

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

215 North D Street, Suite 204,  
San Bernardino, CA 92415-0490 • (909) 383-9900 • Fax (909) 383-9901  
E-MAIL: lafco@lafco.sbcounty.gov  
www.sbclafco.org

---

**DATE: FEBRUARY 9, 2007**

**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer  
JOYCE CROSTHWAITE, Consultant**

**TO: LOCAL AGENCY FORMATION COMMISSION**

---

**SUBJECT: MUNICIPAL SERVICE REVIEW FOR THE VICTORVILLE  
COMMUNITY; AND,  
REVIEW AND DETERMINATION ON PROPOSED CONSOLIDATION  
OF THE VICTOR VALLEY WATER DISTRICT AND BALDY MESA  
WATER DISTRICT, TO BE KNOWN AS THE VICTORVILLE WATER  
DISTRICT, AND ESTABLISHMENT AS A SUBSIDIARY DISTRICT OF  
THE CITY OF VICTORVILLE**

---

**INITIATED BY:**

Local Agency Formation Commission of San Bernardino County (Municipal Service Reviews)  
City Council, City of Victorville (LAFCO 2991 and LAFCO 3057)  
Board of Directors, Victor Valley Water District (LAFCO 3019)

**RECOMMENDATION:**

**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;
    - 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. 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. LAFCO 3057, Consolidation of the spheres of influence of the Victor Valley Water District and the Baldy Mesa Water District, determine that the sphere consolidation 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;
- f. 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 and annexation of five (5) areas currently served by the Victor Valley 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, Victorville Sanitary District and make the findings related to service reviews required by Government Code Section 56430 as outlined in the staff report.
  - b. Continue the municipal service review for County Service Area 42 (Oro Grande) and County Service Area 64 (Spring Valley Lake) to the April 18, 2007 hearing.
3. Schedule adoption of the appropriate resolutions on the March 21, 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, 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 March 21, 2007 hearing on the consent calendar.
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 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; include the annexations outlined in Item a above as a part of LAFCO 2991; and 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 this 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 the March 21, 2007 consent calendar.

**BACKGROUND:**

In 1994, LAFCOs were given the authority to initiate reorganizations of special districts; prior to that time, only agencies or the registered voters/landowners had the ability to initiate change. In response to this new legislative direction, the San Bernardino LAFCO drafted a list of 30 potential reorganizations which were possible under these provisions, four of which were located in the overall community of Victorville. Those included:

1. Reorganize CSA 42 (Oro Grande) with the City of Victorville.
2. Reorganize CSA 64 (Spring Valley Lake) with the City of Victorville.
3. Reorganize the Victorville Fire Protection District (VFPD), Victorville Recreation and Park District (VRPD), and Victorville Sanitary District (VSD) with the City of Victorville.
4. Reorganize the Baldy Mesa Water District (BMWWD) with the Victor Valley Water District (VVWD).

The City of Victorville commissioned two reports examining potential reorganization of the City and VVWD, one in 1992 and another in 1995. The 1992 report concluded that customers would realize a net savings and the 1995 report noted that potential rate



reductions, improved efficiencies, reduced agency expenditures, and more efficient management of water supplies could occur through such reorganization.

In 1992, VVWD and BMWD also considered a consolidation of their agencies. They issued a request for proposals (RFP) but no subsequent action was taken. In 1994, the Districts concluded that consolidation would not be beneficial because it might decrease public access. Further, the Districts were concerned about non-uniform rates within a consolidated district.

None of the agencies submitted an application to LAFCO to officially consider such a change.

