

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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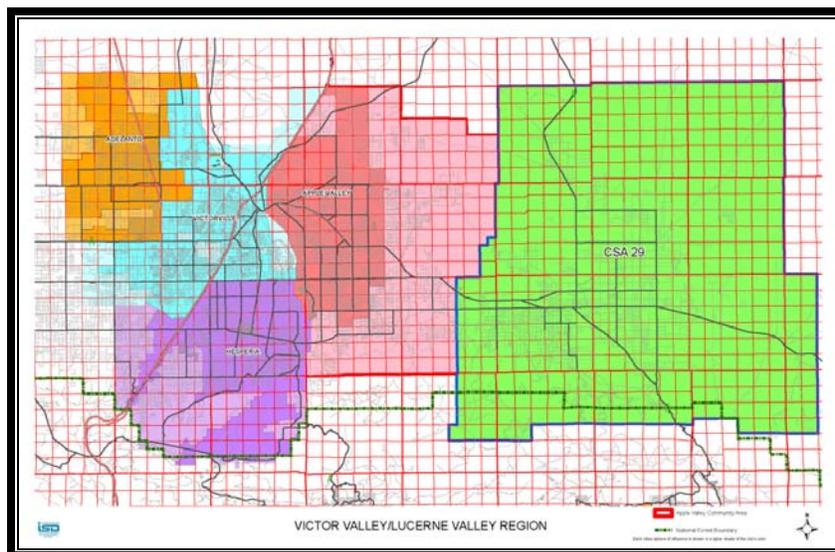
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

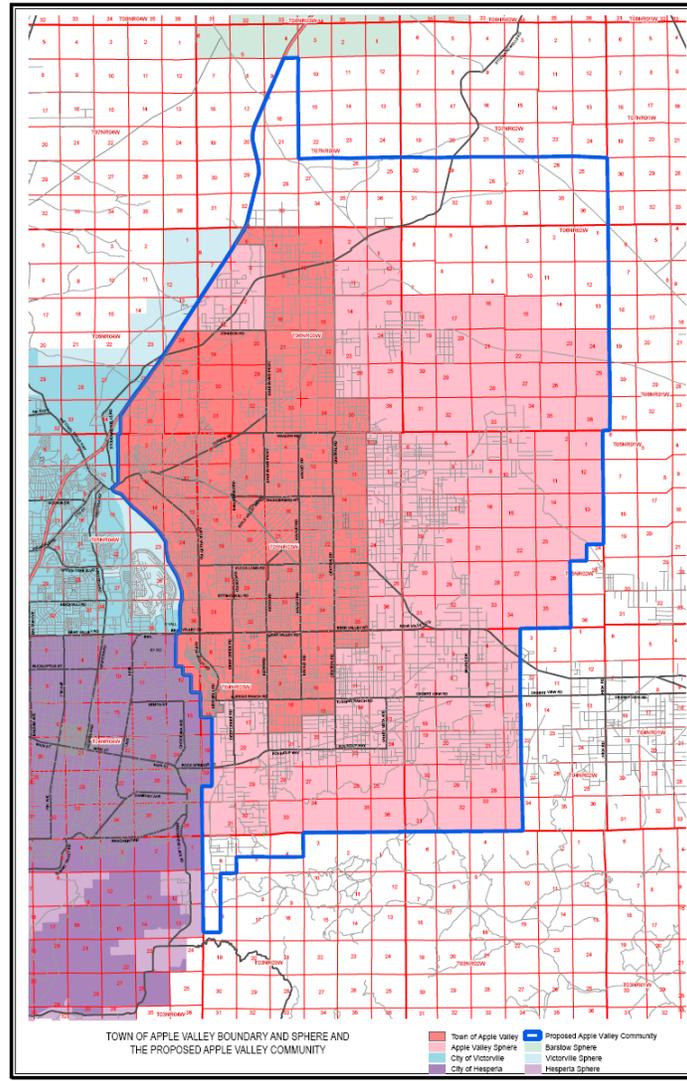
SUBJECT: Agenda Item #4(a) -- Municipal Service Review/Sphere of Influence Update for the Town of Apple Valley

INTRODUCTION:

San Bernardino LAFCO has chosen to undertake its Municipal Service Reviews on a regional basis, further refined by its community-by-community approach to sphere of influence identification. This report contains the municipal service review and sphere of influence update for the Town of Apple Valley. The balance of the public agencies within the overall Apple Valley Community are discussed in a separate report, previously provided to the Commission for the August 20 hearing. Since October 1990, LAFCO has defined the community of Apple Valley as the sphere of influence of the Town of Apple Valley. Below is a map illustrating the Town of Apple Valley sphere of influence in a regional context, a copy of which is also included in Attachment #1.



Within its separate report on the balance of agencies serving the Apple Valley Community, LAFCO staff is recommending a revised definition of the community of Apple Valley, which is shown below, which extends beyond the existing Town of Apple Valley sphere of influence.



TOWN OF APPLE VALLEY HISTORY:

In the late 1800s the discovery of silver and gold attracted settlers to the area now known as the community of Apple Valley. In the early 1900s the federal government made thousands of acres available to homesteaders, and the rise in apple farming ensued. In the early 1900's, health retreats developed within the community due to the area's dry desert air climate for treatment of asthma and/or consumption (tuberculosis), and following World War I veterans recuperated at ranches in the community for the same reason. As for the name

of the community, there is no definite source for the name of Apple Valley. One version is that the name arose from the abundance of apple orchards during the 1920s. Another version has the name coming from the Appleton Land Company, a developer in the area during that time. A third possibility is that an early settler, Ursula Poates, stated that apples were grown along the river but not by the ton.¹

Population of the area increased when the Apple Valley Building and Development Company (also known as Apple Valley Ranchos Land Company) began developing the area in 1946. Historically, land uses in the community involved mining, quarrying (a type of open pit mining), ranching, and agriculture. Since World War II, the area has experienced significant residential growth with a decreasing percentage of land devoted to agriculture (Town of Apple Valley General Plan, 1998). A second growth spurt took place in the 1980s when development in the community consisted mainly of single family homes on one acre or larger lots.

According to the Town's Incorporation Feasibility Study prepared in 1986/87, incorporation was advocated as it would increase law enforcement protection, improve transportation needs, and provide greater local control over growth.² Following LAFCO approval of the incorporation application (LAFCO 2470) and local voter approval, the Town of Apple Valley incorporated in November 1988. Of particular note, the residents within the boundaries of the proposed incorporation chose to name their city "Town" as authorized by Government Code Section 56722. This was to reflect the rural character of the area. The laws which govern a City or Town are the same and in a legal context they are the same type of government agency. Further, the Town's Comprehensive Annual Financial Report for 2006 identifies that incorporation was initiated due to a general dissatisfaction with uncontrolled growth.

An element of the Town's incorporation reorganization established the Apple Valley Water District as a subsidiary district of the Town while detaching the Town territory from County Service Area 17 (streetlights), and made minor boundary adjustments for the Apple Valley Fire Protection District and Apple Valley Recreation and Park District. The Apple Valley Fire Protection District, the Apple Valley Recreation and Park District, County Service Area 60 (airport), and a portion of County Service Area 64 (identified as Spring Valley Lake Equestrian Center) continued to overlay and serve the incorporated area as a function of the incorporation approval. Of note, the Apple Valley Water District provided the management and operation of the sewage collection system for the area while actual delivery of retail and domestic water service was, and continues to be, provided by private and mutual water companies within the boundaries of the Town, primarily Apple Valley Ranchos Water Company and Golden State Water Company (formerly known as the SoCal Water Company).

