

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

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**PROPOSAL NO.: LAFCO 3035**

**HEARING DATE: NOVEMBER 19, 2008**

**RESOLUTION NO. 3041**

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3035 – A MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE CITY OF HESPERIA (reduction/expansion along Bear Valley Road on the north; modifications to expand the eastern sphere of influence south of Bear Valley Road along the Mojave River; reduction to exclude the territory within the Crestline-Lake Arrowhead Water Agency along the south; and affirmation of the remainder of the existing sphere of influence as shown on the attached maps).**

**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 update 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 October 15, 2008 and continued November 19, 2008, at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

**WHEREAS**, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing;

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**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 update are statutorily exempt from CEQA and such exemption was adopted by this Commission on November 19, 2008. The Clerk has been directed to file a Notice of Exemption within five working days of its adoption; and,

**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 sphere of influence determinations should be made for the City of Hesperia:

- (1) Modify the sphere of influence along the northern boundary to expand and/or reduce the designation to correspond to the realigned centerline of Bear Valley Road;
- (2) Modify the sphere of influence along the eastern boundary to expand the territory along the Mojave River south of Bear Valley Road;
- (3) Modify the sphere of influence along the southern boundary to exclude the territory within the Crestline-Lake Arrowhead Water Agency, at Silverwood Lake; and,
- (4) Affirm the balance of the existing sphere of influence designation.

as more specifically depicted on the maps attached hereto as Exhibit "A" , "A-1" , "A-2", and "A-3"; 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 October 7, 2008 and received and filed by the Commission on October 15, 2008, 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.

According to the State Department of Finance, the City had an estimated population of 85,876 in 2007. The City's population projections, which were developed using the Southern California Association of Government (SCAG) projections, are listed in five-year increments, as follows:

2010 – 95,800	2025 – 159,638
2015 – 117,568	2030 – 179,383
2020 – 139,049	

The City General Plan identifies the build-out population of the City at 253,968 persons. Given current land use designations, the City should not reach build-out by 2030.

*Within Sphere of Influence*

Located south of the City within its sphere, Summit Valley is an area of significant potential growth. The City's General Plan for this area requires comprehensively planned development. The area has few paved roads and little infrastructure; therefore the preferred method of development is through the specific plan or planned development process. Since the City's incorporation in 1988, three specific plans have been approved in Summit Valley: Rancho Las Flores, Summit Valley Ranch, and Bella Mesa. These plans combine for a total

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of 20,000 dwelling units. Another specific plan has been submitted, but not yet processed, known as Majestic Hills, which proposes 4,000 dwelling units. Further, the Oak Hills Community Plan sphere area could add an additional 12,000 persons (4,478 dwellings units) by 2030 according to City staff. Together, all four specific plans and Oak Hills could add 28,478 dwelling units. Utilizing the County General Plan's 2.68 persons per household for the Desert region calculates to an additional 76,321 persons.

Additionally, LAFCO staff has received project notices which anticipate General Plan Amendments, tentative tract developments, and Conditional Use Permits for increased residential development in the sphere area. A review of the project notices on file that have been submitted for County Land Use Planning review from 2004 through present indicate the potential for creation of 1,060 lots. The larger of these projects includes the following:

<b>PROJECT NAME</b>	<b>YEAR SUBMITTED</b>	<b>NUMBER OF RESIDENTIAL UNITS/LOTS</b>
Tract 17598	2006	216 lots
Tract 16902	2004	114 lots
Tract 18533	2007	60 lots
Tract 16544	2006	32 lots

Adding the 28,478 dwellings units for the four specific plans and Oak Hills, and the 1,060 lots for the projects submitted for County Land Use Planning review, calculates to 79,162 additional persons within the sphere.

Historical trends indicate moderate to high growth within this area, and significant growth continues within the City's boundaries and its sphere. In addition to residential development in the sphere, new industrial and service-oriented developments are planned, along with a major regional circulation improvement called the "Freeway Corridor". These future projects will increase the need for public services within the existing City boundaries as well as within the unincorporated sphere area.

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

Currently, police and fire services adequately serve the area. The City Police Department is responsible for providing law enforcement and public safety services within the City. The City contracts with the County Board of Supervisors for the County Sheriff to provide law enforcement services within the City and has done so since 1988. The contract has no sunset date, is revised annually, and can include annual increases in payment. For FY 2008-09, the contract will increase by 4.5% or \$480,767 to \$11.2 million. In FY 2007-08, the Department added six deputy sheriffs. Currently, the City Police Department has a staff of 75 of which 57 are sworn officers. Additionally, the City has initiated a Neighborhood Enhancement Program. This program has been in operation since 2006. It targets crime, blight, and one of the target areas is the original Township area (east of the civic center).