### Current Proposals

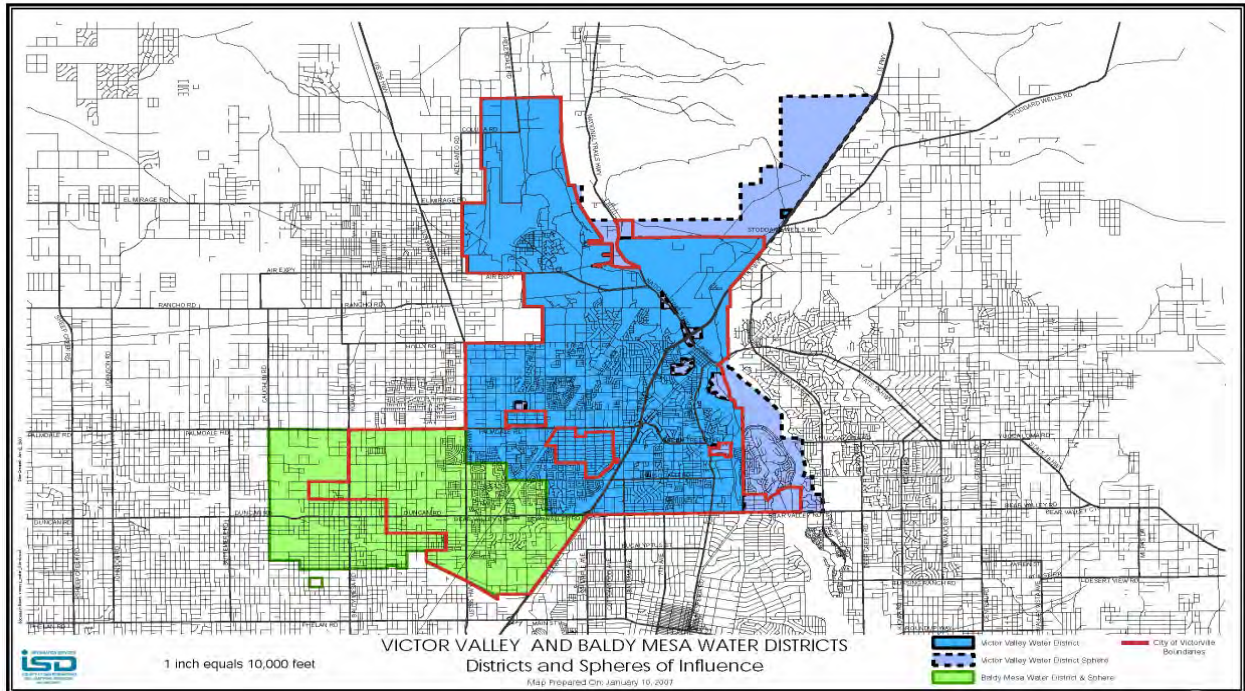
In September of 2005, San Bernardino LAFCO received a proposal, initiated by the City of Victorville, to consider the consolidation of the VVWD and the BMWD to be known as the Victorville Water District, and to establish this new agency as a subsidiary district of the City of Victorville. As required by law, LAFCO staff notified the affected Districts, and the VVWD indicated it would submit an alternative proposal to the establishment of the subsidiary district and the consolidation. Therefore, LAFCO must consider two conflicting reorganization proposals.

The proposals are summarized in the figure below:

| Applicant                           | Date Submitted                             | Proposal Detail  |
|-------------------------------------|--|--|
| <b>City of Victorville</b>          | May 2005<br><br>December 2006 (Officially) | <p>The City's proposal requests that LAFCO reorganize both the BMWD and VVWD into a single water district which is to become a subsidiary district of the City. BMWD consented to the City's proposal.</p> <p>The City of Victorville has requested as a part of its Municipal Service Review/Sphere of Influence Update to include an additional 37,000 acres in its sphere of influence. Of the 37,000 acres, 20,000 are developable. None of the area is included in the City's existing General Plan, although the City is currently updating that document.</p> <p>In keeping with the Commission's policy directives to address spheres of influence on a community-by-community basis, such a sphere of influence expansion request would also include the expansion of the VVWD (if consolidation is not approved) or the Victorville Water District (if consolidation is approved).</p> |
| <b>Victor Valley Water District</b> | October 2005                               | <p>VVWD's alternative proposal requests that LAFCO:</p> <ul style="list-style-type: none"> <li>◆ Annex certain parcels that, although outside District's service territory, receive water service from VVWD.</li> <li>◆ Deny the City of Victorville's request to consolidate the BMWD with the VVWD and make the consolidated agency a subsidiary district of the City and allow VVWD to remain an independent agency.</li> </ul>   |



The service areas of the agencies are shown on the map below. The City of Victorville boundary is shown in the heavy line within the two water districts.



