for drainage and street sweeping services. CSA 64 also has provided unauthorized services within its boundaries: maintenance of 28 lighting fixtures, the Spring Valley Parkway median, and the archway spanning across Spring Valley Parkway. All of these services have been paid from the water operating fund, an enterprise fund that derives its funds from the entirety of the district.

Second, the district's audits recognize property tax revenues but the budgets do not. As an illustration, the figure below (Water Operating Budget - Revenues) would indicate that the district historically does not receive property taxes.

### Water Operating Budget

	2006-07 Actuals	2007-08 Estimates	2007-08 Adopted Budget	2008-09 Proposed Adjustments	2008-09 Proposed Budget
<b>Appropriations:</b>					
Salaries and Benefits	-	-	-	-	-
Services and Supplies	616,470	630,161	817,879	(98,491)	719,388
Central Computer	-	-	-	-	-
Travel and Related Charges	-	-	-	-	-
Other Charges	455,931	430,715	455,528	26,873	482,401
Land/Structures/Improvements	-	-	-	-	-
Equipment/Vehicles	-	-	-	-	-
Lease/Purchases	-	-	-	-	-
Transfers Out	863,316	1,039,138	1,039,138	6,300	1,045,438
Reimbursements	-	-	-	-	-
Operating Transfers Out	30,600	226,751	226,751	(84,690)	142,061
Reserves & Contingencies	-	-	274,124	(186,151)	87,973
<b>Total Appropriations</b>	<b>1,966,317</b>	<b>2,326,765</b>	<b>2,813,420</b>	<b>(336,159)</b>	<b>2,477,261</b>
<b>Revenue:</b>					
<b>Taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Licenses and Permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Use of Money and Property	15,907	23,629	3,413	19,087	22,500
State, Fed or Gov't Aid	-	-	-	-	-
Current Services	1,428,373	1,546,013	1,649,024	(6,074)	1,642,950
Other Revenue	144,676	77,031	46,921	(683)	46,238
<b>Operating Transfers In</b>	<b>589,681</b>	<b>525,000</b>	<b>768,909</b>	<b>(193,397)</b>	<b>575,512</b>
<b>Total Revenue</b>	<b>2,178,637</b>	<b>2,171,673</b>	<b>2,468,267</b>	<b>(181,067)</b>	<b>2,287,200</b>

source: CSA 64 FY 2008-09 Proposed Water Operating Fund Budget, page 130-1

However, property tax revenues are deposited into the Sanitation Capital Replacement Reserve account and Water Capital Replacement Reserve account, with the majority going into the water reserve account. Then, the revenues are transferred to the respective operating fund and are recognized in the budgets as a part of Operating Transfers In, rather than property taxes. Thus, referencing the budget alone does not reveal that the district receives property taxes. This process is outlined below:

### Property Tax Activity

FY 2006-07 PROPERTY TAX RECEIVED		
<u>Sewer Reserve</u>	<u>Water Reserve</u>	<u>Totals</u>
\$ 138,890	\$ 273,123	\$ 412,013
FY 2006-07 OPERATING TRANSFERS IN		
<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
\$ 229,399	\$ 589,681	\$ 819,080
source: County of San Bernardino Financial Accounting System		

### Appropriation Limit

An appropriation limit is required by Article XIIIB of the State Constitution and limits the expenditure of the proceeds of taxes. Because the budget and audit do not identify street sweeping and road activities of the District coupled with the fact that the budgets do not recognize property tax revenues, LAFCO staff cannot ascertain if CSA 64 has exceeded or exceeds its appropriations limit.

The County Auditor/Controller-Recorder management was queried as to why the County adopts an appropriations limit for each service when the constitutional requirement identifies that the appropriations limit shall be imposed by entity. To date, this calculation methodology has not been clarified by County Auditor/Controller-Recorder management. Action taken on June 17, 2008 by the Board of Supervisors of the County of San Bernardino set the appropriation limit for CSA 64 as identified below.