Other significant boundary actions have taken place since the Town's incorporation. First, the Town of Apple Valley sphere of influence was established in 1989/1990, through LAFCO 2528, defining the community of Apple Valley. Second, the Apple Valley

¹ Town of Apple Valley. Website, www.applevalley.org, Last Updated February 28, 2008. Accessed March 3, 2008.

² Town of Apple Valley, Comprehensive Annual Financial Report, (2006), ii

Recreation and Park District was dissolved in 2001 by approval and completion of LAFCO 2868. The Town assumed responsibility for providing recreation and park services to the territory of the former district, which included the approximate 74 square miles within the corporate boundaries of the Town with an additional 92 square miles outside of the Town's boundaries. The Town's recreation and park department area of responsibility remains significantly larger than the corporate limits of the Town. A chronology of the major governmental events in the history of the community is as follows:

- 1951 The Apple Valley Fire Protection District is formed. It is the first local independent agency for the burgeoning community of Apple Valley.

- 1953 The Apple Valley Park and Recreation District is formed to provide for organized park services for the community. The district was a board-governed district, meaning the board of directors was the County Board of Supervisors.

- 1975 The Apple Valley County Water District is formed (LAFCO 1484) to establish an agency to provide collection and transportation of wastewater to the regional treatment plant being proposed. Originally this independent agency was the contractor for this service and when the Joint Powers Authority was established it was the agency signing on behalf of the community.

- 1988 The Town of Apple Valley is incorporated (LAFCO 2470), establishing the Apple Valley Water District as a subsidiary district of the Town, detaching the area from CSA 17, while retaining all other overlying regional agencies. In order to clarify the boundary of this incorporation there was a reorganization of park and fire boundaries along the Mojave River north of Bear Valley Road to remove Victorville based districts from the east side of the Mojave River. The exception to this action was CSA 64 (Spring Valley Lake water and sewer provider) within the area identified as the equestrian center for the Spring Valley Lake Planned Development.

- 1990 The Commission establishes the sphere of influence for the Town of Apple Valley, including 122 square miles outside the corporate boundaries of the Town. LAFCO staff expressed concern regarding the size of the unincorporated sphere designation, but the definition took into account information related to drainage and existing transportation corridors.

- 1991 The Town initiated two annexations within its sphere of influence, LAFCO 2588(A) and 2588(C). LAFCO 2588(A), encompassing 3,520 acres, included four square miles of territory north of the Town's existing boundaries, north of the Apple Valley Airport, and 1.5 square miles in the south along Tussing Ranch Road. LAFCO 2588(A) was approved and completed on September 4, 1991. LAFCO 2588(C) included approximately 10 square miles in three separate areas around the periphery of the Town and included annexation to the Apple Valley Water District. The area included the northwest sphere area, territory east of Joshua Road, and Section 18 south of Tussing Ranch

Road. This reorganization was approved by LAFCO in September 1991 but was ultimately terminated due to registered voter opposition (3 voters in support and 59 voters opposed) on October 8, 1991.

- 1992 LAFCO 2712 was a reorganization including annexation to the Town, Apple Valley Water, Fire and Park District and Detachment from Hesperia Water, Fire, and Park Districts. This 200 acre area in Section 18 along the Mojave River south of Tussing Ranch Road was proposed for development and services were only available through the Apple Valley community, the developable portion was on the east side of the River.
- 1994 The Sycamore Rocks Elementary School property located east of Joshua Road is annexed to the Town in order to receive increased law enforcement services through participation in the drug and gang prevention services (LAFCO 2778).
- 1996 LAFCO 2806 (sphere expansion) and 2807 (reorganization) expanded the service area of the Town located at I-15 and Dale Evans Parkway (249 acres)
- 2001 The Apple Valley Recreation and Park District is dissolved and the Town of Apple Valley is named the successor agency with all property tax revenues being transferred to the Town (LAFCO 2868). This approval included the requirement that the Town continue to provide the same level of service at the same charge to the areas outside the Town boundaries that were a part of the District as provided within the Town.
- 2005-06 A proposal to dissolve County Service Area 60 is initiated by the Town of Apple Valley, but is later withdrawn (LAFCO 2956). The withdrawal by the Town is related to the property tax transfer resolution adopted by the County indicating that only the property tax revenues generated within the boundaries of the Town and its sphere of influence would be transferred; the balance of the revenues would be reallocated to the other underlying agencies.
- 2008 The Town of Apple Valley initiated a General Plan Amendment/Zone Change to include the territory of its sphere of influence (122 square miles) and an additional 70+/- square miles beyond its defined sphere of influence within its land use designation documents. This action, at the beginning, was in response to LAFCO staff concerns that the Town had not included its sphere of influence territory within its General Plan as required by Commission policy. LAFCO staff responded on the environmental document related to this review by the Town. Staff of the Town and LAFCO disagreed on the issue of the relevance of LAFCO's comments regarding the Town's environmental processing. The Town's position was that LAFCO was not a responsible agency in the process, and LAFCO staff disagreed. At the March 10, 2008 Town Council meeting, the General Plan Amendment/Zone Change was adopted. No further action has been taken by LAFCO related to this

environmental document (copies of final resolution provided as a part of Attachment #2 to this report).

The historic, social, and economic center of the community is the Town of Apple Valley, which is generally located 37 miles south of Barstow and 46 miles north of San Bernardino. The terrain of the community varies from the plains adjacent to the Mojave River to steep knolls and mountains such as Bell Mountain and the foothills along the northern face of the San Bernardino Mountains. The primary thoroughfare through the community is State Route 18 and the developed portion of the community is located a short distance from Interstate 15.

Issues that have been reviewed in the staff report previously submitted to the Commission include:

1. Determination of the community of Apple Valley in compliance with Commission policies for spheres of influence. It has been recommended that the Community definition be expanded and reflected by the sphere of influence, as modified, of the Apple Valley Fire Protection District.
2. Discussion of the jurisdictional issues for domestic water delivery within the existing Apple Valley sphere of influence and the Apple Valley community as defined by the determinations outlined in #1 above.
3. Determination of the appropriate service boundary for the agency providing streetlighting services in the unincorporated Apple Valley community.
4. Review of the service area of County Service Area 60, the funding and operational entity for the Apple Valley Airport.

