LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO

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PROPOSAL NO.: LAFCO 3038

HEARING DATE: APRIL 18, 2007

RESOLUTION NO. 2954

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3038, A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR CITY OF VICTORVILLE, AS MODIFIED (affirmation of existing sphere of influence generally bordered by the Town of Apple Valley sphere of influence and boundary on the east, the City of Hesperia sphere of influence and boundary on the south, a combination of the City of Adelanto and its sphere of influence and County Service Area 9 (Phelan) on the west and a combination of the City of Adelanto and its sphere of influence and section/half-section lines on the north; expansion of the sphere of influence to include two areas immediately north of the City of Hesperia sphere of influence generally identified as: (a) approximately 75+/- acres bounded by the California Aqueduct on the north, Bellflower Street on the east, Mesa Street on the south, and Verbena Road on the west; and (b) approximately 40 +/- acres bounded by parcel lines on the north, Braceo Street on the east, Mesa Street on the south, and Baldy Mesa Road on the west.)

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

WHEREAS, a service review mandated by Government Code Section 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 this 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 February 21, 2007 and continued to March 21, 2007, at the time and place specified in the original notice of public hearing and in any 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 objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the review, in evidence presented at the hearing; and,

WHEREAS, at the hearing the Commission determined to defer consideration of the 37,000 +/- acre expansion proposed by the City of Victorville until following completion of the City's General Plan Update, expand it to include a review of the expansion of the sphere of the Victorville Water District (consolidated water district), and assign it an identification as LAFCO 3082 – Sphere of Influence Amendment (Expansions) for the City of Victorville and the Victorville Water District; and,

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on March 21, 2007. The Clerk was 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 sphere of influence for the City of Victorville should be: (1) affirmed as it currently exists, as more specifically described in maps and legal descriptions on file in the LAFCO staff office and (2) modified and expanded in two areas along its southeastern boundary, north of Mesa Street between Baldy Mesa Road and Bellflower Street to be coterminous with the City of Hesperia sphere of influence; and,

WHEREAS, the following findings are made in conformance with Government Code Section 56430 and local Commission policy:

1. **Infrastructure Needs & Deficiencies**

   The materials submitted by the City of Victorville identified seven key services (i.e., water, wastewater, storm drainage, streets, fire, police, and parks) and noted the most urgent needs and deficiencies with each service. The over-arching issue affecting infrastructure is the region's rapid growth and development. The City plans to invest approximately $290 million over the next five years in infrastructure improvements for the seven services identified. A majority of the costs will be paid for through development impact fees and developer requirements.

   At present, the City provides water service only to the Southern California Logistics Airport (SCLA) which currently has approximately 100 connections serving 2,700 jobs. Ultimately the SCLA is expected to provide 22,000 jobs and have a demand of 4,500 acre feet of water. The City does not have sufficient existing water rights to meet projected demand at build-out of the SCLA; however, the Victor Valley Water District (VVWD) has contracted with the City to provide potable water service to SCLA. The City is preparing a Master Plan for Water Services for the SCLA but that Plan has not yet been adopted and it is unclear, given the overdraft of the groundwater basin, where the City would purchase the necessary future supplies. In addition there are issues with water quality, including organics and arsenic, and current water pressure. The City plans to invest $9.2 million in the next five years to upgrade the water system serving the SCLA and its environs.

   Regarding water service to other portions of the City and its current and proposed sphere of influence, the City noted that the overdraft of the groundwater basin, concerns regarding water quality, not fully utilizing recycled water, and a lack of an assured future water supply were critical issues. In addition, it noted that some water agencies within the City have, in the past, projected

growth that is substantially lower than the City's projections. The report notes that more collaboration among water suppliers and the primary land use authority must occur; thus supporting the request for consolidation of the agencies under the direction of the City Council of the City of Victorville as a subsidiary district.

The City provides wastewater services to approximately 86% of the residents of the City through its subsidiary Victorville Sanitary District (VSD) but does not provide service to any areas outside the City's boundaries. County Service Area (CSA) 42 collects wastewater from within the Oro Grande community (predominately within the Victorville sphere of influence and a portion within city boundaries) and CSA 64 collects wastewater from the Spring Valley Lake community (a portion of which is within existing City boundaries, with the majority of its boundaries within the City of Victorville sphere of influence; however, its territory is divided between the sphere of influence of the City of Victorville and the Town of Apple Valley along the Mojave River). The Victor Valley Wastewater Reclamation Authority (VVWRA), a joint powers authority comprised of the VSD, the Town of Apple Valley, the Hesperia Water District and the County of San Bernardino, provides regional collection and treatment to all three local service providers. The City of Adelanto removed itself from the VVWRA during the 1990s and constructed its own wastewater treatment plant westerly of the SCLA. The VVWRA's current capacity is 12 million gallons per day (mgd) and is projected to be 18 mgd by 2008. The demand for regional treatment capacity at buildout is projected to be 22 mgd. Currently the City, through the VSD, sends 8.3 mgd to the VVWRA facilities.

