

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

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**DATE: MARCH 13, 2007**

**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer**

**TO: LOCAL AGENCY FORMATION COMMISSION**

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**SUBJECT: AGENDA ITEM #6 – CONTINUED HEARING FOR THE MUNICIPAL SERVICE REVIEWS FOR THE COMMUNITY OF VICTORVILLE AND THE CHANGES OF ORGANIZATION RELATED TO THE POTENTIAL CONSOLIDATION OF THE VICTOR VALLEY AND BALDY MESA WATER DISTRICTS**

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**RECOMMENDATION:**

The staff's basic recommendation remains unchanged from that presented in the staff report dated February 9, 2007. However, there have been some clarifications included and changes to dates, so the updated recommendation is that the Commission takes the following actions:

1. For environmental review:
  - a. for LAFCO 3038, as modified to:
    - i. defer the sphere of influence expansion to the north (37,000 acres) requested by the City of Victorville (to be identified as LAFCO 3082);
    - ii. include an expansion along the southwestern boundary to be coterminous with the sphere of influence of the City of Hesperia; and,
    - iii. affirmation of the existing sphere of influence determination,determine that the proposal is statutorily exempt from environmental review on the basis that it does not have the potential for causing significant physical changes in the environment, adopt the Statutory Exemption, and instruct the Clerk to file a Notice of Exemption within five (5) days;
  - b. for LAFCO 3039, Victorville Sanitary District, determine that the designation of a zero sphere of influence is statutorily exempt from environmental review on the basis that it does not have the potential for causing significant physical

changes in the environment, adopt the Statutory Exemption and instruct the Clerk to file a Notice of Exemption within five (5) days;

- c. for LAFCO 3040, Victorville Recreation and Park District, determine that the designation of a zero sphere of influence is statutorily exempt from environmental review on the basis that it does not have the potential for causing significant physical changes in the environment, adopt the Statutory Exemption and instruct the Clerk to file a Notice of Exemption within five (5) days;
  - d. for LAFCO 3041, Victorville Fire Protection District, determine that the designation of a zero sphere of influence is statutorily exempt from environmental review on the basis that it does not have the potential for causing significant physical changes in the environment, adopt the Statutory Exemption and instruct the Clerk to file a Notice of Exemption within five (5) days;
  - e. for LAFCO 3057, consolidation of the spheres of influence of the Victor Valley Water District and the Baldy Mesa Water District, expansion along the southwestern boundary to be coterminous with the Hesperia Water District sphere of influence, and reduction along the eastern side to the centerline of the Mojave River to be coterminous with the City of Victorville sphere of influence, determine that the sphere consolidation and changes are statutorily exempt from environmental review on the basis that they do not have the potential for causing significant physical changes in the environment, adopt the Statutory Exemption and instruct the Clerk to file a Notice of Exemption within five (5) days; and,
  - f. for LAFCO 2991, reorganization to include the Consolidation of the Baldy Mesa Water District and the Victor Valley Water District, to be known as the Victorville Water District, annexation of five (5) areas currently served by the Victor Valley Water District and formation of the Improvement Districts #1 (Victor Valley Water District) and #2 (Baldy Mesa Water District), determine that the proposal is statutorily exempt from environmental review on the basis that it does not have the potential for causing significant physical changes in the environment, adopt the Statutory Exemption and instruct the Clerk to file a Notice of Exemption within five (5) days.
2. Take the following actions related to the Municipal Service Reviews for the community of Victorville:
- a. receive and file the municipal service review reports for the following entities: City of Victorville, Victor Valley Water District, Baldy Mesa Water District, Victorville Fire Protection District, Victorville Recreation and Park District, and Victorville Sanitary District and make the findings related to service reviews required by Government Code Section 56430 as outlined in the staff report; and,