TOWN OF APPLE VALLEY

Municipal Service Review and Sphere of Influence Update

INTRODUCTION:

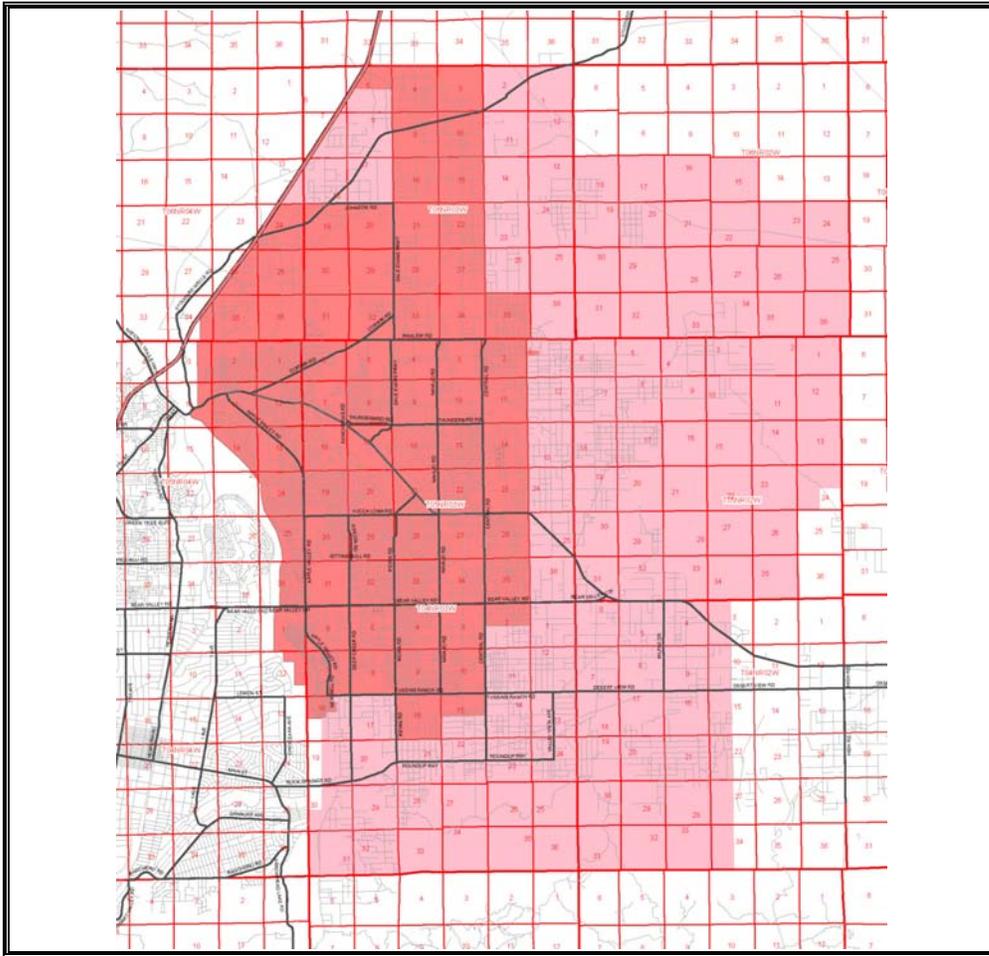
The Town of Apple Valley (hereinafter “Town”) prepared a service review consistent with LAFCO’s policies and procedures and the factors required by Government Code Section 56430. LAFCO 3013 consists of a municipal service review pursuant to Government Code Section 56430 and sphere of influence (sphere) update to include a sphere expansion pursuant to Government Code 56425 for the Town of Apple Valley. The Town’s response and supporting materials are included as Attachment #2 to this report and are briefly summarized in the information which follows.

The Town of Apple Valley is a general law municipality with a five member Town Council, elected at-large. It incorporated in 1988 through approval by the electorate of LAFCO 2470. The corporate limits of the Town encompass approximately 78 +/- square miles making it one of the largest incorporated cities in California. The unincorporated portion of its sphere encompasses approximately 122 +/- square miles beyond the corporate boundaries of the Town.

Since 1980, growth within the Town’s corporate limits increased from a population of approximately 16,000 to over 50,000 in the 1990’s. Since 2000, the Town has experienced vast residential and commercial growth. From 2000 to 2007, the population increased by 23% from 56,980 to 70,297 as determined by the California Department of Finance.

BOUNDARIES:

The Town is generally east of the Cities of Victorville and Hesperia, south of the City of Barstow, west of the community of Lucerne Valley, and north of the San Bernardino National Forest. The Town’s corporate limits are generally bordered by a combination of the City of Hesperia, the City of Victorville and its sphere on the west; section lines on the north, a combination of Central and Joshua Roads on the east, and a combination of section lines and half-section lines on the south. On the next page is a map of the Town’s current boundaries and its current sphere.



LAFCO staff is recommending minor modifications to the Town's sphere of influence along its western boundary to clarify service delivery along the Mojave River generally following parcel lines north and south of Bear Valley Road.

However, LAFCO staff is not proposing an expansion of the existing Town sphere of influence to be coterminous with the community of Apple Valley on the basis that:

1. The Town has indicated its position that it is not requesting a sphere of influence expansion even though its General Plan Amendment/Pre-zone extends beyond the current sphere designation (map included as a part of Attachment #2) and it is currently processing a General Plan Update; and,
2. The Commission would need to be the lead agency on the environmental assessment of any such sphere expansion without the legal ability to charge for the costs involved with that determination.

This position is discussed in more detail under the Sphere of Influence Update portion of this report.

MUNICIPAL SERVICE REVIEW SUMMARY

LAFCO requested the submission of specific information from the Town in order to prepare a service review as required by Government Code 56430. The Town's response to LAFCO's request (briefly summarized below and included in Attachment #2) includes, but is not limited to, the Town's comprehensive annual financial reports, budgets, 2004 Park and Recreation Master Plan, 1993 Sewer Master Plan, Annexation Policy, and General Plan Amendment Pre-Zoning adopted in March 2008.

Growth and population projections for the affected area.

The Town had an estimated population of 70,297 in 2007.³ According to Town staff, the build-out population within the Town's boundaries is estimated to be 177,000 based on the land use designations from its current General Plan. The most recent general plan update for the Town was in 1998; however, the 1998 update did not include a Housing Element. The Town is in the process of updating its General Plan which is anticipated to be completed in Spring 2009. The service review material provided indicates that future population and housing growth will most likely occur as infill within the developed area within the Town's limits, specifically the southern, northeast, and northwest portions of the Town. The Town has an adopted strategy for controlling growth as determined by local referendum through the implementation of Measure N (reaffirmed and clarified through Initiative Ordinance No. 06-01), which limits residential lots to a minimum of one half acre.

The Town's population projections, which were developed using the Southern California Association of Government (SCAG) projections, are listed in five-year increments, as follows:

2010 – 70,873	2025 – 89,815
2015 – 77,333	2030 – 95,675
2020 – 83,707	

As indicated above, the Town's 2007 estimated population according to the Department of Finance was 70,297 and the population projection for 2010 is 70,873. However, based upon existing development project approvals, the Town is on pace to meet the 2010 population projection before 2010. Nonetheless, the population forecast remains – the Town will experience significant growth through 2030.