**ANALYSIS:**

There are currently five public water service providers that serve within the City of Victorville and its existing and proposed sphere of influence:

1. City of Victorville
2. Victor Valley Water District
3. Baldy Mesa Water District
4. County Service Area 42 (Oro Grande)
5. County Service Area 64 (Spring Valley Lake)

Information related to their activities is shown on the Figure below:



|                             | City of Victorville   | Victor Valley Water District                            | Baldy Mesa Water District                              | COUNTY SERVICE AREA 42  | COUNTY SERVICE AREA 64  |
|-----------------------------|---|---|--|---|---|
| <b>Date Est'd</b>           | 1962  | 1931  | 1965   | 1965  | 1968  |
| <b>Enabling Legislation</b> | "General Law" City Government Code Section 34000 et seq.  | County Water District Water Code Section 30000 et seq.  | County Water District Water code Section 30000 et seq. | County Service Area Law Government Code Section 25210.1 et seq. | County Service Area Law Government Code Section 25210.1 et seq. |
| <b>Services Provided*</b>   | Street repair/maintenance, traffic control, street lighting, sewer, animal control, public safety, planning, and parks and recreation | Retail water  | Retail Water (provided) Sewer Service Authorized       | Park & Rec, Water, Sewer, Streetlights, Solid Waste             | Water, Sewer, Road, Street sweeping                             |
| <b>Number of Employees</b>  | 321 employees (3.5 assigned to water service)   | 85 approved positions, 78 filled positions as of 2/7/07 | 24 employees   | 0   | 0   |
| <b>Annual Budget**</b>      | \$130,557,985   | \$19,663,200  | \$3,313,600  | \$385,579 (1)   | \$4,485,773 (1)   |
| <b>Area</b>                 | 74.09 sq. miles   | 57.7 sq. miles  | 26.71 sq. miles  | 493 acres   | 3.70 sq. miles (2,368 acres)                                    |
| <b>Population</b>           | 77,881  | 81,510*****   | 22,200   | 440****   | 13,376****  |
| <b>Service Connections</b>  | 100***  | 21,835  | 6,250  | 249 EDUs – sewer<br>117 customers water                         | 4,144 EDUs -- sewer<br>3,567 customers water;                   |

\* Three subsidiary districts currently provide fire, sewers, and parks to the City.

\*\* The City budget is for Fiscal Year (FY) 2003-2004; the budgets for both Districts are for FY 2005-2006; (1) the County Budget is for 2006-07 (CSA 42 is a combination of water, sewer, park and streetlighting, which are separate budget items in County Special District Budget book).

\*\*\* The City provides water service to the Southern California Logistics Airport (SCLA).

\*\*\*\*Population estimated by District at 3.75 persons per water service connection (customer)

\*\*\*\*\*Population estimated by District at 3.3 persons per water service connection (customer)

Most of the water supply within area is pumped from the local groundwater basin. Groundwater levels have been declining for the past 50 years and the basin is adjudicated as a result of a lawsuit over the continued overdraft. Simply stated, current demand in the City of Victorville and its surrounding communities exceeds the natural supply; future demand will also exceed supply unless new sources of water are found. Finding efficiencies in managing limited water supply sources is critical.

While all the water service agencies cooperate on regional efforts to ensure that water supply is adequate for future needs, there are duplications. Each of the five agencies have their own governing board, legal counsel, management structure,



---

accounting/billing systems, bidding, construction supervision and purchasing. The rapid growth in the region and past conflicts between the City of Victorville and water service providers have sometimes resulted in a lack of coordination between agencies in constructing capital improvements resulting in delays, traffic impacts, slow economic development and confusion for local residents.

As a further complication, naturally-occurring water quality problems affect current drinking water supplies. To comply with the increased federal and state standards for lowering levels of arsenic in the water supply, the agencies have funded multiple treatment facilities. Consolidating the provision of water service would mean that one agency would coordinate efforts to address all potable water quality issues within the Victorville community as defined by the sphere of influence determination.

It is also important to note that, given the challenges the region's water providers face, available water will become increasingly more expensive. While the agencies grapple with the issues, each agency has its own staff, facilities, and plans. A single service provider could achieve economies of scale, reduce costs, and partially mitigate the inevitable increase in water costs for users. Consolidation of water service providers will also result in more cost-effective service by eliminating duplicative staffing and facilities.