The Hesperia Fire Protection District, a subsidiary district of the City, has contracted with County Fire to provide fire protection services within its boundaries since 2004. The out-of-agency service contract was determined to be exempt from LAFCO review, LAFCO SC#

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226, for fire protection, emergency medical, and ambulance services. Determinations regarding the municipal service review and sphere of influence update for the Hesperia Fire Protection District are outlined in LAFCO Resolution No. 3043.

Generally, retail water is provided within the City limits by the Hesperia Water District, a subsidiary district of the City, and to the unincorporated Oak Hills area by County Service Area 70 Improvement Zone J. Sewer collection and transportation is provided within City limits by the Hesperia Water District, and with some municipal-level sewer service in the sphere area. Determinations regarding the municipal service review and sphere of influence update for the Hesperia Water District are outlined in LAFCO Resolution No. 3042.

Park and Recreation service is provided by the Hesperia Recreation and Park District, an independent special district, within City limits and to portions of the sphere area. Determinations regarding the municipal service review and sphere of influence update for the Hesperia Recreation and Park District are outlined in LAFCO Resolution No. 3040.

### *Roads*

The City is in the ninth year of the Street Improvement Project. In 2000 the City Council implemented a dedicated residential street improvement program due to the deterioration of city streets. The program has grown and is a priority of the Council. Included in the annual capital improvement program is a schedule for reconstruction and repaving of streets, based on use and condition. Since FY 2000-01, the City has spent over \$50 million to pave 254 miles of road. For FY 2008-09, the City plans to pave an additional 36 miles. The project history is as follows:

### **City of Hesperia Street Improvement Project History**

<b>Year</b>	<b>Miles Paved</b>	<b>Slurry Seal Miles *</b>	<b>Potholes Filled</b>
2001	18.0	0	84,192
2002	19.4	0	80,000
2003	16.5	0	51,000
2004	17.1	0	46,000
2005	18.2	12.4	89,000
2006	51.1	14.2	60,000
2007	57.0	11.0	61,000
2008	57.0	4.0	--
2009 (Budgeted)	35.6	0	--
<b>Nine Year Total</b>	<b>289.9</b>	<b>41.6</b>	<b>471,192</b>

\* Slurry seal is a coating applied to the pavement to protect the undersurface from the effects of aging and the environment.

The Interstate 15 project was completed in 2006 at a cost of \$9.5 million. The project replaced a two-lane overpass on Main Street with a new overpass that has six lanes. The northbound and southbound ramps were modified as well.

Within the unincorporated Oak Hills community, the County has a developer fee plan to fund the construction of new roadways and transportation facilities in Oak Hills. The need for the

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roads and facilities is related to new residential and commercial development because such new development will bring additional people and vehicles thus creating more traffic. The fees are charged to new commercial and new residential development projects, including single family homes and mobile homes. A copy of the "Oak Hills Transportation Facilities Plan Zone A and Zone B" is on file at the LAFCO office and available at the County Land Use Services Department and on its website. According to County Department of Public Works staff, this plan is in the process of being revised due to changes in growth patterns and construction costs.

### *Ranchero Road Underpass and Grade Separation Project*

This project will create a new east-west access along Ranchero Road. This will relieve congestion and improve emergency response times on both sides of the railroad tracks that bisect the City. Federal and State grants will provide \$10 million for this \$20 million project. The Ranchero Road Grade Separation Project (Project) involves the installation of a new crossing under the Burlington Northern Santa Fe (BNSF) Railroad at the extension of Ranchero Road. Currently, Ranchero Road terminates at either side of the railroad right-of-way. The new grade would eliminate the flooding potential of Ranchero Road where it crosses the Antelope Valley Wash; the current roadway crosses the wash at-grade. This project also includes the installation of new drainage facilities to divert storm flow towards the Antelope Valley Wash.

### *Plans and Studies*

The City is conducting two planning efforts. First, the Main Street/Freeway Corridor Specific Plan covers approximately 10,000 acres along the City's two main thoroughfares. The City proposes to revitalize and develop the Main Street and Interstate 15 Freeway corridors pursuant to the proposed specific plan with a range of uses, including industrial, commercial, civic, institutional, residential mixed-use, and parks/open space. The Plan was adopted by the City Council on September 16, 2008 and became effective on October 16, 2008.