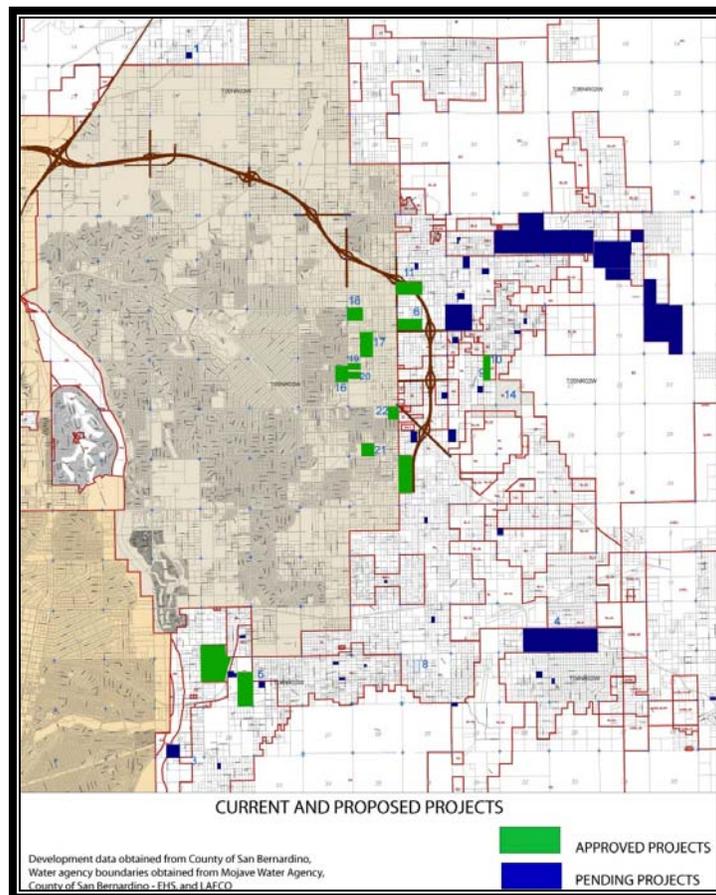
According to the County's General Plan, the Town's sphere has a residential build-out of 21,450 dwelling units. However, LAFCO staff has received project notices which anticipate General Plan Amendments, tentative tract developments, and Conditional Use Permits for increased residential development in both the eastern and southern sphere territories. A review of the project notices submitted by County Land Use Planning for review on file with

³ State of California, Department of Finance, *E-4 Population Estimates for Cities, Counties and the State, 2001-2007, with 2000 Benchmark*. Sacramento, California, May 2007.

LAFCO (from 2004 through the present) indicates the potential for creation of 5,542 lots. The larger of these projects include the following:

PROJECT NAME	YEAR SUBMITTED	NUMBER OF RESIDENTIAL UNITS
Fairview Valley (Hacienda)	2007	3,114 residential units
Deep Creek Project (Tract 16569)	Unknown	220 residential unit
Tract 17252	Unknown	126 units (lot sales)
Tract 18371	2006	204 residential units
General Plan Amendment	2006	235 residential units
Conditional Use Permit for mobilehome park	2006	152 spaces on 39 acres
Tract 17557	2005	199 residential lots
Tract 17500	2005	97 residential lots
Tract 17252	2004	134 residential lots
Richmond Tract	2006	336 residential lots

The following figure shows the location of the larger projects submitted to the County Land Use Services Department (a full size copy is included as a part of Attachment #2):



Utilizing the County's General Plan calculation of 2.68 persons per household for the Desert region, build-out population, as revised by the projects listed above, is estimated at 72,338. This would alter the total build-out population of the Town's boundaries/sphere to an estimated 249,338 (the current build-out population of the Town estimated to be 177,000 based upon the current Town General Plan plus the revised County General Plan) in the estimated planning horizon of the year 2030. Historic trends indicate moderate to high growth within this area, and significant growth continues within the Town's boundaries and its sphere. This trend continues even though the Town General Plan requirements for land use support a minimum half-acre residential lot size as determined by referendum. 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 "Beltway High Desert Corridor". These future projects will increase the need for public services within existing Town boundaries as well as within the unincorporated sphere territory.

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 Town and the Fire District are planning for future facilities and delivery of services. Specifics on the Fire District's future plans are included in the Fire District's Municipal Service Review/Sphere Update provided in the separate report. The Town contracts with the County Sheriff to provide law enforcement and traffic control/accident services to the incorporated area; the County Sheriff, through the Victorville office, provides for law enforcement services and the California Highway Patrol provides for traffic control/accident services in the sphere territory. The Town police force had a staff of 61 for FY 2006-07, which included 48 sworn officers. According to the Town's FY 2007-08 Budget, the Town budgeted \$8,696,647 for Sheriff Services for FY 2006-07 and used 99.1% of the budget, and budgeted \$9,368,409 for FY 2007-08. The funding for law enforcement services during FY 2007-08 accounted for 48% of the General Fund expenditures.

The Town is within the boundaries of the Apple Valley Fire Protection District and the District provides "all risk" emergency response, including emergency medical services at the EMT-P (paramedic) level. The District operates seven fire stations, all located within Town boundaries. Emergency Preparedness is budgeted at \$83,675 for FY 2007-08 and pays for a share of the cost of the emergency preparedness officer working at the Apple Valley Fire Protection District.

WATER

The Town does not provide for retail water service within its boundaries. Within the existing Town boundaries, this service is provided by private water companies, primarily the Apple Valley Ranchos or Golden State Water Companies or the Rancheritas Mutual Water Company. The Town coordinates its development projects with the water utilities to assure the adequate extension of service both for residential and fireflow purposes. The Apple Valley Ranchos Urban Water Management Plan indicates that it provides water services to 80% of the customers within the Town limits. Within the existing Town sphere of influence

water service is provided by an array of public and private entities: five county water districts, three mutual water companies and two private water companies, discussed in greater detail in the Community of Apple Valley staff report. The County Land Use Services Department must coordinate with these various agencies in the evaluation of development projects.

SEWER

The Town provides sewer collection and transportation for the majority of the Town’s territory. Treatment of the effluent collected by the Town is provided by the Victor Valley Wastewater Reclamation Authority, a joint powers authority of which the Town is a member. Town staff indicates that the current sewer capacity and infrastructure is adequate to serve the sewer needs within its service area, is in good working condition, and continues to expand with new development. The most recent adopted Sewer Master Plan is from 1993. Following adoption of the General Plan Update (estimated for completion in Spring 2009), according to the Town’s FY 2006-07 financial review, the Town will initiate an update to the Sewer Master Plan to address changes stemming from the General Plan Update.

Due to the recent 25% increase in fees adopted by VVWRA, the Town of Apple Valley increased its monthly sewer charges by 11% (\$1.98) to pass-through the VVWRA change. The following chart outlines the regional sewer charges:

ENTITY	MONTHLY RATE PER EDU
Town of Apple Valley	\$19.96
City of Victorville (Victorville Sanitary District)	\$14.72
City of Adelanto	<i>Not available at time of printing</i>
Helendale CSD	\$36.64
County Service Area 42	\$44.95
County Service Area 64	\$24.87

As of 2005, 30 percent of the Town’s population was served by the system. The Wastewater Department of the Town operates and maintains approximately 140 miles of collector sewer, trunk lines, and interceptors as well as eight sewer lift/pump stations providing sewer service to over 22,000 residents.⁴ In 2007, the Town had 829 new connections to its sewer system. Below is the new connection activity for the Town’s sewer system and average daily sewage over the past 10 years, as identified in the Town’s FY 2006-07 Comprehensive Financial Annual Report:

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
New Connections	193	470	331	416	398	486	563	1,181	1,464	829
Average Daily Sewage Treatment (thousands of gallons)	1,177	1,370	1,331	1,402	1,524	1,271	1,380	2,044	1,071	1,567

⁴ Town of Apple Valley, website. www.applevalley.org. Accessed February 25, 2008.