Sanitation	\$318,347
Water	\$256,137
Street Sweeping	\$140,814
<b>TOTAL</b>	<b>\$715,298</b>

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

CSA 64 is a member of the Victor Valley Wastewater Reclamation Authority (VWWRA). The VWWRA is a Joint-Powers Agency created expressly for the purpose of treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids. This facility provides interceptor capacity and wastewater treatment and disposal for the Town of Apple Valley, Hesperia County Water District, CSA 42, CSA 64, and the City of Victorville.

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70. CSA 64 shares resources with other CSAs through the Special Districts Department's Water and Sanitation Division operations housed at the Victorville office. CSA 64 also pays an allocated share for administrative facility use. There are no inter-ties with other agencies for water. However, the Apple Valley Ranchos Water Company provides fire flow service to the Home Depot by contract.

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

*Local Government Structure and Community Service Needs*

CSA 64 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the First Supervisorial District. CSA 64 does not have an advisory commission or council. If meetings are required, they are held with residents in the Spring Valley Lake community center. The need to call such meetings includes the increase of municipal service rates for reasons other than inflation. The last meeting took place in 2006 and discussed water and sewer rate increases. When rates are increased due to inflation, residents are informed through a mailed letter. Since the community does not have an advisory council, Special Districts Department staff indicates that the residents within CSA 64 may not be aware of the water challenges within its boundaries or the other services being provided by its water and sewer enterprise funds.

CSA 64's budgets and fee schedules are prepared as a part of the County Special Districts Department's annual budgeting process. CSA 64's annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval.

*Operational Efficiency*

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, CSA 64 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it; it pays a proportional share of the administrative costs of the Water and Sanitation Division; and it pays a proportional cost of the administrative functions of the County Special Districts Department. To pay for these functions, the FY 2008-09 Budget indicates a transfer to CSA 70 Countywide of \$1,867,343 for management and operations support (\$1,184,251 for Salaries and Benefits and \$683,092 for Services and Supplies).

The Water and Sanitation Division of the Special Districts Department has found the most cost-effective measure for extending the life of the aquifers that provide water to the district is through conservation efforts. The conservation message is communicated through handouts and information packets to customers that are made available at no charge to the customer. The Division has increased its participation in the Alliance for Water Awareness & Conservation (AWAC) program. The Division, as an AWAC member, participates in workshops, outreach events, and public education to communicate the conservation message. Another facet of conservation activity by the Division is its long-time participation in the Desert Communities Water Awareness Expo (Expo). The Expo group is also involved with communicating water conservation messages and resources at the Annual Home and Garden Show.

*Government Structure Options*

There are two types of government structure options:

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

#### Out-of-Agency Service Agreements:

Although authorized sewer powers within its boundaries, CSA 64 has provided sewer service outside of its boundaries and sphere to the Mojave Narrows Regional Park since approximately the early 1990s and possibly as early as the mid 1970s. In the past, the Park connected directly into the Victor Valley Wastewater Reclamation Authority’s (VWVRA) interceptor line. However, Special Districts Department staff could not locate an out-of-agency agreement for sewer service between CSA 64 and the County Regional Parks Department. The only information available is an agreement from 2001 between the County Public Works Department (Regional Parks Division), VWVRA, and CSA 64 delineating the billing process for Park’s use of the interceptor line and a draft contract from 1975 (included in Attachment #7).

Therefore, expansion of the sphere to include the entirety of the Park would allow for a possible out-of-agency service contract pursuant to Government Code Section 56133 or future annexation, both of which would require LAFCO approval. However, Section 56133 does not apply to an extended service provided on or before January 1, 2001. To satisfy this exemption and Commission policy, CSA 64 and the County Regional Parks Departments would have to enter into a contract for CSA 64 to provide the Park with sewer service. Additionally, CSA 64 would submit to LAFCO a written request for an exemption to Section 56133 on the basis that it provided the service before January 1, 2001 with a copy of the contract.

#### Government Structure Options:

Special Districts Department staff in preparing the municipal service review indicated that there were no consolidations or other structure options available for the operation of CSA 64. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- City of Victorville expansion west of Mojave River. One option would be for the City of Victorville to expand its boundaries to include the entirety of the area west of the Mojave River, as this area is within its sphere, whereby it would provide the full range of services to the area, ultimately including water, sewer, fire, and recreation and park.