Second, the City has initiated a General Plan update for the entirety of the City and its sphere. The Update will incorporate the Freeway Corridor Specific Plan. The General Plan is anticipated to result in a one-map system to bring consistency to the City's current zoning and land use maps. Completion is anticipated by Fall 2009.

### *State Responsibility Areas*

The territory of the southern City sphere of influence is within an area defined as "State Responsibility Area" by the California Department of Forestry and Fire Protection (hereinafter Cal Fire). The last three annexations to the City and the Fire District were designated as "State Responsibility Areas" for wildland fire protection purposes by Cal Fire. Upon annexation to the City, this designation was removed and the financial obligation for this type of fire protection transferred to the City. The City and the Fire District agreed to split the costs for wildland fire protection which would accrue through annexation of these areas.

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

#### *Revenues*

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The City's primary sources of revenues are sales and use taxes, property taxes including the property taxes in-lieu vehicle license revenues, development impact fees, and franchise fees. The Redevelopment Agency's revenues primarily consist of the property tax increment. Street related funds include Measure I, gas taxes, local transportation funds, and development impact fees.

Currently, the City only receives 1.59% of the general tax levy within the boundaries of its major Tax Rate Areas and areas of annexation prior to 2004. This rate is one of the lowest in the County for a municipality. Under the County's Revenue Enhancement Program, adopted in 2004, the cities' share of the general levy increases to 7% for newly annexed areas. The areas that benefited from the increased tax share are the Cataba area (LAFCO 2952) and the Freeway Corridor (LAFCO 2953). The annexation of Summit Valley Ranch (LAFCO 2888) did not benefit from the increased tax share at the time its property tax transfer was determined; however, it was acknowledged that once a new formula was established its transfer would be renegotiated. According to City staff, updated County Revenue Enhancement Program agreements are scheduled for review by the City Council on November 4, 2008. Additionally, the City negotiated with the County for a new tax share agreement for undeveloped property within the City's jurisdiction. These revenue enhancement zones are for areas that are undeveloped, not in a redevelopment area, and are 20 acres or larger. The City applied for this program and was approved for the Rancho Las Flores Area.

The County has designated that its High Desert Government Center will be built in the City of Hesperia near the Hesperia Branch Library and City Hall. The County allocated roughly \$20 million for the construction of the 55,000 square foot building. The placement of the Center in the City has the potential to foster commercial growth in the area. This could lead to significant sales tax revenues for the City and could bring an estimated 300 jobs to the City.

The City has raised its Development Impact Fee (DIF) considerably since incorporation. In 1992, the DIF was \$1,000 for a single-family residence with five increases through 2007. In order to comply with the San Bernardino Associated Government's nexus study requirements for transportation funding, as well the increase in public safety fee, the DIF is now \$13,198. Portions of the fee continue to fund construction for expansion of streets, drainage, fire, police, and public services. For FY 2006-07, income in the Development Impact funds had a combined surplus of \$5.2 million.

### *Prior Fiscal Challenges*

In the 1990s the Hesperia Redevelopment Agency, Hesperia Water District, and Hesperia Fire Protection District were facing stiff financial challenges. A review of the financial records and the materials submitted by the City credits the financial turnaround to the City's policy of placing ten percent of its revenues in reserves, restricting hiring, and providing for no personnel raises during these times. Further, a review of the property tax levies and collections of the City for the past ten years available shows a dramatic increase in the amount of tax revenue available to the City during the residential housing boom period. In 1988, the year of incorporation, total collections were about \$3.7 million. This figure has jumped to about \$32.0 million for FY 2006-07. While the City also experienced a

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corresponding rise in expenditures to address the population increases, the sharp yearly increases in property tax receipts helped the City achieve fiscal solvency.

### *Audit*

Highlights from the City's comprehensive annual financial report for FY 2006-07 are:

- Net assets increased 22.1% from \$177.6 million to \$216.8 million, mostly attributed to the City's growth in capturing increased sales tax and the new Library and Civic Plaza.
- Taxes and other governmental revenues exceeded expenses by \$32.7 million due to the City's growth and ongoing development activity.
- Total cost of all City programs was \$78.7 million, an increase of \$22.8 million or 40.7% from prior year. The increase is attributed to the increased spending (\$15 million) in the Development Services function which oversees the City's infrastructure expenditures.
- For the General Fund, actual resources available for appropriation exceeded final budget by \$3.1 million while actual appropriations were \$3.3 million less than final budget.