Additionally, the Town is developing a Sewer System Management Plan⁵ pursuant to State Water Control Board Order 2006-0003, Statewide General Discharge Requirements of Sanitary Sewer Systems⁶. The goal of the Sewer System Management Plan is to provide a plan and schedule to properly manage, operate, and maintain all parts of the sanitary sewer system and to minimize the frequency and severity of sanitary sewer overflows⁷. The plan will address management, planning, design, and operation and maintenance of the Town's sewer system. Development of the plan began in early 2007 and is estimated for completion in August 2009. As stated in Order 2006-0003, the plan must be approved by the governing body at a public meeting.

The Town's master sewer program maintains the existing and expanded collector sewer lines that are connected to the VVWRA interceptor lines that lead to VVWRA's collection facility. 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 Victorville Sanitary District. According to VVWRA staff⁸, neither the Town nor the other members are limited by VVWRA in the amount of effluent that can be sent to VVWRA reclamation facilities; however, limitations may occur at the member agency's local collection system capacity. As noted above, Town staff indicates that the current capacity and infrastructure is adequate to serve the sewer needs within its service area and continues to expand with new development. Additionally, VVWRA is planning to expand present sewer treatment services by adding two additional reclamation plants. The first plant is planned near the crossing of Stoddard Wells Road and Interstate 15 just west of the Town's corporate boundaries and east of the Mojave River in the City of Victorville. The second plant is planned in the City of Hesperia. These additional plants would increase VVWRA's capacity overall and would benefit the sewer needs of the Town and the region. In addition, these facilities are anticipated to be able to provide recycled water for use on public properties relieving the use of groundwater for turf maintenance.

PARK

The Apple Valley Recreation and Park District was dissolved in 2001 through approval and completion of LAFCO 2868. The Town, designated the successor agency, assumed responsibility for providing recreation and park services to the territory of the former district, which included approximately 74 square miles of territory within the corporate boundaries of the Town and an additional 92 square miles outside of the Town's boundaries with approximately 8 square miles outside the Town's sphere of influence. The Town was required as a condition of approval within LAFCO 2868 to continue to provide the same range and level of service to the territory of the park district outside its limits in exchange for

⁵ Town of Apple Valley.

⁶ State of California, State Water Resources Control Board, Order 2006-0003, May 2, 2006.

⁷ Sanitary sewer overflows are overflows from sanitary sewer systems of domestic wastewater, as well as industrial and commercial wastewater, depending on the pattern of land uses in the area served by the sanitary sewer system.

⁸ Olds, Logan. General Manager. Victor Valley Wastewater Reclamation Authority. Phone Interview. February 27, 2008.

receipt of the total property tax levy of the District. Therefore, the service area of the park and recreation department remains significantly larger than the Town's corporate boundaries. A map of the service area of the Town's park and recreation department is included as a part of Attachment #1.

Currently, the Town maintains 10 neighborhood parks, two community parks, and a community center which includes a gym, an equestrian center, and an aquatic center. All but one of the facilities is within the boundaries of the Town, the Horsemen's Center located on Highway 18 just east of the Town's boundaries. The 2004 Master Plan of Park and Recreation Services submitted as a part of this service review identifies that a community pool is not available to residents, creating one of the Department's biggest service challenges. However, a pool was constructed and began operation in September 2007. A map of the park facilities' locations is included as a part of Attachment #2.

The total size for the park and recreation facilities is 178.5 acres. Additionally, the Town owns four undeveloped properties totaling 49 acres identified as: Standing Rock and Central Roads (20 acres), Sitting Bull/River Site (2 acres), Dale Evans and Stoddard Wells Road (5 acres within sphere area), and Civic Center Community Park (22 acres). Pursuant to the Quimby Act, a minimum of three acres per thousand population should be dedicated for recreational and/or open space purposes. Utilizing the Town's 2006 population and total developed park acreage, the Town lacks 24 acres of developed parkland. When the undeveloped properties are added, the Town has the potential to surpass the minimum Quimby Act standard.

The LAFCO approval of LAFCO 2868 required the Town to account for the revenues and expenditures for park and recreation services separately. The following chart identifies those revenues and expenditures over the past five years as taken from the pages of the Town's 2007-08 Budget:

	ACTUAL 2002-03	ACTUAL 2003-04	ACTUAL 2004-05	ACTUAL 2005-06	ESTIMATED YEAR END 2006-07	BUDGETED FOR 2007-08
REVENUES						
BEGINNING FUND BALANCE	\$249,296	\$388,523	\$468,748	(\$73,566)	(\$567,693)	(\$1,648,532)
TAXES	\$1,099,363	\$989,588	\$1,081,017	\$1,419,068	\$1,477,817	\$1,640,000
TAX INCREMENT (pass through)	\$0	0	0	\$96,597	\$203,990	\$240,000
Quimby Act Fees	\$288,083	\$632,155	0	0	0	0
Cell Tower	\$43,715	0	\$87,744	\$126,633	0	0
Charges for Services	\$265,240	\$301,173	\$356,900	\$426,568	\$522,774	\$559,069
Other Revenues	\$60,566	\$79,906	\$85,495	\$49,423	\$128,149	\$145,000
TOTAL REVENUES	\$1,758,957	\$2,002,822	\$1,611,156	\$2,118,389	\$2,332,730	\$2,584,069
EXPENDITURES						
Parks Division						
Salaries and Benefits	\$632,498	\$796,515	\$875,976	\$1,084,420	\$1,200,070	\$1,442,011

Capital	\$69,863	\$44,886	\$107,920	\$66,801	\$155,666	\$201,000
Maintenance	\$312,494	\$411,599	\$381,766	\$425,676	\$766,778	\$1,365,000
Total Parks	\$1,146,852	\$1,426,240	\$1,626,914	\$2,088,733	\$2,677,904	\$3,276,339
Recreation Division						
Salary and Benefits	\$281,470	\$277,091	\$315,663	\$332,195	\$509,959	\$404,800
Recreation Operations	\$43,933	\$28,153	\$33,157	\$37,849	\$63,578	\$49,950
Recreation Programs	\$145,475	\$191,113	\$177,736	\$153,739	\$162,128	\$220,455
Total Recreation	\$470,878	\$496,357	\$526,556	\$523,783	\$735,655	\$675,205
TOTAL BUDGET PARK AND RECREATION DEPARTMENT	\$1,617,730	\$1,922,597	\$2,153,470	\$2,612,516	\$3,413,569	\$3,951,544
ENDING FUND BALANCE	\$388,523	\$468,748	(\$73,586)	(\$567,693)	(\$1,648,532)	(\$3,016,007)

The negative fund balances identified above require the support from the Town's General Fund. This is an average annual shortfall of \$637,303. The potential for such shortfalls were known at the time that dissolution of the District was initiated by the Town.

Within the Town limits, development impact fees and/or Quimby Act fees are imposed upon developments in order to assure the development of adequate parklands for communities. Staff understands that the Town and County have resolved questions regarding the imposition of Quimby Act fees for developments occurring within the prior boundaries of the Apple Valley Recreation and Park District. These fees are not a part of the development review process, but are charged at the time that a building permit is issued within the County.