The City noted that projected growth within the City General Plan exceeds existing treatment capacity for its wastewater system. The City is planning $13 million in capital improvements in addition to the system improvements constructed by developers. In addition, storm water concerns will grow as development and impervious surfaces increase; the City is planning $15 million in improvements in the next five years but noted that the "Storm drainage system will not operate at full capacity until vacant land areas are developed and infrastructure completed." The City is preparing a Storm Water Master Plan which is expected to be adopted in 2007.

The City maintains 363 miles of streets with 12% identified as in need of repair. It maintains a goal of Level of Service (LOS) "C" for arterials and LOS "D" for intersections. LOS grades range from "A" to "F", with a grade of "A", "B" or "C" meaning that traffic moves relatively freely, without significant delays. A grade of "D" means delays become more noticeable, and an "E" means traffic volumes are at or close to capacity, resulting in significant delays and average speeds of no more than about one-third the uncongested speed. A grade of "F" means that traffic demand exceeds available capacity, with very slow, stop-and-go speeds and long delays of more than one minute. The City estimates that street improvements, including intersections along I-15, will require an estimated $140 million over the next five years. The City is currently completing a new traffic model as a part of its general plan update.

The City's past park standard was 2.1 acres of parks per 1,000 residents; it now is 3 acres per 1,000 residents. The City estimates that it will need 54 more parks when the existing sphere of influence is annexed and 438 more acres of park if the expanded sphere of influence is approved and annexed. The City estimates that the cost of new park facilities will be $83 million through 2020.

Fire service demands will increase by 3% per year and the City will try to maintain a standard of a five-minute response time in heavily-populated areas. The demand for police service will also increase; the City is expected to invest $9.6 million in police-related capital improvements through 2020.

The rapid pace of development has created significant infrastructure needs in the City of Victorville. The City is currently preparing numerous studies as well as updating its General Plan to address the needs identified.

2. Growth & Population Projections

By 2000 the Inland Empire's combined population had increased by almost 100,000 residents each year. The 2000 Census data noted San Bernardino County's population at over 1.7 million, an increase of 20.5% over 1990 Census data. The Cities of Adelanto, Fontana, Highland, Rancho Cucamonga, Rialto, Yucaipa and Victorville recorded the highest percent growth; all increased in population by more than 25%. Overall, San Bernardino ranks as the fourth-highest populated county in California, and is projected to be home to more than 2.8 million residents by 2020, an increase of 65% over the 2000 data.

The City of Victorville currently has a population of 95,000, which is expected to increase to 134,000 by 2020, or approximately 40%. The City's projected population at build-out will be 340,000. The population within the City's existing sphere area is approximately 12,000 and is expected to double at build-out.

From 2000-2005 the rate of growth was 7% per year but increased in 2005 and 2006 to 11% and 10% respectively, with most growth occurring in the western and northern areas. The City's General Plan, which is currently being updated, will contain new population projections to guide future development.

3. Financing Constraints & Opportunities

The City of Victorville submitted its 2006-2007 proposed budget as part of the service review. The largest source of revenues is from General Fund sources which amounted to approximately 21% of the City's total budget. The next two largest categories were "Development Impact Fees" and "State and Federal Grants", each at approximately 13% of the total budget. The revenue categories can be confusing since the City operates three subsidiary districts, and, by law, those subsidiary districts' budgets must be kept separate from the City's other revenues; however, they are included as an overall function of the general fund budget.

The City's Comprehensive Annual Fiscal Review (CAFR – a copy of which is on file in the LAFCO office) noted that "...net assets serve as a useful indicator of a government's financial position. In the case of the City of Victorville, net assets increased by 5.5% at the close of the most recent fiscal year. ... At the end of the current fiscal year, the City of Victorville is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-activities." However, the materials reported in the City's CAFR do not individually identify the subsidiary districts administered by the City – the Victorville Fire Protection District (VFPD), the Victorville Recreation and Park District (VRPD), and the VSD. Page 133 of the CAFR does provide a listing of the property tax revenues attributable to these three agencies and the internal City Streetlighting District, but no independent evaluation of the separate agencies is provided. In the City's proposed budget for FY 2006-07, the subsidiary districts are treated as departments of the City and combined in a single budget.