Given the current housing slump and economic downturn, the City is anticipated to face economic strains. In FY 2006-07 the City experienced a 61% decrease in the number of single-family residential permits and 80% decrease in commercial building permits over the prior year but 28% growth in multi-family construction. Sales tax for the same year increased by 9% but the audit attributes the increase to the increase in population and home construction. The FY 2007-08 budget was adopted with a General Fund cash reserve of approximately 35% of budgeted expenditures, and these reserves will help provide the cushion that is needed to get through until the housing sector picks up.

### *Budget*

Moving into the FY 2008-09 budget, when compared to FY 2005-06, the overall combined City revenue for the current fiscal year is expected to increase by 19% or \$20 million. However, in comparison to the FY 2007-08 budget, revenue is lower by three percent or \$4 million with increases to the redevelopment agency, water district, and fire district offsetting decreases in the general fund and street-related funds. The City's budget indicates that all development related revenues are down 33% from FY 2007-08 and that condition is carried into the current year's estimates. Sales and use tax revenues for the year are projected to decrease by 13% or \$1.1 million. In November 2006, the City's voters increased the Transient Occupancy tax from 7% to 10%. This increase is expected to bring in an additional 48% in revenues for that source. The High Desert Gateway regional shopping center, which includes a Target, will capture additional sales tax revenues that had previously been lost to neighboring cities when a full year's worth of sales tax is realized. Overall expenditures have decreased by four percent, or \$8.8 million. Each department has reduced expenditures, except for the police department and redevelopment agency. Cash reserves in the general fund have increased to 35% of expenditures.

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Cash not required for immediate use is invested with the State of California Local Agency Investment Fund (LAIF). For FY 2006-07, the average yield on cash invested in LAIF during the year was 5.11%.

*Capital Improvement Budget*

In the documents submitted for this review, the City has identified that the capital improvements planned will benefit the City and sphere as future residents in Oak Hills and Summit Valley are expected to utilize services available in the City. The budgeted CIP categories for the fiscal year are:

<b>C I P Major Categories</b>	<b>Projects Completed in FY 2007-08*</b>	<b>Projects Continued in 2008-09 Budget</b>	<b>New Projects Included in 2008-09 Budget</b>	<b>New &amp; Continued Projects Included in 2008-09 Budget</b>
Streets C I P Projects	\$7,170,162	\$32,759,000	\$10,659,895	\$43,418,895
Storm Drainage	78,000	10,050,000	0	10,050,000
Facilities	3,412	16,749,500	125,000	16,874,500
Water	1,107,107	8,910,000	500,000	9,410,000
Sewer	521,194	1,675,000	975,000	2,650,000
<b>Total C I P Projects</b>	<b>\$8,879,875</b>	<b>\$70,143,500</b>	<b>\$12,259,895</b>	<b>\$82,403,395</b>

\* May include projects that are not yet completed but have been suspended and will resume in future years.

Significant projects budgeted within the past few years are:

- Main Street freeway interchange (completed)  
Ranchero Road improvements from Seventh Avenue to Mariposa Road  
Project study reports for the Muscatel freeway interchange and Joshua freeway overpass/offramp  
Ranchero Road freeway interchange
- Main Street corridor design from 11<sup>th</sup> Avenue to Highway 395
- Main Street Drainage Crossing – The City is designing and constructing a box culvert to convey major storm flows under Main Street along a significant drainage course (H-01 Line)
- Relocation of the Sheriff’s station – the current facility is technologically outdated and the size of the facility is inadequate. The City plans to build a new station near City Hall.

*Long-Term Debt*

The City has long-term debt for its governmental and business activities. The long-term debt for the governmental activities as of June 30, 2007 was \$76,545,968. In 2005, the Hesperia Public Financing Authority issued, on behalf of the Hesperia Community Redevelopment Agency, \$49.3 million in tax allocation bonds, Series A and B. The proceeds of the Series A bonds were used to refund the Senior Revenue Bonds, to repay loans made by the City to the Agency, and to provide funds for redevelopment project activity. Of the \$49.3 million, the largest debt item is roughly \$38.7 million and is a Series A bond with annual payments ranging from \$675,000 to \$2,415,000. The long-term debt for business activities totals \$18,351,335 with the largest being roughly \$14.7 million. This is a 28-year 1998A variable rate lease revenue refunding bond to refund a 1991 Certificate of Participation issue.