Roads

According to the Town's FY 2006-07 financial report, it has resurfaced about 400 miles of road within its boundaries since 1998 with roughly 53 miles resurfaced in FY 2007. Below is the resurfacing activity over the past 10 years:

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Street Resurfacing (miles)	44.43	30.65	9.80	4.09	28.37	68.37	29.50	97.08	31.13	52.92

Further, within the past two years the Town has funded major improvements to the Apple Valley corridor, which included the expansion of Apple Valley Road northward to connect to Interstate 15 and expanded a two-mile segment of Navajo Road from two lanes to five lanes. Capital improvement projects planned for the next five years are:

- 1-2 years:
 - Completion of preliminary engineering and environmental studies for the proposed Yucca Loma Bridge
 - Preliminary re-alignment and engineering studies for the intersection of Apple Valley Road and Highway 18
- 2-5 years:
 - Joint study between the Town and the California Department of Transportation to evaluate design alternatives for the outer highways to improve access and increase safety
 - Intersection re-alignment for the intersection of Apple Valley Road and Highway 18 to take place

Financial ability of agencies to provide services.

The Town's primary revenue sources are sales and use taxes, property taxes, utility service charges, and the redevelopment tax increment. Additional revenue sources include development impact fees and grants, which can vary from year to year. The Capital Improvement Program identifies potential sources of funding, which include special revenue funds (Measure I, community development block grants, and Transportation Equity Act funds), development impact fees, grants, and other general revenue sources. Developers, through conditions of approval and development impact fees, fund infrastructure in undeveloped areas within the Town's boundaries.

Highlights from the Town's comprehensive annual financial report for FY 2005-06⁹ are:

- Assets exceeded liabilities by roughly \$101 million, of which roughly \$24.5 million was unrestricted net assets.
- Net assets increased by roughly \$20 million. The increase was mainly due to the demand of construction permits and plan checking.
- The Town's governmental funds combined increased roughly \$1.8 million in comparison with the prior year when roughly \$30 million was unreserved.
- The Town's debt decreased by roughly \$934,000.
- Sales tax revenue increased by 21%, \$495,327, to approximately \$2.35 million.

⁹ The Town's Comprehensive Annual Financial Report combines the financial statements of the Town of Apple Valley, the Redevelopment Agency of the Town of Apple Valley, and the Apple Valley Public Financing Authority to constitute a single reporting entity.

- The proprietary sewer fund increased in assets by roughly \$856,000.

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

- Assets exceeded liabilities by roughly \$471 million of which roughly \$26.7 million was unrestricted net assets.
- Net assets increased by roughly \$370 million. Roughly \$329 million of the increase is attributable to the implementation of Governmental Accounting Standards Board Statement No. 34 which required the retroactive recording of the Town's infrastructure.
- The Town's governmental funds combined increased roughly \$8.7 million in comparison with the prior year of which roughly \$32.1 million was unreserved.
- The Town's total debt increased by roughly \$7.7 million or 33%. This was due to the issuance of Tax Allocation Bonds in June 2007. The Town RDA issued \$8.985 million in Tax Allocation bonds which will mature in 2037.

The FY 2006-07 financial report refers to a commercial market study which indicates that 75 percent of the lost sales tax revenue could be captured by specific commercial retailers. The opening of a Lowe's Home Improvement Warehouse, a second location for Stater Bros., Walgreens, and a Super Target highlight the recent openings of commercial retailers within the Town. Additionally, to drive industrial opportunities in the industrial northern section of the Town, the Town Council approved the North Apple Valley Industrial Specific Plan in October 2006. In July 2007, Fresenius Medical Care (the world's largest kidney product and dialysis manufacturer¹⁰) opened a 70,000 square foot distribution center in this specific plan area. At build-out, the specific plan area is anticipated to contain over 30 million square feet of industrial facilities.

The Capital Improvement Budget is about \$9.6 million. Several projects are planned or in process from Measure I, Traffic Impact Fees, and special grants received. It is anticipated that the Town will spend over \$1.9 million on various road paving projects and about \$7.65 million completing various road improvements.

The bulk of the revenue for the Park and Recreation Department comes from property tax and the Town receives Quimby and Park Development Impact Fees for developments within its corporate boundaries. The Town also now receives Quimby fees for developments outside its corporate limits within the boundary of the former Apple Valley Recreation and Park District. For FY 2006-07, the Town's financial report identifies that the Parks and Recreation fund had a total fund balance of \$(1,525,829), and the net decrease in fund balance was \$958,136, as shown in the chart above. This is mainly due to the increase in operation costs for the new Civic Center Park and Aquatic Center. Moreover, as indicated in the Town's FY 2007-08 budget on page 13, "As in the past expenditures are expected to exceed revenues by approximately \$1,350,000 in fiscal year 2007/08".

¹⁰ Fresenius Medical Care, website, www.fmc-ag.com, Accessed February 25, 2008.

The cost of operating and maintaining the Regional Wastewater Reclamation Facility is paid from user charges that are levied throughout each of the communities on an equitable basis. During FY 2005-06, the Town remitted approximately \$2,756,700 to VVWRA¹¹. Expansion projects are funded through connection fees, and 75% of the connection fees go to VVWRA to fund expansion projects. The Town retains 25 percent for expansion projects and maintenance of the Town's facilities. Additionally, the Town requires all non-residential development to connect to the Town's sewer system at the cost of the developer.

Status of, and opportunities for, shared facilities.

The Town's Emergency Operations Center is located at the Apple Valley Fire Protection District's headquarters, a shared operation with the Fire District. As mentioned previously, the Regional Wastewater Reclamation Facility is shared with the other participants in the joint powers authority, VVWRA. The Town shares facilities with the School District in order to provide its range of park and recreation services.

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

Operational Efficiency

Operational efficiencies are realized through several joint agency practices. The Town is a participant in the Victor Valley Economic Development Authority, a joint powers authority comprised of the Town, Cities of Adelanto, Victorville and Hesperia, and the County to coordinate the transition of George Air Force Base from military to civilian use. The Town 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. The Town is a member of the Victor Valley Wastewater Reclamation Authority (VVWRA). The VVWRA is a Joint-Powers Authority created expressly for the purpose of treatment of wastewater at a regional facility and the ultimate disposal of effluent and solids. The Town is also involved with the Mojave Desert and Mountain Integrated Waste Management Authority.

Joint projects include the design and construction of the Yucca Loma Bridge with the County and the City of Victorville. The Town is also a participant in the future High Desert Corridor with the County and the Cities of Victorville, Hesperia, and Adelanto.

Of note for financial accountability, the Town's comprehensive annual financial report for the years ending June 30, 2005 and June 30, 2006 was awarded the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada.

¹¹ Town of Apple Valley, FY 2005-06 Comprehensive Annual Financial Report, pg. 49.

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 structures changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Agreements:

The Town does not provide for sewer service outside its boundaries; however, the extension of sewer service would be a possibility for those developments anticipated within its unincorporated sphere of influence. The Town has been required to continue to provide for park and recreation services outside its boundaries through dissolution of the Apple Valley Park and Recreation District. LAFCO staff would recommend that this ongoing requirement be memorialized in an out-of-agency service contract to reduce confusion for the Town and County staff implementing the provisions.

