

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

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PROPOSAL NO.: LAFCO 3036

HEARING DATE: NOVEMBER 19, 2008

RESOLUTION NO. 3042

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3036 – A MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE HESPERIA WATER DISTRICT (reduction/ expansion along Bear Valley Road on the north; modifications to expand the eastern sphere of influence south of Bear Valley Road along the Mojave River; reduction to exclude the territory within the Crestline-Lake Arrowhead Water Agency along the south; and affirmation of the remainder of the existing sphere of influence as shown on the attached maps).

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

WHEREAS, a service review mandated by Government Code 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, a public hearing by this Commission was called for October 15, 2008 and continued to November 19, 2008, at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

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

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WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on November 19, 2008. The Clerk 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 following the sphere of influence determinations should be made for the Hesperia Water District (hereafter shown as the "District"):

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

as more specifically depicted on the maps attached hereto as Exhibit "A" , "A-1" , "A-2", and "A-3"; and,

WHEREAS, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated October 7, 2008, received and filed on October 15, 2008, and continued for consideration by the Commission on November 19, 2008, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

1. Growth and population projections for the affected area.

The District's sphere is coterminous with the City of Hesperia's sphere which includes the unincorporated communities of Oak Hills and Summit Valley. However, its jurisdiction is larger than the City of Hesperia's jurisdiction by approximately 5 square miles: 1.5 miles of th City, easterly of Maple Avenue, is not within the Water District boundary and 6.5 +/- square miles in the southern area is within the Water District but not the City. This territory has no service connections or known population; therefore for this determination the growth and population projections for the City were used for the District outlined as follows:

Within the City

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

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

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

Within Sphere of Influence

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

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

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

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

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

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

The District is authorized by LAFCO to provide water, sewer, sanitation, and park and recreation.

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Water

The source for water is local ground water. There are 15 storage reservoirs with a total capacity of 49.5 million gallons, up to three days supply based on average daily demand which can be delivered by gravity in the event of a loss of power. The District's system has 15 wells with capacities ranging from 800 to 2,600 gallons per minute. From the wells, water is conveyed through a system of pipes ranging between 2 to 24 inches. The 15 wells were constructed between 1978 and 2004. In the materials supplied for this review, the District states that the wells are operating between 55 and 74 percent efficiency and the existing booster capacities are adequate. For the areas annexed in 2004, the Freeway Corridor and Cataba, additional reservoirs, waterlines, and boosters will need to be constructed. The District recently added two wells which increase overall water production by 2,000 gallons per minute. These additions will help meet anticipated water demands.

The 2005 Urban Water Management Plan includes the Rancho Las Flores and Summit Valley Ranch developments and states that the District's system can meet demand through 2030 with a projected total demand in 2030 of approximately 55,300 acre-feet and a projected supply capability of 99,325 acre-feet. However, the District's current and future water supplies are dependent upon supplemental water from the State Water Project. Current demand is about 15 million gallons per day (mgd), and maximum daily demand is about 25.6 mgd. Production capacity is about 32.7 mgd. The 2005 Urban Water Management Plan estimates 51,000 dwelling units will require service by 2030. In reviewing the service review materials provided by the District, County Environmental Health Service staff questions the ability of the City of Hesperia/District to supply water to its sphere area at build-out when the District is currently purchasing supplemental water from the State through Mojave Water Agency. Further, EHS states that the sphere area is not adequately supported financially or physically for water service at build-out.

As shown in the chart below, the growth of the District's customers and average daily consumption has increased dramatically since 1998, along with its maximum daily capacity due to new wells coming on line in 2007.

Hesperia Water District Historic Connection Data

Year	199	1999	2000	2001	2002	2003	2004	2005	2006	2007
New Connections	195	200	174	263	500	687	1,115	1,173	1,792	1,200
Avg. Daily Consumption (thousands of gallons)	9.9	13,390	13,471	13,390	13,837	15,622	13,658	14,729	15,176	15,622
Max Daily Capacity (millions of gallons)	9.9	13.390	13.471	13.390	13.837	15.622	13.658	14.729	15.176	27.140

The District's supply meets all primary and secondary water standards with low levels of nitrates and arsenic. In 2002, the District won the International Water Tasting Competition.

This year, the District is replacing about 110,000 feet of steel water lines in 50 streets. A significant portion of the pipes are over 50 years old. If the District keeps replacing the water

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lines at the current pace, it will have replaced all of the original lines by 2020. The District is also constructing a new reservoir.

The District has water production rights (also known as Base Annual Production) to assure 13,588 acre-feet (AF) annually. The District is within Alto sub-region, and Free Production Allowance (FPA) is currently at 60% of Base Annual Production, which permits the district 8,153 AF of FPA for FY 2008-09. As noted in the most recent Watermaster Annual Report, "further rampdown is not warranted in Alto at this time". Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused production rights from another party. As indicated in the table below, the historical trend for the District's water production is that it produces more than three times its FPA. Thus, it has to purchase water from other agencies within the sub-basin to avoid paying the higher replacement water and make-up water rates charged by the Watermaster. However, for Water Year 2005-06 it was obligated to pay for Replacement Water that otherwise could have been purchased from other water agencies. Further, as the population within the District increases and supplemental water from the State Water Project is decreased, the District will experience water supply challenges. These challenges could result in increased payments to the Watermaster, and the increased costs will be passed on to the customers within the District.