A concern heard repeatedly by all LAFCOs throughout California is that cities, when operating enterprise activities, such as water and sewer, charge higher than appropriate administrative charges to cover General Fund needs. Most cities that operate subsidiary districts adopt policies regarding the level and extent of transfers from enterprise funds and/or subsidiary districts. If the City of Victorville has adopted such policies, it is requested that a copy be provided to LAFCO and it is recommended that copies be posted on its website to provide greater transparency of operations for residents. If such policies have not been adopted, the City Council should consider them.

4. Rate Issues & Restructuring

No specific rate information was submitted by the City of Victorville. It noted that water and wastewater rate adjustments will be necessary to address future needs. The City noted minimal opportunities to restructure solid waste collection rates.

5. Cost Avoidance & Opportunities for Shared Facilities

The City of Victorville noted that there will be opportunities for "eliminating duplicative costs" as it annexes land, although no specific information was submitted to substantiate what costs could be eliminated. It is assumed that the City would submit a detailed fiscal analysis with its annexation proposals. The City's service review noted that it participates in joint ventures and reviews service levels as a means of avoiding costs. The City shares facilities and services with other public agencies, such as being a member of the VVWRA, as well as through contracts with the County Sheriff's Department for the provision of law enforcement services and with local schools for park services. It also noted that it is proposing the dissolution of its three subsidiary districts to reduce duplicative costs.

6. Management Efficiencies

The City of Victorville noted that the dissolution of its subsidiary districts and the consolidation of water districts might increase management efficiencies. No significant issues were noted.

7. Government Structure Options

The government structure options for the City of Victorville are described below:

1. Subsidiary Districts Dissolution

   With this governmental structure option, the City of Victorville would dissolve its three existing subsidiary districts—the VFPD, the VSD and the VRPD. The City adopted a resolution initiating dissolution of these agencies in August 2005; however, a complete application for the individual dissolutions was not received until December 22, 2006. Processing of these applications has begun. The proposals request that the City become the successor agency and all assets and liabilities be transferred to the City. The advantages could include some cost saving, more efficient provision of service and greater transparency of government structure to residents. Since the VFPD and the VRPD serve areas outside the City's current boundaries, as a condition of approval, authorized pursuant to Government Code Section 56886(r), the Commission should require that services shall be continued to be provided to these areas at the same level as in-city services. As an alternative, these areas could be annexed to the City, be served by an out-of-area service agreement with the City, or find alternative service providers. The Fire Protection District serves areas along I-15 north of the City and the Coad Road Island. However the Coad Road Island could be annexed under the islands provision of the

Cortese-Knox-Hertzberg Act. The Recreation and Park District serves Spring Valley Lake, three unincorporated islands and the Mojave Narrows Regional Park.

2. Annexations

Annexations which could be processed have been identified to include the following:

i. Mountain View Acres—this area is comprised of two non-contiguous areas totally surrounded by the City of Victorville: a southern portion (1,006 acres and 2,521 residents) and a northern portion (308 acres and 669 residents).

ii. Spring Valley Lake—this area encompasses a 1,461 acre developed community with 6,566 residents located between the City of Victorville and the Mojave River at the southeastern edge of the City.

iii. Baldy Mesa—this 4,215-acre area, which is served by the Baldy Mesa Water District (BMWD), is located to the west of the City and has approximately 655 residents.

iv. SCLA Vicinity—this area is located between the SCLA and Route 66, southwest of Oro Grande. This area is predominantly flood control lands with little development potential.

v. Coad Road Island—The Coad Road Island, a 96-acre island entirely surrounded by the City of Victorville with 28 residents, could be annexed under the provisions of Government Code Section 56375.3 which allows cities to annex unincorporated urban islands through a streamlined process that does not require protest proceedings or elections provided the islands do not exceed 150 acres. The City and LAFCO staff should address any other islands within the City that meet the requirements of 56375.3, are less than 150 acres and meet the Commission's defined policy for "substantially-surrounded" islands. This would result in more efficient provision of services and more logical governmental boundaries.

3. Reorganization of Water Districts

The City has also requested a reorganization of the BMWD and the VVWD into a consolidated water district, to be known as the Victorville Water District and establishment of the consolidated agency as a subsidiary district of the City. The City noted in its service review report that the proposal could enhance water conservation, increase opportunities to share facilities, avoid and reduce costs, prevent conflicts between approved land uses and water supply, provide an opportunity for uniform rates to City residents and improve management efficiencies.