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### *Pass-Through*

Materials have been provided from the City Finance Department related to the receipt of pass-through revenues from redevelopment activities. The budget materials submitted by the City identify the pass-through revenues for the City's Redevelopment Project areas. However, the City, Hesperia Water District, and Hesperia Fire Protection District are eligible for receipt of pass-through revenues from the Victor Valley Economic Development Authority (VVEDA) which is operated by the City of Victorville. The Commission noted that during discussions of the dissolutions of the three Victorville subsidiary special districts correspondence was provided to LAFCO from the firm of Rosenow Spevacek Group Inc. (the firm which provided the information for pass-through agreements for the Victor Valley Economic Development Agency, a redevelopment agency), dated May 15, 2008, which identified that the pass-through required from VVEDA for the subsidiary districts, was provided directly to the City of Victorville as a lump sum. In discussions with LAFCO staff, the City has indicated that it is not aware of any requirement to apportion these redevelopment revenues to the subsidiary districts. The Commission identifies its disagreement with this position noting that redevelopment pass-through funds are determined based upon tax increment growth of the ad valorem property tax. The City and the subsidiary districts each have a percentage share of these ad valorem dollars which should be attributed to the pass-through amount received. City staff has indicated that if such an apportionment were required, the data from VVEDA as to the basis for allocation to the City and the subsidiary districts would need to be provided.

### *Appropriation Limit*

Action taken on June 17, 2008 by the City Council set the appropriation limit for the City at \$64,167,469 for Fiscal Year 2008-09.

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

The City consolidates the management of the Hesperia Water District, Redevelopment Agency, and Hesperia Fire Protection District at the new City Hall. When the new Public Works building is completed, it will house the Hesperia Water District, street maintenance operations, and record archives.

The Regional Wastewater Reclamation Facility is shared with the other participants in a joint powers authority, 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.

According to City of Hesperia staff, the City owns the land for the last two parks constructed, Malibu Park and Civic Plaza. The land for each park is then leased to the Hesperia Recreation and Park District (District) for one dollar per year.

- Hesperia Civic Plaza Park (Downtown Community Park) – located just west of City Hall, completed in June 2008 in cooperation with the City. The park has an amphitheater, walking paths, a reflection garden, water features, and activity areas. Even though the City owns the land, the park was constructed with City and District

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funds. The Commission is aware that the City and the District are discussing options for the ongoing maintenance of the Park, which include the City maintaining ownership and the District performing maintenance and upkeep.

- o Malibu Park – construction completed by the developer of the Mission Crest Project by Empire, which was conditioned by the City as a part of development approval. The park is located between Interstate 15 and Escondido Avenue, south of Main Street.

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

*Local Government Structure and Community Service Needs*

The City is a general law city and is governed by five council members elected at large to four-year staggered terms. The Mayor is appointed annually by and from within the City Council. The City Council also serves as the Board of Directors for its subsidiary districts, the Hesperia Water District and the Hesperia Fire Protection District, as well as the Hesperia Community Redevelopment Agency, Hesperia Financing Authority, and the Hesperia Public Facilities Corporation. Below is the composition of the current council, their positions, and terms of office:

Council Member	Title	Term
Mike Leonard	Mayor	2008
Thurston Smith	Mayor Pro Tem	2010
Tad Honeycutt	Council Member	2008
Ed Pack	Council Member	2010
Rita Vogler	Council Member	2010

City council meetings are held the first and third Tuesday of each month at the Hesperia City Hall at 6:30 p.m. The City complies with the Brown Act, and the public is welcome. The City Council convenes separate meetings as the Council or the respective board of directors. For certain items of common interest, joint meeting are held. Meetings are available on the City website.

Each year the proposed budget is presented to the City Council during a public hearing, and the budget is adopted each year by the Council/Boards through resolution. The City publishes a quarterly newsletter, which is mailed to all of the postal addresses within the City. Of note for financial accountability, the City has received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting for its Comprehensive Annual Financial Report for five straight years.

*Operational Efficiency*

Operational efficiencies are realized through several joint agency practices. For regional activities:

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- The City is a participant in the Victor Valley Economic Development Authority, a joint powers authority comprised of the Town of Apple Valley, Cities of Victorville and Hesperia, and the County to coordinate the transition of George Air Force Base from military to civilian use and its ultimate redevelopment as a regional international airport.
- The City is also a member of the Victor Valley Transit Authority whose members are the same as the Victor Valley Economic Development Authority. The purpose of this authority is to implement a public transit system to serve the Victor Valley and to provide connecting services to other areas.
- As mentioned above, the City is a member of the Victor Valley Wastewater Reclamation Authority (VWRA).
- The City is a participant for the future High Desert Corridor with the County and the Cities of Victorville and Adelanto and Town of Apple Valley.