**Hesperia Water District
Water Production and Water Obligations**
(units in acre feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year	Transfers from Other Water Agencies	Verified Production	Water Production Below FPA or (Agency Overdraft)	Replacement Water Obligation (Agency overdraft)	Makeup Water Obligation (Watermaster Replacement to the Centro sub-basin) ³
2002-03	10,187	5,632	6,004	15,212	6,611	\$0	1,117 obligation
2003-04	9,512	6,611	4,535	16,576	4,071	\$0	1,711 purchased at a total cost of \$129,890 22.91 remaining obligation at a total cost of \$3,711.42
2004-05	8,833	4,071	4,410	16,381	933	\$0	\$0
2005-06	8,153	933	8,022	17,974	866	866 at a total cost of \$213,036	568.73 obligation 1,138 purchased at a total cost of \$190,800
2006-07*	8,153	n/a	n/a	19,778	0	11,625 at a total cost of \$3,220,125	378.74 obligation at a total cost of \$134,074
2007-08**	8,153	0	n/a	n/a	n/a	n/a	n/a
2008-09	8,153	--	--	--	--	--	--

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

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

¹ Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Fifteenth Annual Report of the Watermaster due April 2009.

² Draft data (Appendix B) not available until January 2009.

³ Obligation to the Centro basin is purchased at a two-to-one ratio

Service Separation Agreements

In 1991 the Hesperia Water District (District) entered into an agreement with Zone J to provide water within the District's jurisdiction on an interim basis until the District could construct a water system to serve the area. This occurred following the annexation of territory westerly of I-15 by the City of Hesperia and the Hesperia Water District. As a part of the approval process for the annexation, the City entered into agreements with the County to develop and implement a separation plan for the CSA 70 Zone J water system. The agreement for the separation plan from 1991 was renegotiated in 2004 and two new agreements were completed as a part of the annexation proceedings for LAFCO 2952 and 2953. The intent of the separation plan is to maintain the functionality of Zone J, while augmenting the capacity of the City's system to accommodate additional commercial, industrial, and residential uses. The City originally had three years to implement the separations, but in 2006 a further addendum extended the service date. The separation plan had three parts:

- First, the prior separation plan from 1991 was superseded by a new agreement detailing the separation of the District's and Zone J's facilities. The County has identified this agreement as Agreement No. 04-904. The completion time for this agreement was one year. This agreement was extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255).
- Second, as a part of LAFCO 2952, County Agreement No. 04-905 sets the terms and requirement for transfer of service in the Cataba area. The completion time for this agreement was one year. This agreement was also extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255). According to City of Hesperia/Hesperia Water District staff, the last step of the separation involves relocation of a system regulator on the Hesperia Water District system and is anticipated to be completed by the end of FY 2008-09. The relocation is part of the construction associated with a commercial development located on the southwest corner of Main Street and Interstate 15.
- Third, as a part of LAFCO 2953, County Agreement No. 04-906 sets the terms and requirement for transfer of service obligation in the Freeway Corridor area, not physical

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facilities. The completion time for this agreement was three years, or August 2007. This agreement was also extended by action of the County and Hesperia Water District to April 2006 and identified that Zone J could continue to provide service to new customers in the territory during the transition period (LAFCO determined exemption SC255). It is LAFCO staff's understanding that the construction of the facilities necessary to provide service outlined in this agreement has not taken place yet.

Recycled Water

The 2008 Recycled Water Master Plan and 2008 Wastewater Master Plan study areas include the majority of the City but do not include the future developments of North Summit Valley, Rancho Las Flores, and Summit Valley Ranch. The City currently does not have a recycled water system or any customers that are served with recycled or non-potable water. In anticipation of recycled water becoming available in the near future, the two most recently constructed parks, Mission Crest and Civic Plaza, are plumbed with purple pipe (PVC pipe that carries reclaimed water). The City's wastewater is treated by VVWRA, and due to the distance from the wastewater reclamation plant, the City does not readily have access to recycled water from this plant. Therefore, the City is planning to construct three wastewater reclamation plants on its own. The figure below describes the location and capacities of the projected plants.

Projected Recycled Water Supply from Wastewater Reclamation Plants

Plant	Location	Projected ADWF ¹ 2012 (mgd)	Projected ADWF ¹ 2022 (mgd)	Projected ADWF ¹ 2032 (mgd)	Plant Capacity 2032 (mgd)
WRP-1	Near the intersection of Main St and west of Catapa Rd	2.3	4.8	5.7	7.4
WRP-2	Near the intersection of Osbrink Dr and Santa Fe East Ave	N/A ²	5.1	6.5	8.5
WRP-3	In the northern portion of the RLF Development, about 2 miles south of Ranchero Road	N/A ²	2.9	3.7	4.7
Totals³		2.3	12.8	15.9	20.6
Notes: (1) ADWF = Average Dry Weather Flow (2) WRP-2 and WRP-3 are not planned to be on-line until year 2017 (3) Totals exclude flows from the area south of Whitehaven Source: City of Hesperia, 2008 Recycled Water Master Plan					

The Wastewater Reclamation Plant projects are divided into four phases:

- Phase 1 (2007-2012): No recycled water service. Construction of WRP-1. \$33.4 million estimated cost.
- Phase 2 (2013-2017): Construction of WRP-2 and WRP-3. WRP-1 recycled water service of up to 2.3 mgd. \$48.3 million estimated cost.