Replacing multiple agencies with a single water provider will clarify water service provision for residents wanting to develop or receive water service and simplify agency boundaries. However, there are other problems with boundaries that also must be addressed. The alternative proposal submitted by VVWD requests the annexation of five individual areas that are currently receiving service from the District but have not been formally annexed pursuant to a review of District boundaries. These areas were proposed for annexation by the District during the 1950s and processed, but never officially filed with the agencies that recognize the boundaries for lines of assessment or taxation, specifically the State Board of Equalization and County Assessor. The annexation of these five areas should occur as a part of this action regardless of the Commission's decision on the consolidation. It is strongly recommended that the Commission annex these areas prior to, or concurrently with, a consolidation of the service providers.

There are few guidelines LAFCOs can use when determining what is a systematic and organized transition of local agencies. Direction in the Cortese-Knox-Hertzberg Act is vague. It notes cities may be better at setting service priorities in urban areas, but it also recognizes the important role of districts, especially in rural communities. What *is not* addressed is the transition of agencies over time as the service area grows and develops.

In the Victorville region, VVWD was formed in 1931 when the area was sparsely populated, and a public agency was needed to deliver safe, reliable water for residents and future growth. As more people moved to the region, they wanted more services and local accountability and the City of Victorville was formed in 1962. Three years later, in





1965, the BMWWD was formed to provide water service to residents living outside the new City in the more rural environment of the southwestern Victor Valley area. However, the region is significantly different today than in the 1930s or 1960s, and water service provision should be consolidated to gain the economies of scale and coordination of service provision. Therefore, the key question becomes:

### *Who should govern the consolidated water district?*

There are two choices—either the City of Victorville, as a subsidiary district, or an independent board of directors for the independent special district as the successor agency to VVWD and BMWWD. The most logical choice seems to be the City of Victorville. The City of Victorville can provide coordinated planning for development, use of recycled water, and identification/ funding for new supplies. Further, facilities could be shared to reduce expenditures, and consolidation would result in increased accountability (i.e. reporting to one city council rather than a city council and two water district boards). However, there are several concerns that must be addressed.

One concern is the timing of the actions. The City of Victorville has requested several potential changes in governmental boundaries or organization—amendments to its sphere of influence to include 37,000 acres, LAFCO has proposed the expansion of this consideration to include the concurrent expansion of the water provider, be it a consolidated district or the continuing VVWD, subsequent annexations, the dissolution of three other subsidiary districts of the City (the Victorville Sanitary District, Victorville Fire Protection District, and Victorville Recreation and Park District), and the current proposal to reorganize water service provision. In addition, the City is updating its General Plan, which is expected to be completed within the next twelve months.

While the City of Victorville would be the most logical provider of water service ultimately, all the proposed changes of organization should be reviewed comprehensively. Each potential change will require an environmental review under the California Environmental Quality Act (CEQA). However, LAFCO must be careful not to divide what could be considered one large project into smaller projects each with less environmental review but which may have cumulative impacts (*Burbank-Glendale-Pasadena Airport Authority v. Hensler* (1991) 233 CA3d 577). Both the City and LAFCO might be vulnerable to claims of piecemeal CEQA review if LAFCO processes any action independently of the rest of the actions identified by the City in its service review.

LAFCO is the lead agency for the environmental process for the sphere of influence amendments requested, and or required, as a part of the MSR/Sphere Update process. However, the City is the lead agency required to prepare the environmental review addressing the pre-zoning for potential annexations and changes of organization. As part of the General Plan update process being conducted by the City of Victorville, LAFCO will need to participate in the City's environmental review. LAFCO's



---

Environmental Consultant Tom Dodson of Tom Dodson and Associates has reviewed the environmental effects of the changes being presented to the Commission at this hearing. In doing so, he evaluated the modified proposals identified by staff to continue the sphere of influence expansion discussion, the municipal service reviews required, the consolidation of the two water districts, deferring consideration of the establishment as a subsidiary district for up to one year, and the additional element of creating improvement districts to secure the revenues and facilities of each agency. Mr. Dodson's analysis, as outlined in his evaluation letters included as Attachment #6 to this report, indicates a recommendation of a statutory exemption for the changes presented for determination by the Commission at this hearing.