The City is a member of the Public Agencies Self-Insurance System (PASIS), a joint powers authority of eight California cities and districts, for the purpose of pooling the risk for workers compensation insurance with those of other member cities and districts. The City is also a member of the Public Agency Risk Sharing Authority of California (PARSAC), a joint powers authority for the purpose of achieving savings on insurance premiums for general liability, employment practices, and property insurance.

The City cooperates with other agencies in the community to maximize efficiencies, for example:

- The County to pave roads that improve circulation to the City and its unincorporated sphere such as Mesquite Street and Summit Valley Road, and the widening/improvement of Rancho Road from Mariposa Road to Seventh Avenue which is currently under design.
- Water and Sanitation Division of the County Special District Department (administrator of CSA 70 Zone J) to provide water to portions of the Oaks Hills area.
- Hesperia Recreation and Park District to plan the new Downtown Community Park. The Park has an amphitheater, walking paths, a reflection garden, water features, and activity areas to address a more urban park need. The park was opened in the summer of 2008.
- Hesperia Unified School District and the Hesperia Recreation and Park District to establish new parks and school sites, in conjunction with new development.
- The City also provides administrative services such as budget, accounting, personnel, and legal services to the other agencies for which it is responsible.

### *Government Structure Options*

There are two types of government structure options:

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

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The City has indicated that it does not currently provide service outside its boundaries.

### *Other Government Structure Options:*

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion of the City to encompass the entirety of its sphere. In the materials provided, the City did not discuss this option. For the Oak Hills area, the basic pattern of land uses has been agreed upon by the City and the County through the Oak Hills Community Plan. Therefore, there would be no change in the basic pattern of land use designations if the area was annexed by the City. This option is viable, but unlikely at this time, due to the longstanding opposition of the Oak Hills residents to inclusion within the City. The balance of the sphere of influence related to the Summit Valley area would require massive infrastructure development in order to be served, which would preclude annexation at this time.
- Hesperia Recreation and Park District (District) becoming a subsidiary district of the City. Legal requirements for establishment of the District as a subsidiary district of the City are:
  - at least 70% of registered voters in the District must reside in the City; and,
  - at least 70% of the District's territory must also be within the boundaries of the City.

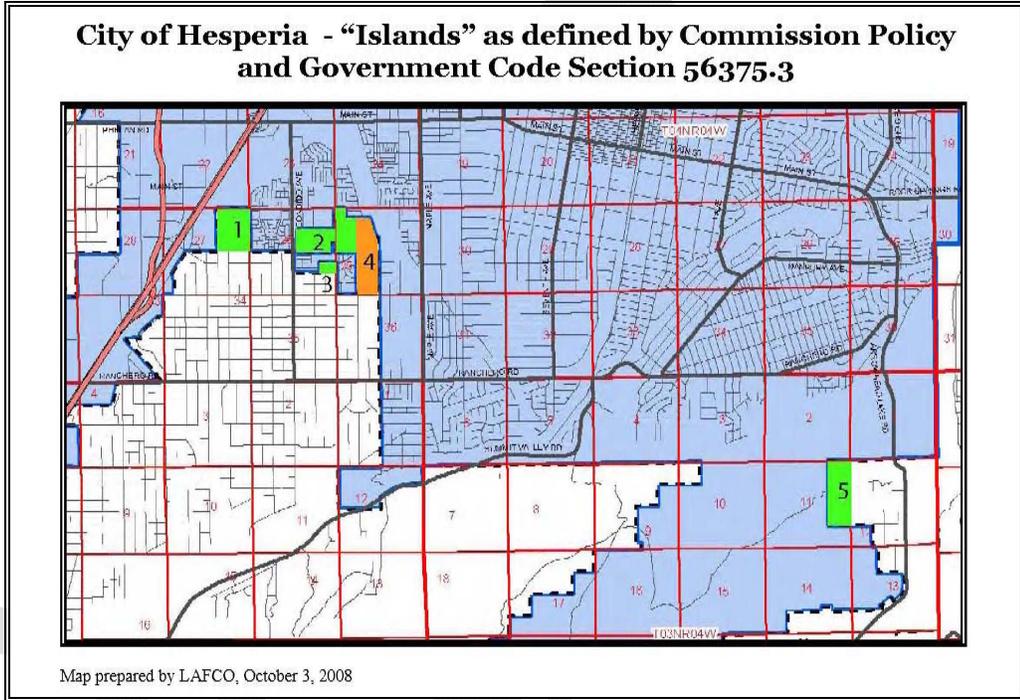
The Commission has determined that both requirements are currently satisfied; therefore, the District is eligible for establishment as a subsidiary district of the City. In order for subsidiary status to be established, an application needs to be submitted to LAFCO requesting such an action be taken along with submission of a plan for services. In this option, the District would continue to exist, the facilities would remain in the name of the District, and the taxes and assessments would still be received by the District. The change comes in the form of governance – the District would be governed by the City Council sitting as the ex-officio members of the Board of Directors. According to the materials provided by the City, at the present time neither the City Council nor the District Board has taken a formal position regarding this possibility.