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- Phase 3 (2018-2022): Construction of pipes in Zones 3200 and 3400. Combined WRP-1 and WRP-2 recycled water service of up to 7.9 mgd. The recycled water from WRP-3 is projected to reach up to 2.5 mgd. \$19.7 million estimated cost.
- Phase 4 (2023-2032): Expansion of system due to flow increases. The combined recycled water supply from WRP-1 and WRP-2 is projected to reach up to 12.7 mgd. The recycled water from WRP-3 is projected to reach up to 3.7 mgd. \$1.6 million estimated cost.

The potential system also contains six reservoir sites with a combined storage volume of 10.5 million gallons, four booster pumps, and two pressure reducing stations. Outside the study area of the Plan is another 3.7 million gallon per day wastewater reclamation plant within the Rancho Las Flores development.

Outfall Lines

The Crestline Sanitation District collects, treats, and disposes of domestic wastewater from the sewer areas of Crestline, Lake Gregory, Valley of Enchantment, and the Silverwood recreational areas. Effluent from the treatment plants is discharged to a single outfall pipeline, built in 1970, which conveys all of the treated wastewater to the Las Flores Ranch area, north of Silverwood Lake. There, the effluent is used for pasture irrigation. The effluent outfall system terminates at a receiving channel and flood-irrigates a pasture area of the Las Flores Ranch in Summit Valley. During emergency, the flow can also be diverted to the adjacent sand beds for percolation. The District has an agreement with the Las Flores Ranch to accept treated effluent. Disposal is upon land owned by the District and Las Flores Ranch.

The Lake Arrowhead Community Services District effluent is conveyed from the Willow Creek Wastewater Treatment Plant to the Grass Valley Wastewater Treatment Plant for eventual disposal through a 9.4-mile outfall pipeline to a percolation site near Hesperia Lakes where the water is used for crop irrigation and also to infiltrate effluent through percolation ponds.

Sewer

Sewer collection and transportation is provided to portions within City limits by the District, and there is some municipal sewer service in the sphere area. The District states that sewer service is generally limited to portions of the commercial and industrial areas, as well as residential areas with densities exceeding two dwelling units per acre. In 2005 approximately 24% of the City had sewer service. The District's Urban Water Management Plan indicates that 65% of new development in the District is estimated to have sewer service and in 2025 95% of the City's growth is projected to have sewer service.

The wastewater system consists of gravity sewer pipes, 882 manholes, 51 cleanouts, one operational lift station, and one force main. The chart below shows the sharp increase in the miles of sewer lines and treatment capacity since 1998.

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Historic Sewer Data

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sewer Miles	39	40	50	63	69	70	74	85	103	115
Max Daily Treatment Capacity (thousands of gallons)	1,000	1,030	1,075	1,095	1,125	1,170	1,215	1,250	1,325	1,350

Currently, all wastewater is transported to the regional treatment facility operated by the Victor Valley Wastewater Reclamation Authority (VWRA). Revenues related to new connections to the District's sewer system are used to fund expansions to the treatment facility. VWRA is planning a new treatment facility to be located near Hesperia Lakes Park. This facility will also accept wastewater from developments in Summit Valley and Rancho Las Flores.

The District has identified that one of its primary goals is to extend sewer service to portions of the District planned for commercial, industrial, and higher density residential uses. These areas are located along the freeway corridor, west of Maple Avenue, and in the industrial area between the railroad and I Avenue.

Sanitation

While authorized sanitation powers (solid waste), neither the District nor the City performs the service. The City has granted a franchise for sanitation service to Advance Disposal since 2000.

Park and Recreation

The District is authorized park and recreation powers but the service is limited to a trout farm and campground at Hesperia Lake as required by the provisions of the California Water Code. The District has no adopted plans for the service or its expansion. The Hesperia Water District allows the Hesperia Recreation and Park District to conjunctively use the Lake, and planning for the use of the Lake for recreation purposes is in the Hesperia Park and Recreation District Park Master Plan and is discussed in that portion of this report.

3. Financial ability of agencies to provide services.

The District's revenues are adequate to currently support its operating activities. However, operating costs are increasing due to increased costs of purchasing supplemental water. In response to the increased operating costs, the District increased its water rates for the first time in many years. Revenues received are used to pay for the costs of purchasing and distributing water and for collection and transportation of the sewage. For the FY 2008-09 budget, the District anticipates:

- Total revenue is expected to increase about \$0.6 million or 3% from prior year's budget to \$23.2 million. This anticipates an overall increase in revenue although a decline in development activity is expected.

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- Water sales revenue, which is 63% of the District's total revenue, is anticipating a 29% increase since FY 2005-06 Actual of \$11.3 million to the FY 2008-08 Budget of \$14.6 million.
- A 53% increase in materials costs included in the FY 2008-09 Budget, from \$2.4 million to \$3.7 million, is due to increased costs associated with the purchase of make-up water leases from private owners or the Mojave Water Agency (leases have increased 26-30 percent).
- Sewer rates are largely determined by the pass through rate to VVWRA. Sewer Operating and Capital revenues are anticipated to decrease by 22% from FY 2005-06 Actual of \$3.2 million to the FY 2008-09 Budget of \$2.5 million. This decrease is primarily due to the housing slump, as indicated by a 73% decline in sewer development revenue. However, this is mitigated by sewer billing revenue increasing by 40%.
- Treatment charges from the Victor Valley Wastewater Reclamation Authority (VVWRA) increased 25% in FY 2007-08 and will increase by 20% in FY 2008-09. Sewer treatment charges paid to VVWRA are estimated to be \$950,000 or 62% of the \$1.5 million Sewer Operations FY 2008-09 Budget.