Since 1991 the Commission has considered two proposals for annexation to the City. In 1991 through LAFCO 2668, the City annexed the southern portion of CSA 64 but the proposal did not detach the area from CSA 64. At that time, neither the Victor Valley Water District nor the former Victorville Sanitary District were in a position to serve the study area as economically or efficiently as CSA 64. Therefore, the area was annexed to the City and its subsidiary fire district to



provide their services. Additionally, a previous attempt (LAFCO 2794 in 1995/1996) by the Spring Valley Lake Association to annex the community to the City did not succeed due to opposition from the residents within the community. At this time, there is no expressed desire by the City regarding this option.

- CSA 64 detachment east of Mojave River. Another option would be for CSA 64 to detach the areas east of the Mojave River, as staff is proposing to reduce CSA 64's sphere within area, and for the Town of Apple Valley to succeed to CSA 64's services for the area. However, there is no expressed desire at this time by the Town regarding this option and additional review of agencies to provide service would need to take place.
- Formation of a CSD. The residents within the community or the district could also submit an application to LAFCO to form an independent community services district (CSD). Through this formation, the CSD would have a range of 33 different services to provide based upon financial determinations and desire by residents. The voters would select the board of directors, which must reside within the district. However, there has been no expressed desire at this time provided to LAFCO by the district or residents to form a community services district.
- Maintenance of the status quo. Special Districts Department staff state that due to the size and location of CSA 64, the community is best served through a county service area, by definition a financing entity for the County, to provide the range and level of services desired, and where it can enjoy economies of scale while paying minimal costs for the services received. At the present time, neither the City of Victorville nor the Town of Apple Valley has the infrastructure in place to assume the full range of municipal level service responsibility for the CSA 64 area.

However, LAFCO staff is recommending expansion of CSA 64's sphere to include the entirety of the Mojave Narrows Regional Park to reflect actual service delivery. LAFCO staff is also recommending a reduction of the areas of CSA 64 within the Town of Apple Valley thereby signaling its desire that the Town of Apple Valley plan to assume responsibility for service delivery to these areas.

### **SPHERE OF INFLUENCE REVIEW**

***LAFCO staff recommends that the Commission expand the sphere of influence to include the entirety of the Mojave Narrows Regional Park to reflect the area of service responsibility, reduce the sphere of influence to exclude the territory within the Town of Apple Valley thereby signaling its position that the Town of Apple Valley should ultimately assume responsibility for service delivery to the area, and affirm the balance of the existing sphere of influence for CSA 64.***

***LAFCO staff recommends that the Commission amend the "Rules and Regulations Affecting Special Districts" by modifying the service descriptions for Water, Sewer, and Roads to more accurately reflect the services provided, and confirm the function of Parkway Maintenance with a service description for CSA 64 as follows (changes in bold italic):***