Therefore, LAFCO can approve consolidation of VVWD and BMWD and continue the City's application to make the consolidated district a subsidiary district of the City for further consideration. In the staff view, this will allow the consolidated district to begin the process of merging the agencies. When the City has completed its General Plan, environmental review process, and the LAFCO application process for its sphere of influence expansion, along with the expansion of the appropriate water provider for the expanded sphere of influence, LAFCO can consider all the items simultaneously.

In this scenario, the consolidated district would be an "interim" district. The proposed terms and conditions would ensure a smooth transition from two special districts to one and ultimately from an independent district to a subsidiary district of the City of Victorville. The proposed terms and conditions, which are included as Attachment #2 to this report, include, but are not limited to, the following:

- **Composition of the Board** – LAFCO staff is recommending that the Board include three members of the VVWD Board, two members from BMWD, and two members of the Victorville City Council as ex-officio, non-voting members of the Board. This will ensure a smooth transition for the consolidated district and eventual transition to the City.
- **Improvement Districts** – it is proposed that the application be modified to include the formation of two improvement districts corresponding to the existing VVWD and BMWD's individual service areas. Facilities, assets, and reserves would be transferred from each agency to the appropriate improvement district, and rates, fees and charges would remain the same within the improvement districts until the Board of the consolidated district, or subsequently the City of Victorville, conducts the studies necessary to adopt uniform rates and fees for the consolidated district. This protects existing assets paid for by current customers while moving towards having one rate structure for all residents. It would also allow the smooth merger of facilities such as district headquarters and equipment, supplies, and computer systems.

- **Employees** – both districts’ employees would become employees of the successor district. The successor district would be required to work closely with the City of Victorville to develop an employee transition plan, as none exists as of the date the original materials were submitted by the City of Victorville (See supplemental staff report).

In order to provide a comprehensive review of the applications affecting the Victorville community, there are three areas of consideration by the Commission to be undertaken:

- Municipal Service Review for the Victorville Community – The service review includes the City of Victorville, Victorville Sanitary District, Victorville Fire Protection District, Victorville Recreation and Park District, VVWD, BMWD, County Service Area (CSA) 64 (Spring Valley Lake) and CSA 42 (Oro Grande).
- LAFCO 3057 -- Sphere of Influence Consolidation for VVWD and BMWD and LAFCOs 3006, 3038, 3039, 3040, 3041, and 3042 Sphere of Influence Updates for the Victorville community.
- Required factors of consideration for LAFCO 2991 and LAFCO 3019 related to the consideration of the consolidation and the VVWD alternative proposal.

Each of these is discussed in the following chapters.



---

# **COMMUNITY OF VICTORVILLE**

**Municipal Service Reviews and  
Spheres of Influence Updates**



---

## Service Review Summary

The San Bernardino LAFCO has chosen to undertake its Municipal Service Reviews on a regional basis, further identified by its community-by-community policy approach to sphere of influence identification. In the present case, the community of Victorville is served by multiple agencies which provide for the full range of services. Those agencies include: the City of Victorville, its subsidiary districts for Fire, Park and Sanitary services, the independent VVWD and the BMWD, and the County Board of Supervisors governed districts of CSA 42 (Oro Grande), CSA 64 (Spring Valley Lake), CSA 38 (fire protection), Improvement Zone D of CSA 38 (Mountain View Acres) for fire protection, and Improvement Zone K of CSA 38 (Spring Valley Lake) for fire protection.

In August 2005 the County initiated the proposals known as the “County Fire Reorganization” which will include the service review and sphere update required for all board-governed fire entities. Therefore, this review does not include a discussion of CSA 38 and its improvement zones. However, the review will discuss the remainder of the community of Victorville agencies.

### **CITY OF VICTORVILLE**

The City of Victorville prepared a service review and sphere of influence report and provided a copy of its 2006-2007 budget. The report addressed the factors required by Government Code Section 56430. The City’s response is included as an attachment to this report and is briefly summarized in the pages that follow.

#### *Infrastructure Needs & Deficiencies*

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

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

---

and current water pressure. The City plans to invest \$9.2 million in the next five years to upgrade the water system serving the SCLA and its environs.