Reserves

The District has a policy to maintain 10% cash reserves as a percent of expenditures. For the year, reserves are anticipated to be 30%. These reserves will help the District pay for the increased costs related to construction materials and supplemental water purchases.

Capital Improvement

The FY 2008-09 capital improvement budget for Water totals \$9.4 million and consists of:

- Pipeline replacement program - \$1 million budgeted as a carryover for the FY 2006-07 waterline replacement program.
- New Water Infrastructure Project - \$500,000 is included for a new well site. The project is to identify potential sites for future wells.
- Seven other projects which include \$4 million for the Plan 19 reservoir improvement and \$1.2 million for the Interstate 15 Corridor water system design.

The FY 2008-09 capital improvement budget for Sewer totals \$2.7 million and consists of sewer upgrades (\$975,000) and the costs related to the sub-regional wastewater reclamation plant (\$1,675,000).

Pass-Through

Information was requested from the City Finance Department related to the receipt of pass-through revenues from redevelopment activities. The budget materials submitted by the City

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identify the pass-through revenues for the City's Redevelopment Project areas. However, the City, Hesperia Water District, and Hesperia Fire Protection District are eligible for receipt of pass-through revenues from the Victor Valley Economic Development Authority (VVEDA) which is operated by the City of Victorville. During discussions of the dissolutions of the three Victorville subsidiary special districts correspondence provided to LAFCO staff from the firm of Rosenow Spevacek Group Inc. (the firm which provided the information for pass-through agreements for the Victor Valley Economic Development Agency, a redevelopment agency), dated May 15, 2008, identified that the pass-through required from VVEDA for the subsidiary districts, was provided directly to the City of Victorville as a lump sum. In discussions with LAFCO staff, the City of Hesperia has indicated that it is not aware of any requirement to apportion these redevelopment revenues to the subsidiary districts. The Commission determines that since redevelopment pass-through funds are determined based upon tax increment growth of the ad valorem property tax it should be apportioned in the same manner. The City and the subsidiary districts have a percentage share of these ad valorem dollars which should be attributed to the pass-through amount received.

Long-Term Debt

The District has outstanding principal debt of \$17,159,652, and consists of the following:

Debt Type (Project)	Original Principal	Est. Principal Outstanding July 1, 2008	Maturity Date
1987 Prop 28 Loan from the State	\$5,000,000	\$554,652	October 1, 2009
1992B Certificates of Participation	1,405,000	1,075,000	June 1, 2022
1998A Refunding Bonds	18,040,000	14,100,000	June 1, 2026
1998B Refunding Bonds	2,070,000	1,430,000	June 1, 2022
Total Principal Debt	\$26,515,000	\$17,159,652	

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

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

The Hesperia Lake is within the boundaries of the Hesperia Water District, which actually owns the Lake. Through agreement, the Hesperia Recreation and Park District is allowed to provide recreation programs at the site which include water classes and summer camp.

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The Regional Wastewater Reclamation Facility is shared with the other participants in a joint powers authority, the Victor Valley Wastewater Reclamation Authority (VWVRA). The VWVRA is a Joint-Powers Agency created expressly for the purpose of treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids.

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

Local Government Structure and Community Service Needs

The City, as the governing board of the District, is governed by five council members elected at large to four-year staggered terms. Below is the composition of the current council/board, their positions, and terms of office:

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

City council meetings are held the first and third Tuesday of each month at the Hesperia City Hall at 6:30 p.m. The City complies with the Brown Act, and the public is welcome. The City Council convenes separate meetings as the Board of the District for items related solely to the District. For certain items of common interest, joint meetings are held. Meetings are available on the City website. To foster transparency, separate budget documents for the City's subsidiary districts should be provided.

Each year the proposed budget is presented to the City Council during a public hearing, and the budget is adopted each year by the Council. The Council also convenes as the Board of the District and passes the budget and annual appropriations limits through resolution. The City publishes a quarterly newsletter that includes information related to the District and fire safety, which is mailed to all of the postal addresses within the City.

Operational Efficiency

The District and the City coordinate construction of master planned facilities with private developers to maximize efficiency. Examples include the storm drain and paseo linking Hesperia Community Park with several residential tracts located to the north and east. The City also provides administrative services such as budget, accounting, personnel, and legal services to the other agencies for which it is responsible. The City is refunded for this support.

Operational efficiencies are realized through several joint agency practices. As mentioned above, the District is a member of the Victor Valley Wastewater Reclamation Authority (VWVRA). The District is a member of the Alto sub-basin Committee for the Mojave River Basin Watermaster. The District works with the Mojave Water Agency and San Bernardino

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Flood Control on joint projects, such as the Ranchero Road Recharge Basin on the Antelope Valley Wash.

Government Structure Options

There are two types of government structure options:

Out-of-Agency Service Agreements:

The District has indicated that it does not currently provide service outside its boundaries. However, the District collects and transports County Service Area 70 Improvement Zone SP-2's (SP-2) effluent to the Victor Valley Wastewater Reclamation Facility. SP-2 is responsible for the maintenance and operation of its facilities, and the Hesperia Water District maintains the collection lines and facilities which connect to SP-2's sewer system.

In addition, LAFCO has approved Out-of-Agency service agreements identified as SC 322, 321, 320, and 319 to provide for water and sewer service outside its boundaries within the City of Hesperia to 322 residential lots and the Hesperia Unified School District's High School #3 in the unincorporated area. The three residential tracts approved, SC 322, 321 and 319, are located in the Maple/Topaz strip currently in the City but not the Water District. At the time that the City incorporated, the territory between Maple and Topaz in CSA 70 Zone J was not annexed to the Hesperia Water District. The rationale for overriding Commission policy was the concern, at that time, that the well field for Zone J would be outside its boundaries within the boundaries of the District.