8. Local Accountability & Governance

The City of Victorville is governed by a five-member Council elected at-large to four-year, staggered terms. The figure which follows lists City of Victorville's councilmembers and their titles. No information regarding terms of office or stipends was provided.

Name	Title	Term
Mike Rothschild	Councilmember	2004-2008
Rudy Cabriales	Councilmember	2004-2008
JoAnn Almond, Mayor Pro Tem	Councilmember	2006-2010
Terry E. Caldwell, Mayor	Councilmember	2006-2010
Bob Hunter	Councilmember	2004-2008

The City of Victorville's City Council holds its regularly-scheduled meetings on the first and third Tuesday of each month at 7:00 pm. No significant issues related to local accountability or governance were identified.

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

1. **Present and Planned Land Uses**

The City of Victorville encompasses approximately 74 square miles of territory. The present and planned land uses within the City include a range of residential, commercial and industrial uses including large areas available for development. There are approximately 3,250 acres zoned for commercial use, with nearly 60% available for development, and 5,400 acres zoned for light and heavy industrial use, nearly 90% of which is currently vacant. Within the City's proposed sphere of influence expansion area to the north and northeast of its existing sphere of influence, there are more than 13,000 acres identified in the City's Municipal Service Review (MSR) as proposed low density residential development.

2. **Present and Probable Need for Public Facilities & Services**

The City of Victorville currently provides a range of municipal services to its approximately 91,000 residents, including parks and recreation, police (through a contract with the County Sheriff), fire, trash, economic development, and wastewater collection and treatment. The need for City-provided services will increase, as the city's population grows. Projected population growth is estimated to be 3% annually with a projected population of 134,000 by 2020 and an approximate build-out population of 340,000+.

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

The City of Victorville provides most municipal-level services within its current service territory, with the exception of retail water service. The City plans for future growth and service needs. Currently there is not enough capacity to accommodate projected growth for such services as retail water service, wastewater collection and treatment and fire protection under existing City standards. The City's wastewater system, constructed with the VVWRA, will need to be expanded to ensure that capacity is available concurrent with need. Connection fees do not cover the City's costs of extending sewer infrastructure to some areas and additional financing may be required. For some areas to convert from septic to public sewer systems, per parcel costs could be as high as $15,000.

While drainage infrastructure is generally built with development impact fees, storm drainage assessments may be needed to construct infill facilities. Such a fee structure would be subject to Proposition 218 requirements. The City plans to invest approximately $15.4 million in drainage improvements over the next five years.

Traffic is a concern as development increases; the City is planning $140 million in road and street improvements over the next five years including improvements at intersections along I-15 and portions of Bear Valley Road.

Demand for fire services will increase with growth. Over the next fifteen years, calls to the VFPD are anticipated to increase more than 50%. The City is planning for at least $20 million in capital improvements through 2016 with the costs primarily funded through development impact fees. A similar increase in the need for police protection services is also expected and the City plans to invest $9.6 million in police-related capital improvements through 2020. These costs will be funded by development impact fees and general fund revenues.

4. **Social & Economic Communities of Interest**

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

5. **Other Findings**

A. Notice of the original hearing was published as required by law in The Sun and the Daily Press, newspapers of general circulation in the area. As required by state law, and Commission policy an 1/8th page legal ad was provided for this consideration.

B. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination.

WHEREAS, having reviewed and considered the findings as outlined above, the Commission: (1) defers consideration of the requested sphere of influence expansion to be known as LAFCO 3082; (2) affirms and upholds the sphere of influence for the City of Victorville; and (3) provides for minor expansions along its southwestern boundary to be coterminous with the sphere of influence assigned the City of Hesperia as it currently exists; and these changes are depicted on maps on file in the office of the San Bernardino Local Agency Formation Commission.

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 the territory, described on maps on file in the LAFCO office, as being within the sphere of influence of the City of Victorville, it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the City of Victorville shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's affirmation of this sphere of influence and the minor sphere expansions along the southeastern edge of the 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: Biane, Colven, Cox, Hansberger, McCallon, Nuaimi, Pearson

NOES: COMMISSIONERS: None

ABSENT: COMMISSIONERS: None

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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 April 18, 2007.

DATED: April 20, 2007

KATHLEEN ROLLINGS-McDONALD
Executive Officer