- b. continue the municipal service reviews for County Service Area 42 (Oro Grande) and County Service Area 64 (Spring Valley Lake) to the June 20, 2007 hearing.
3. Schedule adoption of the appropriate resolutions on the April 18, 2007 Hearing consent calendar to reflect the following determinations of the Commission related to:
  - a. LAFCO 3038 – City of Victorville sphere update to affirm existing sphere of influence, with a minor expansion along the southwestern boundary with the City of Hesperia, as shown on maps included in this report, and continue until completion of the City’s General Plan Update the sphere expansion request of the City and expand it to include the Victorville Water District, to be identified as LAFCO 3038A – Sphere of Influence Expansion for the City of Victorville and the Victorville Water District;
  - b. LAFCO 3039 – Victorville Sanitary District zero sphere of influence;
  - c. LAFCO 3040 – Victorville Recreation and Park District zero sphere of influence; and,
  - d. LAFCO 3041 – Victorville Fire Protection District zero sphere of influence
4. Approve LAFCO 3057 consolidating the spheres of influence of the Baldy Mesa Water District and Victor Valley Water District, and amend that sphere of influence to exclude the territory currently a part of the Town of Apple Valley (easterly of the Mojave River), and add the unsphered territory currently between the existing Baldy Mesa Water District sphere of influence and the Hesperia Water District sphere of influence, as more specifically outlined on the attached map, and defer adoption of the appropriate resolution to the April 18, 2007 hearing on the consent calendar.
5. For LAFCO 2991 – Consolidation and LAFCO 3019 – Victor Valley Water District alternative take the following actions:
  - a. as requested in the Alternative Proposal, LAFCO 3019, approve annexation of the five areas identified in the staff report as outlined on the maps and legal descriptions on file;
  - b. modify LAFCO 2991 to:
    - i. exclude the establishment of the consolidated District as a subsidiary district; designate further consideration of this item to be identified as LAFCO 2991A, and continue for one year;
    - ii. include the annexations outlined in Item a above as a part of LAFCO 2991; and,

- iii. expand the proposal to include the formation of two improvement districts, designated as Improvement District #1 (existing Victor Valley Water District boundaries) and District #2 (existing Baldy Mesa Water District boundaries);
  - c. approve the modified LAFCO 2991 consolidating the Baldy Mesa Water District and Victor Valley Water District, subject to the terms and conditions outlined in Attachment #2 to the February 9, 2007 staff report; and,
  - d. deny LAFCO 3019 Victor Valley Water District Alternative Proposal to Maintain Status Quo.
6. Schedule adoption of the appropriate resolutions reflecting the Commission determinations for LAFCO 2991 and LAFCO 3019 on the April 18, 2007 consent calendar.

The City of Victorville and the Baldy Mesa Water District oppose the staff's recommendation outlined in item #5 above. If, through the supplemental materials submitted and testimony at the hearing, the Commission believes that it has received sufficient additional information from the City of Victorville to alleviate staff's concerns and wishes to move forward with the establishment of the consolidated district as a subsidiary district of the City of Victorville, staff would recommend that the Commission take the following modified actions related to the approval of the consolidation:

5. For LAFCO 2991 – Consolidation and LAFCO 3019 – alternative take the following actions:
- a. as requested in the Alternative Proposal, LAFCO 3019, approve annexation of the five areas identified in the staff report as outlined on the maps and legal descriptions on file;
  - b. modify LAFCO 2991 to:
    - i. include the annexations outlined in Item a above as a part of LAFCO 2991; and,
    - ii. expand the proposal to include the formation of two improvement districts, designated as Improvement District #1 (existing Victor Valley Water District boundaries) and District #2 (existing Baldy Mesa Water District boundaries);
  - c. indicate the Commission's intent to approve the modified LAFCO 2991 consolidating the Baldy Mesa Water District and Victor Valley Water District and establishing the successor district, Victorville Water District, as a subsidiary district of the City of Victorville, subject to the following:

- i. the terms and conditions, outlined in Attachment #2 to the February 9, staff report, be modified by LAFCO staff to reflect approval of the establishment of the subsidiary district;
    - ii. submission of the mandatory agreement between the Victor Valley Water District, Baldy Mesa Water District and the City of Victorville for the transfer of liabilities, assets, contracts and obligations et al. shall be filed with the Local Agency Formation Commission prior to the issuance of the final resolution of approval. Notice that this agreement has been reviewed by the counsel for the Successor District (City of Victorville counsel) and appropriate bond counsel shall be included in materials submitted to the Local Agency Formation Commission prior to the final hearing and adoption of the resolution of approval; and,
    - iii. submission by the governing body of the successor agency, the City Council of the City of Victorville, of an employee transition plan detailing the transition of employees. It is required that the transition plan shall be reviewed and commented upon by the existing Board of Directors for the Victor Valley Water District and the Baldy Mesa Water District. Notice and minute actions from each agency shall be filed with the Local Agency Formation Commission prior to the final hearing and adoption of the resolution of approval; and,
  - d. deny LAFCO 3019 Victor Valley Water District Alternative Proposal to Maintain Status Quo.
6. Direct staff to schedule the final consideration of the proposal and the adoption appropriate resolutions reflecting the Commission determinations at the next hearing for which notice can be provided following completion by staff of the modification of the terms and conditions (Item 5(c)(i) and submission of the information outlined in Item 5(c) (ii) and (iii) above.

**BACKGROUND:**

The consideration of these items was deferred from the February 21, 2007 hearing at the request of the Baldy Mesa Water District and with the concurrence of the City of Victorville and the Victor Valley Water District.

The Executive Summary from the original staff report, dated February 9, 2007, with the proposed terms and conditions, is included with this report as Attachment #1, the supplemental staff report dated February 12, 2007 with only the letters from each entity is included as Attachment #2, and the additional letters and resolution handed out at the February 21 hearing at the place of each Commissioner are included as Attachment #3. (The complete staff reports, including all attachments, are available for review on the LAFCO website at [www.sbclafco.org](http://www.sbclafco.org) under Proposals Available On-Line.)

On balance, there has been no change in the staff's reports for this item. However, staff believes that a response to the February 15, 2007 letter from the City of Victorville, handed out at the February 21, 2007 hearing, is required. In that letter Mr. Doug Robertson, Deputy City Manager for the City of Victorville, indicates on the second page that "*The combined salaries and benefits, and the elimination of redundant buildings and functions will result in savings of approximately \$4 million annually along with a higher level of customer service through the consolidation as a subsidiary district*". Staff's response is that the approximate \$3.2 million in salary and benefit savings to the subsidiary district is an increased expense to the City of Victorville which will absorb these positions. No where in the materials submitted to date has the City identified that it has 45 vacant positions and appropriation authority to absorb these positions. Therefore, staff would question that this is truly an overall savings to be achieved through consolidation. In addition, the redundant buildings have been identified verbally to LAFCO staff as the Baldy Mesa Water District administrative office which would be utilized by another City department(s) for delivery of its services. Staff has questioned whether the current ratepayers and/or property owners obligated to pay the debt for this building will receive just compensation to offset their financial burden should this District asset be realigned. The buildings are assets of these Districts and need to be accounted for separately to assure their value to the constituents that are obligated to pay for them; and, to date, the City of Victorville has not clarified if and how such a repayment would take place.

Staff remains concerned that the City of Victorville has not clearly identified how it will maintain the operations, budget, funding, reserves, designation of appropriation limit, etc. of a consolidated subsidiary district separate from other City operations. The staff's concern is that the operation of the City's three existing subsidiary districts has not been conducted as separate districts, contrary to the provisions of state law. With written assurance on the separation of these functions, policy declarations by the City of Victorville regarding the retention of reserve funds for use only for District operations, and a clear response to the repayment for facilities transitioned to other uses, in the staff view, the Commission could move forward to consider the establishment of the subsidiary district at this hearing. However, in the staff view, the required assurances have not been provided to date.

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Attachments:

1. -- Staff Report for Agenda Item #6 Dated February 9, 2007 with Copy of Proposed Terms and Conditions Only
2. -- Supplemental Staff Report for Agenda Item #6 Dated February 12, 2007 with Copies of Letters Only
3. -- Materials Handed Out at the February 21, 2007 Hearing: City of Victorville Letter Dated February 15, 2007; Resolution No. 07-037 Adopted by the City of Victorville on February 13, 2007; Baldy Mesa Water District Letter Dated February 13, 2007; and Resolution No. B-810-07 Adopted by the Victor Valley Water District on February 13, 2007