Other Government Structure Options:

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

- Expansion of the District to encompass the entirety of its sphere. This option has the District as the responsible entity for providing service to the area, and would include the dissolution of County Service Area 70 Improvement Zone J (Zone J). Additionally, this option would make the District ineligible for subsidiary status and would become an independent special district governed by an elected board.

Zone J's contract with the California Infrastructure and Economic Development Bank (I-Bank) places restrictions on actions that could lead to a reduction in Zone J's financial viability. First, the contractual obligations of Zone J to the I-Bank may not be assumed by another entity except in connection with a transfer of the entire system and only upon prior written approval of the I-Bank. Second, Zone J cannot authorize the disposition of property constituting more than 10% of the value of its system unless an independent consultant concludes that such a disposition would not affect its ability to repay the loan. Further, Zone J cannot authorize the removal of property from the system that will result in a decrease of system revenues of more than 5% without written approval of the I-Bank. If the District annexes the entirety of Zone J, it would then succeed to the I-Bank contract.

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Given the recognition of the Oak Hills community by the County and the City of Hesperia, the historic opposition of the residents within Oaks Hills regarding annexation, and the restrictions and challenges associated with the I-Bank loan, annexation of the entirety of Zone J (Oak Hills community) seems unlikely at this time.

- Annexation of the District to the more populated areas of Oak Hills. This option has the District annexing portions of Oak Hills, and such an application would include detachments from CSA 70 Zone J. However, as mentioned above there are restrictions with Zone J's contract with the I-Bank. To keep the integrity of the contract, an annexation application (which would include detachment from Zone J) would require either written support from the I-bank or some other mechanism to satisfy the restrictions, such as an out-of-agency service contract whereby Zone J would continue to provide water service to the area.
- Dissolution of the District. This option would designate that the City would be directly responsible for providing water and sewer service. The City has not expressed its desire to pursue this option. This option would resolve some of the conflict described above regarding the limitations on detachments of CSA 70 Zone J in the future. In addition, the employees of the District are actually employed by the City and the District benefits from administration and facility use by the City. If this option were to occur, there would be no fiscal impact to the City if it absorbed the subsidiary district in relation to pass through from the Victor Valley Economic Development Authority (VVEDA). However, at this time, this option is not desired by the City.
- Maintenance of the Status Quo. In this scenario the District would continue to operate as a subsidiary district of the City of Hesperia with the City Council as the ex-officio members of the board of directors. Pursuant to Commission Policy, concurrent annexations with the City would continue to occur subject to the limitations identified above in the Oak Hills portion of the community related to the I-Bank loan. The Commission determines that this is the supported option.

Based upon its evaluation, the Commission supports the modification of the current sphere of influence determination for the Hesperia Water District as identified above with no recommended change in status.

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

1. Present and Planned Uses

Overall, the District's boundaries and sphere include the full range of densities from high density to non-developable land. Land uses also include the full range which includes open space, rural living, and residential. There are existing Williamson Act contracts within the sphere area which restrict the land uses to either open space or agriculture for a minimum period of 10 years. The City is also currently updating its General Plan, which is expected to be completed by Fall 2009 along with the City's environmental review. The landownership breakdown of the community is as follows:

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

Oaks Hills Community Plan

The Oak Hills Community Plan was a joint effort between the County and the City, and the Community Plan recognizes the existence of the Oak Hills community. An Advisory Committee oversaw the development of the Oak Hills Community Plan which consisted of both landowners and residents. The boundaries of the Community Plan were structured around CSA 70 Zone J. The primary intent for this area is to continue to develop homes on 2 ½ acres lots and maintain its rural character. The Oak Hills Community Plan established a Freeway Corridor to be developed with retail and job producing industrial and office uses on the large parcels adjacent to the freeway. The Community Plan also delineates open space areas within the Oro Grande Wash as well as another wash on the east side of the freeway. These washes form buffer zones for the rural area lying outside the freeway corridor. Overall, the Oak Hills area could add an additional 12,000 persons or 4,478 dwelling units by 2030.

Summit Valley

Located south of the District within its sphere, Summit Valley is an area of significant potential growth. The City's General Plan for this area requires comprehensively planned development. The area has few paved roads and little infrastructure; therefore the preferred method of development is through the specific plan or planned development process. Since the City's incorporation in 1988, three specific plans have been approved in Summit Valley: Rancho Las Flores, Summit Valley Ranch, and Bella Mesa. These plans combine for a total of 20,000 dwelling units. Another specific plan has been submitted, but not yet processed, known as Majestic Hills, which proposes 4,000 dwelling units. Utilizing the County General Plan's 2.68 persons per household for the Desert region calculates to an additional 64,320 persons. Further, the Oak Hills Community Plan sphere area could add an additional 12,000 persons or 4,478 dwelling units by 2030 according to City staff. Combined, Summit Valley and Oak Hills could add 68,798 persons by 2030 to the present day sphere area, or 80% of the City's 2007 population.

2. Present and Probable Need for Public Facilities and Services

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

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

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

The City is planning to construct three wastewater reclamation plants. The potential system also contains six reservoir sites with a combined storage volume of 10.5 million gallons, four booster pumps, and two pressure reducing stations. Outside the study area of the Plan is another 3.7 million gallon per day wastewater reclamation plant within the Rancho Las Flores development.