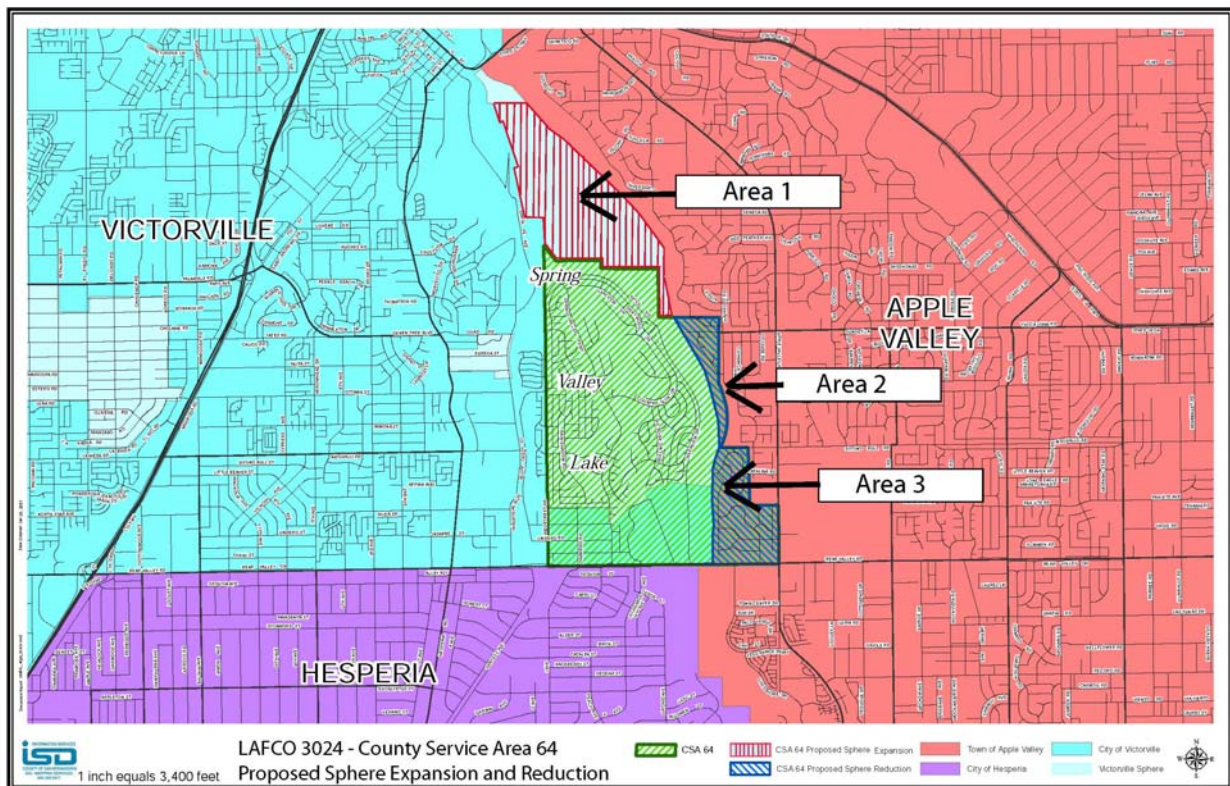
	<b>FUNCTIONS</b>	<b>SERVICES</b>
<b>CSA 64</b> (Spring Valley Lake)	Water	<del>Water</del> <b>Retail and domestic</b>
	Sewer	<del>Sewer</del> <b>Collection and transportation</b>
	Roads	<b>Acquisition, construction, improvement and/or maintenance of public streets, roads, bridges, and any incidental works</b>
	Street Sweeping	Street Sweeping
	<b>Parkway Maintenance</b>	<b>The acquisition, construction, improvement, maintenance, and operation of streetlighting and landscaping on public property, public rights-of-way, and easements</b>

### Sphere of Influence

CSA 64's sphere of influence and boundaries are coterminous. Special Districts Department staff requested affirmation of its existing sphere, but LAFCO staff is recommending modifications which include an expansion and reduction. The map below identifies the sphere expansion and reduction and is included in Attachment #1.

- The expansion area of approximately 667 +/- acres of CSA 64's sphere would encompass the Mojave Narrows Regional Park (identified as Area 1). This area has received and benefited from sewer service provided by CSA 64 since approximately the early 1990s, and possibly as early as the mid-1970s. However, Special Districts Department staff could not locate an out-of-agency agreement for sewer service between CSA 64 and the County Regional Parks Department. Therefore, expansion of the sphere to include the entirety of the Park would allow for an out-of-agency service contract pursuant to Government Code Section 56133 or future annexation, both of which would require LAFCO approval and define the area of service responsibility.
- A proposed reduction of the sphere to exclude the areas within the Town of Apple Valley encompasses approximately 380 +/- acres and was included in the Town when it incorporated in 1988. A reduction of CSA 64's sphere of influence of the these areas will signal is desire that the Town of Apple Valley should ultimately assume responsibility for service delivery to these areas:

- The area north of Sitting Bull Road does not currently receive or benefit from services provided from CSA 64 (identified as Area 2). This area is within the boundaries of the Town of Apple Valley (sewer service transported to the Regional Wastewater Reclamation Facility) and the Apple Valley Ranchos Water Company. There is no benefit nor will there be any benefit from CSA 64 to this area.
- The area south of Sitting Bull Road includes the Equestrian Estates (a part of the Spring Valley Lake Association), which was developed concurrently with Spring Valley Lake, and consists of larger residential parcels that were zoned for ownership of horses (identified as Area 3). The area south of Sitting Bull Road also includes a commercial development located at the northwest corner of Apple Valley Road and Bear Valley Road whereby Apple Valley Ranchos Water Company provides fire flow to the Home Depot.