Other Government Structure Options:

Town staff, in preparing the municipal service review, indicated that there were no consolidations or other structure options available for the operation of the Town. The materials did identify that the Town recommends that LAFCO support local jurisdictions in their pursuit of regional solutions to municipal problems and issues. While the discussion of some government structure options may be theoretical, a service review should address all possible options. Some of those include:

1. Expansion of the Town through annexation to encompass its existing sphere which would require that the full-range of its service be provided to the area. Such services would include police protection, land use services, road maintenance, recreation and park, and code enforcement. The Town addressed the issue of annexation of its sphere in 2005 and adopted an annexation policy (copy included as a part of Attachment #2). The Town agenda report for its annexation policy indicates that initial annual costs would be between \$1.3 million and \$1.63 million with revenues being about \$801,000. The primary cost change would have been the need for increased road maintenance and law enforcement services. With revenues being roughly half of the expenditures, the Town did not pursue the annexation.
2. Assumption of domestic water service through acquisition of the private and mutual water companies within the Town’s corporate boundaries. Such an action would require the Town to purchase the water companies through the processes defined by either the Public Utilities Commission (PUC) for the private water companies or the Department of Corporations for the mutual water companies. The Town has researched the issue of acquiring the Apple Valley Ranchos Water Company and

staff understands that it was determined to be too costly to pursue. Staff is unaware of any interest on the part of the Town to pursue these options. The public water agencies are located outside the boundaries of the Town and could not be merged or established as a subsidiary district of the Town without annexation. The Town has not identified any plans for future annexations in these areas. The staff report for the balance of the Community of Apple Valley identifies other options for these service providers

3. Dissolution of the Apple Valley Fire Protection District with the Town named the successor agency to be responsible for providing fire protection services. When the Town incorporated in 1988, the chief proponents intentionally left the Apple Valley Fire Protection District and the Apple Valley Park and Recreation District as independent agencies, unaffected by cityhood, to serve the Town and the surrounding community. In 2001, the Town Council initiated a proposal to LAFCO, for the dissolution of the Apple Valley Park and Recreation District with the Town deemed the successor agency for the provision of park and recreation services within the former boundaries of the District. Like the Fire Protection District, the Park and Recreation District's territory was vastly larger than the Town's boundaries. The Town's interest in preserving and enhancing the Recreation and Park District's activities was clear, despite the significant difference in the land areas of the two agencies. However, there is no expressed interest by the Town or the Fire District to consider this option.
4. Maintenance of the Status Quo in general, no change in sphere of influence or range of services. This is the option supported by both LAFCO staff (with minor changes along the Mojave River) and the Town.

SPHERE OF INFLUENCE REVIEW

LAFCO staff recommends that the Commission affirm the bulk of the existing sphere of influence of the Town of Apple Valley and provide for the reduction or expansion of the sphere of influence along the Mojave River to clarify service delivery to parcel boundaries.

The Town's boundary currently encompasses approximately 78 +/- square miles. Its sphere of influence has two distinct areas consisting of approximately 122 +/- square miles. The Town's sphere was assigned by LAFCO in 1989/1990 through review and approval of LAFCO 2528. Per LAFCO's Policy Guidelines for Spheres of Influence, "When a sphere of influence is assigned, a city or district is required to commence long range land use and service planning activities, thereby enabling it to respond to any annexation requests it might receive from landowners or residents within the sphere". From 1990 through March of 2008, the Town had not included its sphere within its General Plan for determination of land use direction. The Town amended its General Plan on March 11, 2008 to encompass the entirety of its sphere as well as additional territory northerly of its sphere and concurrently zoned the areas. The land use designations and zoning designations are generally consistent with those established by the County in its adopted 2007 General Plan Update. The Town is also currently updating its General Plan, which is expected to be completed by spring 2009 along with its required environmental review.

The County's Development Code establishes "sphere standards overlay" to allow the implementation of County development standards or standards that closely conform to city development standards. The intent of this sphere overlay standard is to, "ensure that the County's approval of a proposed development in a sphere of influence is consistent with the shared objectives of the County" and the city.

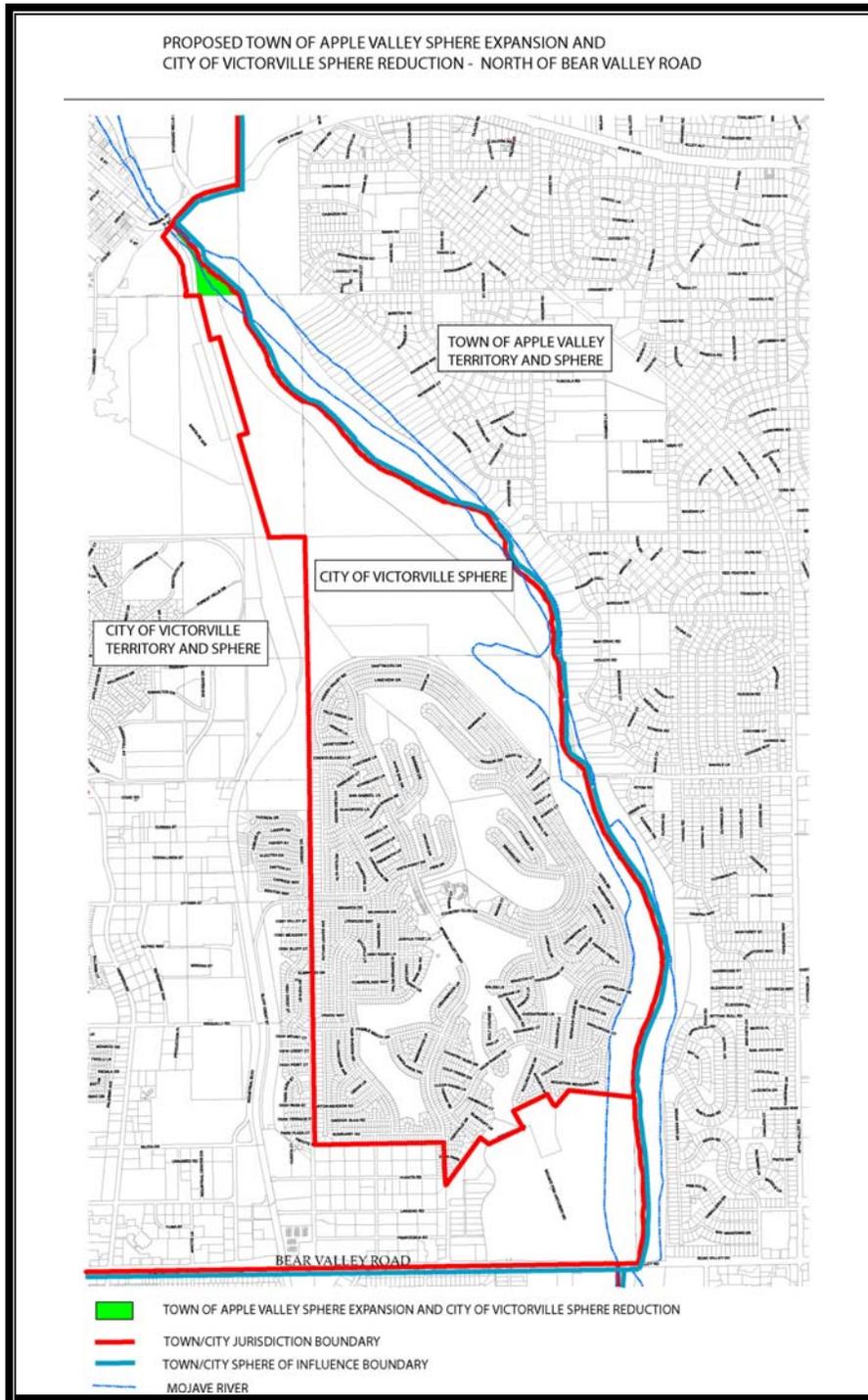
Further, pursuant to Government Code 56425(b), as a part of the sphere of influence updates for cities conducted by LAFCO, the cities and the County are required to meet and discuss the sphere of influence of the city. The Town and the County fulfilled the meeting requirement, through a series of discussions related to implementation of development standards within its unincorporated sphere. At the July 8, 2008 Town Council Meeting it adopted a "Memorandum of Understanding between the Town of Apple Valley and the County of San Bernardino regarding future development within the Town's sphere of influence" (a complete copy of which is included as Attachment #2 to this report). LAFCO staff understands that this memorandum is to be presented to the Board of Supervisors for its consideration in the not too distant future. This MOU will outline the development criteria and standards within the Town's sphere which may be set forth in a sphere standard overlay for the territory.