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

Overall, current facilities and services delivered are adequate. Wastewater capacity will have to be expanded to meet future growth needs.

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

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

4. Social and Economic Communities of Interest

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

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

5. Additional Determinations

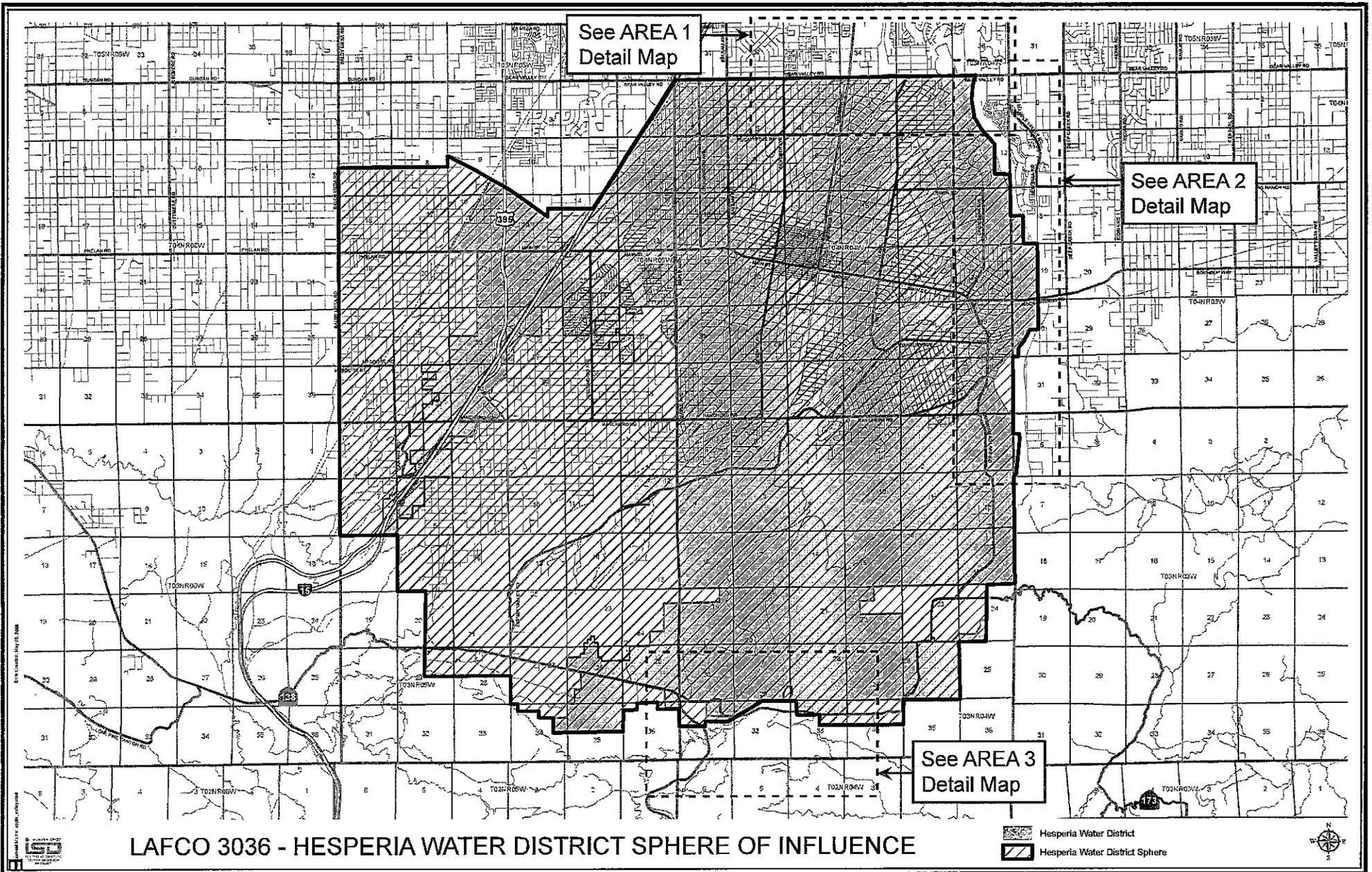
- Legal advertisement of the Commission’s original consideration was provided through publication in *The Daily Press* through publication of a 1/8 page legal ad and in *The Hesperia Resorter*, as required by law. In accordance with Commission Policy #27, a 1/8th page legal ad was provided in lieu of individual notice because the Municipal Service Review Sphere of Influence update for the Hesperia Water District would have exceeded 1,000 notices.
- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency were reviewed and considered by the Commission in making its determinations.

WHEREAS, pursuant to the provisions of Government Code Section 56425(h) the range of services provided by Hesperia Fire Protection District shall be limited to the following:

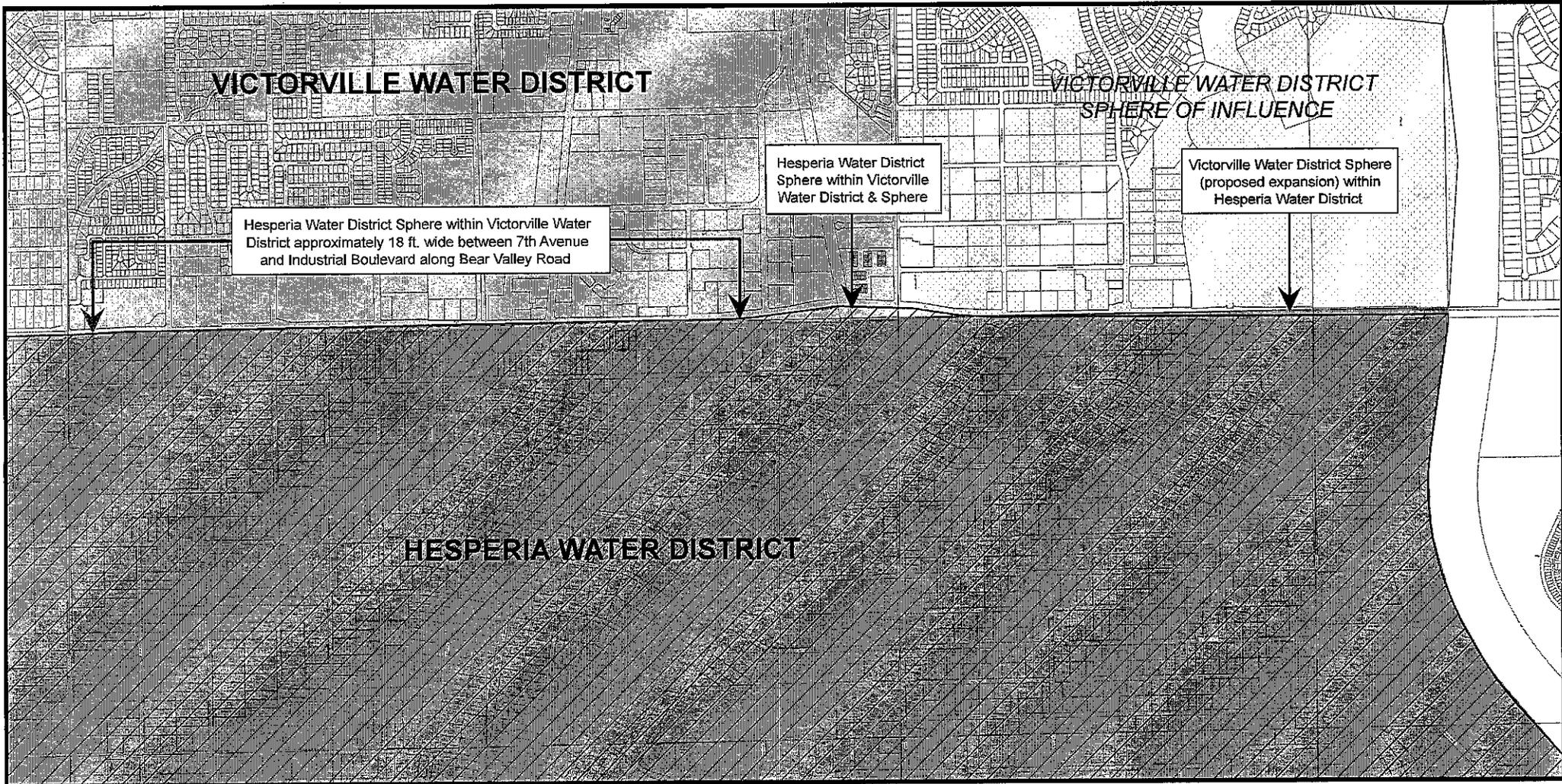
FUNCTIONS	SERVICES
Water	Wholesale, retail, agricultural, domestic replenishment
Sewer	Engineering, planning, operations, maintenance, construction
Park and Recreation	Park and recreation and limited to trout farm, construction

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to make the following sphere determinations:

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



LAFCO 3036 - HESPERIA WATER DISTRICT SPHERE OF INFLUENCE

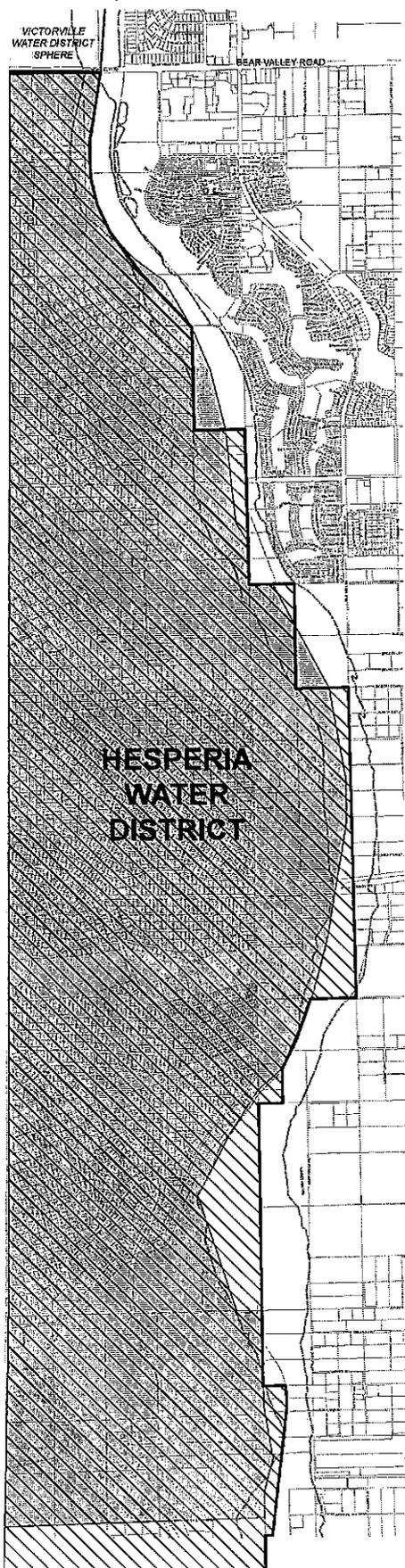


LAFCO 3036 - AREA 1 DETAIL MAP
HESPERIA WATER DISTRICT'S NORTHERN SPHERE OF INFLUENCE BOUNDARY
 (Hesperia Water District sphere designation is along the new centerline of Bear Valley Road)