### Authorized Powers

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). LAFCO staff is recommending amendments to CSA 64's authorized functions and services.

- Currently, the service descriptions for water, sewer, and roads do not describe the nature, location, or extent of the services provided. For instance, the water function is

listed as “water”. LAFCO staff proposes to modify the service descriptions of water, sewer, and roads to define these services more accurately to reflect the services provided:

- Water - Modify the service description from “water” to “retail and domestic”
- Sewer – Modify the service description from “sewer” to “collection and transportation”
- Roads – Modify the service description from “roads” to “acquisition, construction, improvement and/or maintenance of public streets, roads, bridges, and any incidental works”.

CSA 64 has provided road construction and improvement in the past. In 1970 the electorate approved bonded indebtedness for construction and maintenance of roads. The bonds were issued and sold by the County in 1982 and the repayment obligation has been satisfied. Currently, CSA 64 is authorized the function of Roads but does not currently provide the service. LAFCO staff discussed with the Special Districts Department the possibility of removing the Road function since it does not currently provide road services. Special Districts Department staff recommends that the Roads function remain because future road maintenance and improvements are currently being discussed. LAFCO staff concurs with Special Districts Department and recommends maintenance of the Roads function with a modified service description as identified above.

- Additionally, in the materials submitted for the service review and in correspondence, Special Districts Department staff indicates that since the late 1970s it has provided maintenance of the archway spanning across Spring Valley Parkway upon entrance to the community. The district has owned the archway since 1979 when it took possession of the structure from Boise Cascade, the developer of Spring Valley Lake, through County Contract 79-572. The west end of the structure is on public land, and the east end is on Victor Valley College property and CSA 64 has been granted an easement for its placement. CSA 64 is not currently authorized by LAFCO to provide the above-mentioned service. Due to CSA 64 providing this service on a continuing basis since the late 1970s, staff proposes that the Commission confirm the delivery of “Parkway Maintenance” as an authorized function with a service description of “acquisition, construction, improvement, maintenance, and operation of streetlighting and landscaping on public property, public rights-of-way, and easements”. Such service is construed to be “miscellaneous extended services” authorized for a county service area under the provisions of Government Code Section 25210.4a.

### **FACTORS OF CONSIDERATION:**

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

### The Present and Planned Uses in the Area

CSA 64 encompasses approximately 2,368 acres of territory. The majority of the area currently has a general plan land use designation assigned by the County of San Bernardino of Single Residential, which supports an urban intensity of land use. Other land use designations include Multiple Residential, General Commercial, Open Space, and Floodway. The territory within the City of Victorville encompassing approximately 520 +/- acres has general plan designations of Very Low to Medium Density Residential, Office Professional, and Commercial and includes the Victor Valley College.

The proposed sphere expansion area comprises approximately 667 +/- acres and is within the sphere of the City of Victorville. The County's general plan designates this area as Open Space and is the Mojave Narrows Regional Park. No change in land use for the area would occur through inclusion of the area within CSA 64's sphere of influence.

The proposed sphere reduction area is within the boundaries of the Town of Apple Valley and comprises approximately 380 +/- acres. The Town has assigned land use designations for the area north of Sitting Bull Road as Residential Estate and Residential Equestrian and the area south of Sitting Bull Road as General Commercial and Residential Equestrian. No change in land use for the area would occur through the sphere reduction proposed.