The Town has indicated in the materials submitted for this review that no modifications to the existing sphere are currently anticipated. However, following LAFCO staff review, it is staff's recommendation that the Commission modify the sphere of influence of the Town along the Mojave River southerly of Bear Valley Road to reflect service responsibility based upon the ability to access the parcel. In addition, staff recommends that the Commission

clarify the location of the sphere of influence along the central edge along Highway 18 at Stoddard Wells Road. The recommended changes along the Mojave River are shown on the following maps and are included in Attachment #1 to this report.



For the northern area along the Mojave River, there is a single change which will realign the sphere boundary south of Highway 18 at the entrance to the Town. This realignment will take the boundary to the railroad right-of-way clearly defining the service responsibility. This area is shown on the map included in Attachment #1 and below:



FACTORS OF CONSIDERATION:

The Town 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:

Present and Planned Uses

Overall, the Town's existing 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, residential, and industrial. As discussed earlier, the Town on March 10, 2008, approved a General Plan Amendment and Zone Change to assign Town land use designations to the territory within its sphere of influence as well as approximately 70 square miles beyond the existing sphere designation. In general, these land use designations mirror those of the County General Plan as adopted in March 2007. In addition, the Town is currently in the process of updating its General Plan with an anticipated completion during Spring 2009.

As mentioned previously, the area within the Town's boundaries and sphere has experienced significant growth since the year 2000. Furthermore, as indicated in Attachment #1, current development in the sphere is significant¹². Such developments include residential tracts, with varying lots sizes from condominiums and 7,200 square foot lot projects to equestrian developments through general plan amendments. With roughly 86% of the Town zoned residential, efforts and resources have been allocated toward balancing the Town's economy by attracting commercial and industrial enterprises.

Present and Probable Need for Public Facilities and Services

The Town currently provides a full range of municipal services to its residents, including park and recreation, sewer, police (through contract with the County Sheriff), and economic development; while fire protection and emergency response are provided by the independent Apple Valley Fire Protection District. The Town indicates that as the sphere develops, the County will have to determine the need for public facilities and infrastructure in the sphere area and through joint adoption of the Memorandum of Understanding on future development, the standards for those developments will be compatible. When adopted, the County's sphere overlay standards would allow the County to address the Town's development and service delivery philosophies.

Present Capacity of Public Facilities and Adequacy of Public Services

The Town provides or contracts for most municipal-level services within its current service territory, with the exception of retail water service and fire protection. Overall, current facilities and services delivered are adequate.

¹² Development as of October 2007. Development data obtained from County of San Bernardino Land Use Services Department.

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 in the City of Hesperia. This would increase VVWRA's capacity overall and support the sewer needs of the Town and the region.

The Town indicates that funding of facilities and services to developing areas within its boundaries will possibly require development-driven funding sources such as the formation of community facilities districts.

Traffic is a concern as development increases. The Town is planning over \$162 million in road and street improvements over the next five years with the largest improvements planned for the Yucca Loma Bridge, widening the west end of Highway 18, and Apple Valley Road. Other Capital Improvement Projects include improving the community center, construction of an animal shelter and public works building, and expansion of the Town Hall.

Social and Economic Communities of Interest

The Town of Apple Valley is the hub of the social and economic community of interest for the community. Various other definers for the social community of interest would include the Apple Valley Unified School District which, in general, corresponds to the existing Town sphere of influence on the north, and is larger than the Town or community definition on the south. In addition, the Mojave River presents an easily identifiable boundary for service delivery; however, its present location splits parcels. LAFCO staff is recommending that a sphere of influence amendment be approved to align the sphere of influence/community definition along the parcels recognizing their service relationship.

ADDITIONAL DETERMINATIONS

- The Commission's Environmental Consultant, Tom Dodson and Associates, has determined the changes outlined for the Town of Apple Valley sphere of influence are statutorily exempt from environmental review. Mr. Dodson's response is included as a part of Attachment #2 to this report.
- 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 Apple Valley News*, as required by law. In accordance with Commission Policy #27, a 1/8th page legal ad was provided in lieu of individual notice because the service review sphere of influence update for the Town of Apple Valley 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 will need to be reviewed and considered by the Commission in making its determinations.

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. For environmental review certify that the determination is statutorily exempt from environmental review and direct the Clerk to file the Notice of Exemption within five (5) days.
2. Receive and file the municipal service review for the Town of Apple and make the findings related to the service review required by Government Code 56430 as outlined in the staff report.
3. Take the action to update the sphere of influence for the Town of Apple Valley to exclude those parcels along the Mojave River, south of Bear Valley Road which have access only from the Hesperia side of the River; and expand the sphere of influence along the Mojave River north of Bear Valley Road at approximately Highway 18 to define the railroad right-of-way as the sphere of influence boundary and affirm the balance of the Town sphere of influence;
4. Defer adoption of the Resolution reflecting the Commission's determinations for Municipal Service Review/Sphere of Influence Update for the Town of Apple Valley to the October 15, 2008 Hearing to be placed on the Consent Calendar.

KRM/mt/sm

ATTACHMENTS

1. Maps for the Town of Apple Valley
 - a. [Victor Valley Regional Map](#)
 - b. [Current Town of Apple Valley Maps](#)
 - c. Current and Proposed Development Projects
2. LAFCO 3013 – Town of Apple Valley
 - a. [Proposed Sphere of Influence Modifications](#)
 - b. [Municipal Service Review and Sphere of Influence Update Information, Financial Information, and Excerpts from Budget for Fiscal Year 2007-08, Comprehensive Annual Financial Report 2006-07, Park Master Plan](#)
 - c. [Town of Apple Valley Annexation Policy](#)
 - d. [Map of Town of Apple Valley General Plan Amendment, Excerpts from Town of Apple Valley Consideration of General Plan Amendment/Zone Change Effecting Sphere of Influence, Letter dated March 11, 2008 from LAFCO Staff, Letter dated March 10, 2008 from Town of Apple Valley Staff, Correspondence from LAFCO Staff and Environmental Consultant Related to Environmental Assessment by Town](#)

- e. [Proposed Memorandum of Understanding between Town of Apple Valley and County of San Bernardino Related to Development within the Town of Apple Valley Sphere of Influence](#)
- f. [Response from Tom Dodson and Associates](#)