- LEGEND:**
-  Hesperia Water District Sphere
 -  Hesperia Water District
 -  Victorville Water District
 -  Victorville Water District Sphere
 -  Section Lines



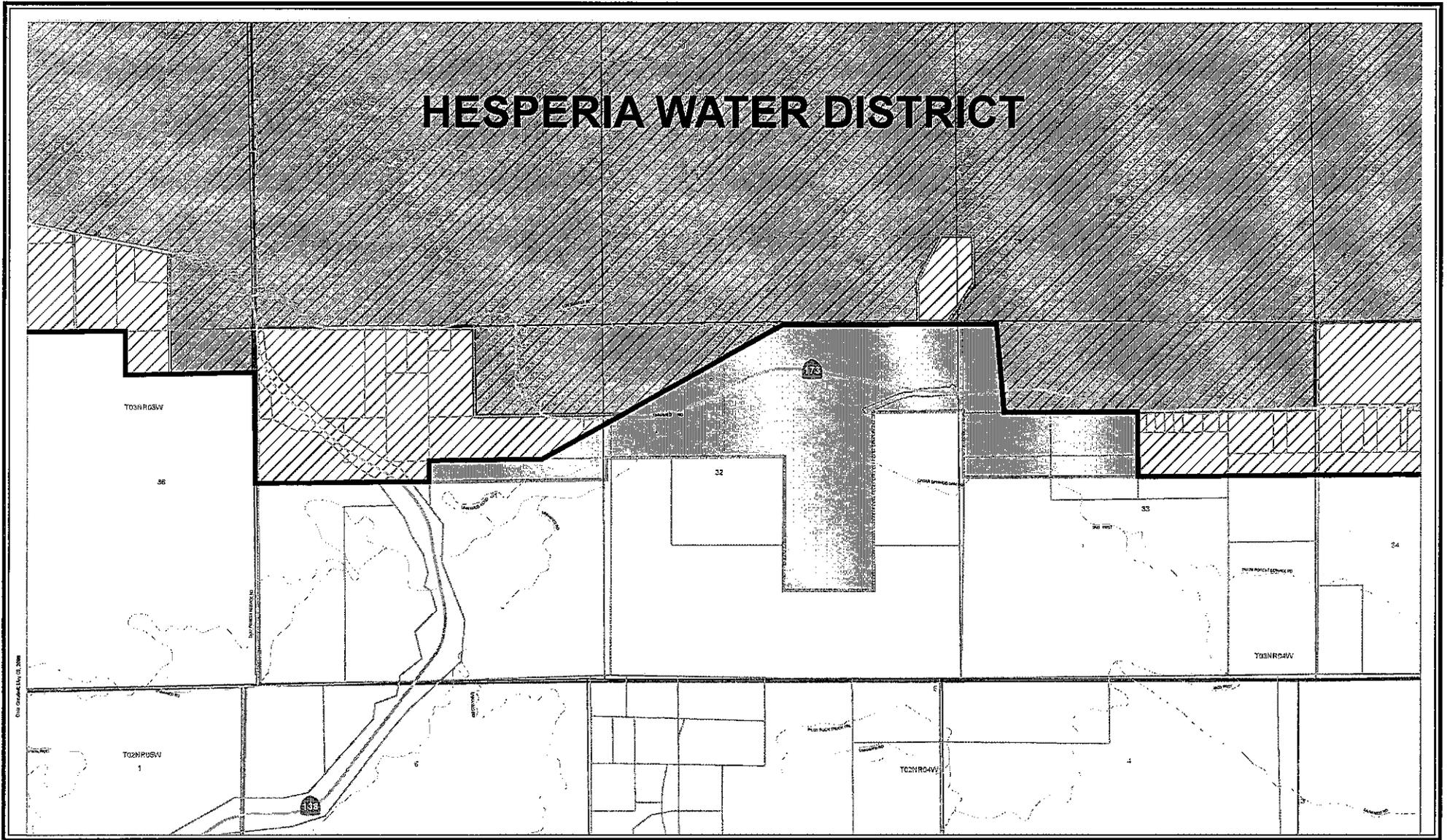
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LAFCO 3036 - AREA 2 DETAIL MAP
HESPERIA WATER DISTRICT'S EASTERN
SPHERE OF INFLUENCE BOUNDARY
(Hesperia Water District's sphere boundary is along parcel boundaries along the Mojave River)

LEGEND:
[Hatched Box] Hesperia WD Sphere [Empty Box] Victorville WD Sphere
[Hatched Box] Hesperia Water District

HESPERIA WATER DISTRICT



LAFCO 3036 - AREA 3 DETAIL MAP

HESPERIA WATER DISTRICT'S SOUTHERN SPHERE OF INFLUENCE BOUNDARY
(Hesperia Water District's sphere boundary is along the existing boundary of the Mojave Water Agency)

-  Hesperia Water District
-  Hesperia Water District's Sphere
-  Sphere Area Removed (Area within the existing boundary of the Crestline-Lake Arrowhead Water Agency)