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

CSA 64 is authorized by LAFCO to provide water, sewer, street sweeping, and road services within its boundaries. Currently, CSA 64 generally meets the service needs of those within its boundaries with a few exceptions regarding water in the southern portion of the District. However, facility expansion needs have been identified. To adequately meet the current and future need for water services replacement and addition of existing facilities will be required, as indicated by Special Districts Department staff. The future need for public facilities and services will increase as the population grows. Potential construction trends include the development of condominium projects through General Plan amendments, which would increase the need for public services within the area.

LAFCO staff is aware that the District has provided sewer service outside its boundaries and sphere to the Mojave Narrows Regional Park since approximately the early 1990s and possibly as early as the mid 1970s. Additionally, it has provided maintenance of the archway (entrance structure) that spans across Spring Valley Parkway at the entrance to the community since approximately the late 1970s.

Not until this sphere of influence update did Special Districts Department identify that CSA 64 provided streetlighting (28 ornamental light fixtures) and maintenance of the median along Spring Valley Parkway. As discussed in this report, CSA 64 provided these services for many years without LAFCO authorization but has recently discontinued these services due to its fiduciary duty to the residents of CSA 64 and cannot allow monies collected for water to be used to pay for these services.

Not until this sphere of influence update did Special Districts Department identify that CSA 64 provided maintenance of storm drains and drainage ditches. As discussed in this report, CSA 64 provided these services for many years without LAFCO authorization but has

recently discontinued these services based upon notification from the County Risk Management Department and County Counsel that it must not maintain these services if they are not in the public right-of-way.

Since the proposed sphere expansion area currently receives and benefits from sewer services provided by CSA 64, there is no need for additional sewer facilities or services for the amendment area. The future need for additional services is not anticipated to change as a result of the proposed sphere expansion as no plans are known to exist for expansion of the Regional Park facilities.

The sphere reduction is comprised of two areas. The area north of Sitting Bull Road (already a part of Apple Valley Ranchos Water Company and the Town of Apple Valley) does not receive or benefit from services provided by CSA 64. CSA 64 cannot extend water facilities to serve the area as it currently a part of the certificated service area of Apple Valley Ranchos Water Company, and the balance of the services to be offered by CSA 64 are already a function of the Town of Apple Valley. The area south of Sitting Bull Road receives water and sewer from CSA 64 and street sweeping is confined to the Equestrian Estates by CSA 64. Through a reduction of the CSA 64 sphere of influence of the areas within the Town of Apple Valley, the Commission signals its position that ultimately a change in service provider (in this case the Town) should take place.

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

CSA 64 provides retail water and distribution within its service territory. The groundwater basins that serve as the primary water supply are over-drafted, and CSA 64 produces more than its free production allowance as defined by the Mojave Watermaster. Further, the capacity of its facilities does present challenges. According to CSA 64's Urban Water Management Plan and the Systems Report, the existing storage of 2.65 million gallons is approximately 30 percent of the recommended 8.86 million gallons of storage needed for emergency, operational, and fire fighting requirements. The existing storage could provide supply to CSA 64's customers for a period of less than eight hours under the maximum daily demand flows. An additional 6.21 million gallons is needed to meet the current emergency, operational, and fire fighting requirements, and at build-out the recommended additional storage is 9.19 million gallons, for a total of 11.84 million gallons.

The district has had periods where one, sometimes two wells are out of service. Also, the district does not have an emergency inter-tie for domestic water with other agencies. In order to provide back-up supply in event of unplanned outages, the Systems Analysis Report recommends that one new well should be constructed, either in the upper or lower zone to be used as a primary source of supply with the additional benefit that it would extend the service life of the existing wells. A second well to be used as a back-up supply should be constructed before build-out is reached, and should be located so that one of the two new recommended wells are located in each pressure zone.

As a member of the Victor Valley Wastewater Reclamation Authority, CSA 64's effluent is processed at the Regional Wastewater Reclamation Facility. As the collection piping systems age, some repair and replacement will be required. The sewer model presented in

the Systems Report indicates that the existing collection system has adequate capacity to serve the residential and commercial lots and the Victor Valley College.