- Dissolution of the subsidiary districts, Hesperia Water District and Hesperia Fire Protection District, whereby the City would be directly responsible for providing water and fire protection services. This option is discussed further in the respective sections of this report for the mentioned subsidiary districts.
- Maintenance of the Status Quo in general, no change in sphere of influence or range of services. This is the option supported by the Commission (with minor changes along Bear Valley Road, the Mojave River and to the south) and the City of Hesperia.

An additional element of consideration is to review the issue of “islands” within the existing boundaries of the City of Hesperia. Pursuant to Commission directives, when requesting approval of development related annexations, a city must address its totally and

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substantially-surrounded islands. The City of Hesperia’s islands were outlined in the Commission’s general discussion of the islands and its policies at the Workshop held on March 31, 2005. The Commission’s determination is that there are currently five areas that meet the requirements of being an “island” as defined by Commission policy and Government Code Section 56375.3. In the materials provided for this review, the City indicates that these islands will require future action by the City Council, but it provided no timeframe for such an action. In compliance with Commission directives, should a development related application be brought forward, the maintenance of its policy is to require that these areas be addressed. A map of the City’s islands is shown below.



Based upon its evaluation, the Commission supports the modification of the current sphere of influence determination for the City of Hesperia as identified above.

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

1. Present and Planned Uses

Overall, the City’s boundaries and sphere include the full range of densities from high density to non-developable land. Land uses also include the full range which includes open space, rural living, and residential. There are also Williamson Act contracts in the sphere area which restrict the land uses to either open space or agriculture for a minimum period of ten years. The City is also currently updating its General Plan, which is expected to be completed by Fall 2009 along with the City’s environmental review. The land ownership breakdown of the community is as follows:

Land Owner	Sq Miles	Percentage
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Private	109.8	93.4
U.S. Army Corps of Engineers	4.1	3.5
US Bureau of Land Management	3.0	2.6
San Bernardino National Forest	0.5	0.4
California Dept. of Parks and Recreation	0.2	0.2
<b>Total</b>	<b>117.6</b>	<b>100.0</b>

*Oaks Hills Community Plan*

The Oak Hills Community Plan was a joint effort between the County and the City, and the Community Plan recognizes the existence of the Oak Hills community. An Advisory Committee oversaw the development of the Oak Hills Community Plan which consisted of both landowners and residents. The boundaries of the Community Plan were structured around CSA 70 Zone J. The primary intent for this area is to continue to develop homes on 2 ½ acres lots and maintain its rural character. The Oak Hills Community Plan established a Freeway Corridor to be developed with retail and job producing industrial and office uses on the large parcels adjacent to the freeway. The Community Plan also delineates open space areas within the Oro Grande Wash as well as another wash on the east side of the freeway. These washes form buffer zones for the rural area lying outside the freeway corridor. Overall, the Oak Hills area could add an additional 12,000 persons by 2030.

The City adopted the Oak Hills Community Plan and the environmental document in 2002. The County adopted its version of the Community Plan in 2003 by creating the Oak Hills Planning Area and extracting portions of the Oak Hills Community Plan and inserting them into the County 1989 General Plan and Development Code as it did not have a mechanism to adopt a community plan. This was done so that the Community Plan would be consistent with the format of the County documents. The County adopted its General Plan Update in 2007 and established 13 other community plans, not including the Oak Hills Community Plan. County staff has indicated to LAFCO staff that the Oak Hills Community Plan is currently used as a guideline, and the standards of the Oak Hills Community Plan have been adopted as regional standards. The County's intent is to re-adopt the Oak Hills Community Plan in the same format as the 13 other community plans in the near future.

*Summit Valley -- Within Sphere of Influence*

Located south of the City within its sphere, Summit Valley is an area of significant potential growth. The City's General Plan for this area requires comprehensively planned development. The area has few paved roads and little infrastructure; therefore the preferred method of development is through the specific plan or planned development process. Since the City's incorporation in 1988, three specific plans have been approved in Summit Valley: Rancho Las Flores, Summit Valley Ranch, and Bella Mesa. These plans combine for a total of 20,000 dwelling units. Another specific plan has been submitted, but not yet processed, known as Majestic Hills, which proposes 4,000 dwelling units. Further, the Oak Hills Community Plan sphere area could add an additional 12,000 persons (4,478 dwelling units) by 2030 according to City staff. Together, all four specific plans and Oak Hills could add 28,478 dwelling units. Utilizing the County General Plan's 2.68 persons per household for the Desert region calculates to an additional 76,321 persons.