LAFCO staff has questioned why CSA 64 provides street sweeping within the Town of Apple Valley. When the Town incorporated in 1988 it assumed the responsibility for providing this service within its boundaries. To date, no detailed explanation has been provided. Street sweeping is a governmental type activity, and CSA 64 pays for this service from the Water enterprise fund. LAFCO staff has confirmed that street sweeping is provided as follows:

- CSA 64 to the unincorporated area of CSA 64 and to the Equestrian Estates which is within the Town of Apple Valley.
- The City of Victorville to the incorporated Victorville portion of CSA 64 outside the Victor Valley College.
- The Town of Apple Valley to the incorporated Town portion of CSA 64 outside the Equestrian Estates.

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

Social communities of interest include the Spring Valley Lake Association which includes the unincorporated portion of CSA 64 and the Equestrian Estates (within the Town of Apple Valley). The Spring Valley Lake Association provides public safety (security), park and recreation (five parks, equestrian center, lake, and beaches) and code enforcement of association rules and regulations within its defined area. Other social communities of interest include the area of the Victor Elementary School District and Victor Valley Union High School District which is the area west of the Mojave River within the City of Victorville sphere of influence and Apple Valley Unified School District east of the Mojave River encompassing the corporate boundaries of the Town of Apple Valley. The division of the school districts by the River supports the division of the sphere of influence boundaries recommended by LAFCO staff and corresponds to the spheres of the City of Victorville and the Town of Apple Valley.

Economic communities of interest include the City of Victorville, Town of Apple Valley, and Victor Valley College.

#### **ADDITIONAL DETERMINATIONS:**

- The Commission's Environmental Consultant, Tom Dodson and Associates, has determined that the municipal service review and sphere of influence modification is statutorily exempt from environmental review. The basis for this determination is that LAFCO 3024 does not have the potential to cause a significant effect on the environment, and therefore does not constitute a project as defined by CEQA. He further states that a decision by the Commission to modify the sphere boundaries and clarify the services provided by CSA 64 does not substantially alter the existing operations or obligations of CSA 64 and does not adversely affect any existing physical facilities. Mr. Dodson's response is included as Attachment #8.



- Legal advertisement of the Commission's consideration has been provided through publication in *The Sun* and through a publication of a 1/8 page legal ad in *The Daily Press*, as required by law. In accordance with Commission Policy #27, a 1/8<sup>th</sup> page legal ad was provided in lieu of individual notice because the service review and sphere of influence update for CSA 64 would have exceeded 1,000 notices.

This item was originally advertised in February 2007 as a part of the overall Victorville community municipal service reviews and sphere of influence updates. LAFCO 3024 was taken off the agenda calendar in November 2007 with the requirement to re-advertise when it returned for Commission consideration.

- 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:**

Staff recommends that the Commission receive and file the municipal service review and make the related determinations to the municipal service review and sphere of influence update. Staff also recommends that the Commission:

- Expand the existing sphere of CSA 64 to encompass the Mojave Narrows Regional Park as it already receives and benefits from sewer service provided by CSA 64;
- Reduce the sphere of influence of CSA 64 to exclude the territory within the Town of Apple Valley since the portion north of Sitting Bull Road does not receive or benefit from services provided by CSA 64 and the portion south of Sitting Bull Road does not receive or benefit from the full range of services authorized CSA 64;
- Add Parkway Maintenance as an authorized function with a service description since CSA 64 has been providing this service on a continuing basis since the late 1970s;
- Modify the service descriptions of water, sewer, and roads to accurately define the services provided.

### **Attachments:**

1. Regional Map and LAFCO Staff Proposed Sphere Expansion and Reduction Map
2. Maps of the Victorville Water District with CSA 64 Overlay and Water and Sewer System Maps
3. Municipal Service Review and Sphere of Influence Information, Financial Information, and Excerpts from the Water and Sewer Reports
4. LAFCO 665 from 1968
5. Fire Flow Agreement with Apple Valley Ranchos Water Company

6. Letter from County of San Bernardino Special Districts Department dated September 11, 2008 with Attachments
7. Information Regarding Sewer Service to the Mojave Narrows Regional Park
8. Response from the Commission's Environmental Consultant, Tom Dodson and Associates
9. Draft Resolution #2987

KRM/MT