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### 2. Present and Probable Need for Public Facilities and Services

In the documents submitted for this review, the City has identified that the capital improvements planned will benefit the City and sphere as future residents in Oak Hills and Summit Valley are expected to utilize services available in the City.

In the unincorporated sphere area, Oak Hills is limited in its growth due to the Oak Hills Community Plan designating a rural character of the area. The area is served water by CSA 70 Zone J but lacks sewer capacity at present. There is development activity in Summit Valley but the area currently lacks the necessary infrastructure to support growth. The specific plans anticipate urban-type levels of services as the population increases. Given the anticipated growth within the sphere, residential projects will require the development of schools, parks, medical facilities, and police and fire services. Additionally, large scale residential projects will require all municipal level services.

Wastewater capacity will have to be expanded to meet future growth needs. Currently, VVWRA is planning to expand present sewer treatment services by adding an east regional facility and a sub-regional facility within the City. This would increase VVWRA's capacity overall and support the sewer needs of the City and the region.

The City is planning to construct three wastewater reclamation plants. The potential system also contains six reservoir sites with a combined storage volume of 10.5 million gallons, four booster pumps, and two pressure reducing stations. The Recycled Water Master Plan states that these plants will help the City meet its future water needs. An additional wastewater reclamation plant with a capacity of 3.7 million gallons per day is planned for construction as a part of the Rancho Las Flores development.

### 3. Present Capacity of Public Facilities and Adequacy of Public Services

The City provides or contracts for most municipal-level services within its current jurisdiction, with the exception of fire protection (Hesperia Fire Protection District) and water and sewer service (Hesperia Water District). Overall, current facilities and services delivered are adequate.

The 2008 Recycled Water Master Plan and 2008 Wastewater Master Plan study areas include the majority of the City but does not includes the future developments of North Summit Valley, Rancho Las Flores, and Summit Valley Ranch. The City currently does not have a recycled water system or any customers that are served with recycled or non-potable water. The City's wastewater is treated by VVWRA, and due to the distance from the wastewater reclamation plant, the City does not readily have access to recycled water from this plant.

In Oak Hills, there are limited commercial uses and there is no sewer provider. This is due to its rural nature and 2 ½ acre minimum size lots. In Summit Valley, there is no current water or municipal sewer service, but these are developments and the services are provided on-site.

### 4. Social and Economic Communities of Interest

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The City is the core of the social and economic community of interest for the Hesperia community. Within the unincorporated sphere, there are two distinct social communities. The Oak Hills Community Plan recognized the existence of the Oak Hills community through the appointment of an Advisory Committee that oversaw the development of the Community Plan. The other community is Summit Valley and is much smaller. The specific plans for this area will guide development in the future. The majority of the community is within the Hesperia Unified School District with the area west of Interstate 15 being within the Snowline Joint Unified School District.

In addition, the Mojave River presents an easily definable boundary for service delivery; however, its present location splits parcels. The Commission determines that the sphere of influence amendment should be amended to realign the sphere of influence/community definition along the parcels recognizing their service relationship.

**5. Additional Determinations**

- Legal advertisement of the Commission's consideration has been provided through publication in *The Daily Press* through publication of a 1/8 page legal ad and in *The Hesperia Resorter*, 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 Municipal Service Review Sphere of Influence update for the Hesperia Recreation and Park District would have exceeded 1,000 notices.
- 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 were reviewed and considered by the Commission in making its determinations.

**WHEREAS**, having reviewed and considered the findings as outlined above, the Commission determines to:

- (1) Modify the City sphere of influence along the northern boundary to expand and/or reduce the designation to correspond to the realigned centerline of Bear Valley Road;
- (2) Modify the City sphere of influence along the eastern boundary to expand the territory along the Mojave River south of Bear Valley Road;
- (3) Modify the City sphere of influence along the southern boundary to exclude the territory within the Crestline-Lake Arrowhead Water Agency, at Silverwood Lake; and,
- (4) Affirm the balance of the existing sphere of influence designation.

**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 City of Hesperia; 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;

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**BE IT FURTHER RESOLVED** that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the City of Hesperia 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 designation of the modified sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

**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:**

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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 November 19, 2008.

**DATED:**

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