Regarding water service to other portions of the City and its current and proposed sphere of influence, the City noted that the overdraft of the groundwater basin, concerns regarding water quality, not fully utilizing recycled water, and a lack of an assured future water supply were critical issues. In addition, it noted that some water agencies within the City have, in the past, projected growth that is substantially lower than the City's projections. The report notes that more collaboration among water suppliers and the primary land use authority must occur; thus supporting the request for consolidation of the agencies under the direction of the City Council of the City of Victorville as a subsidiary district.

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

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

The City maintains 363 miles of streets with 12% identified as in need of repair. It maintains a goal of Level of Service (LOS) "C" for arterials and LOS "D" for intersections. LOS grades range from "A" to "F", with a grade of "A", "B" or "C" meaning that traffic moves relatively freely, without significant delays. A grade of "D" means delays become more noticeable, and an "E" means traffic volumes are at or close



to capacity, resulting in significant delays and average speeds no more than about one-third the uncongested speed. A grade of "F" means that traffic demand exceeds available capacity, with very slow, stop-and-go speeds and long delays of more than one minute. The City estimates that street improvements, including intersections along I-15, will require an estimated \$140 million over the next five years. The City is currently completing a new traffic model as a part of its general plan update.

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

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

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

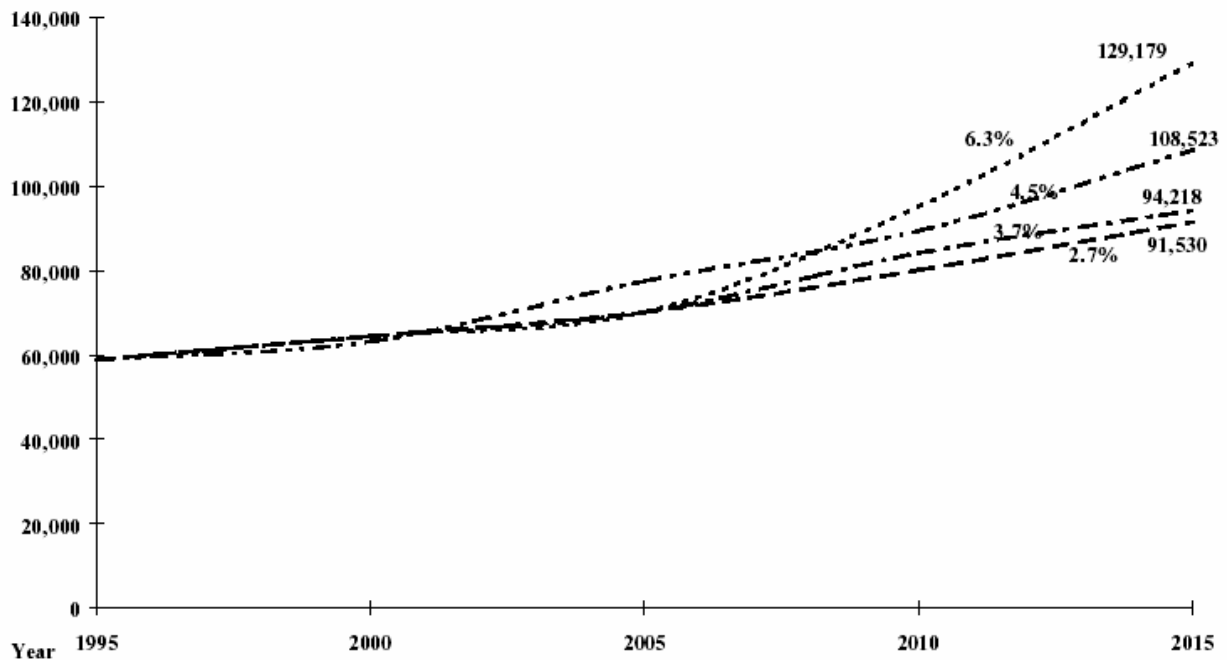
### *Growth & Population Projections*

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

The City of Victorville currently has a population of 95,000, which is expected to increase to 134,000 by 2020, or approximately 40%. The City's projected population at build-out will be 340,000. The population within the City's existing sphere area is approximately 12,000 and is expected to double at build-out. The following figure was taken from the City's 2000 Housing Element Update:



POPULATION PROJECTIONS (Update 2000)



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

*Financing Constraints & Opportunities*

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

The City's CAFR <sup>1</sup> noted that "...net assets serve as a useful indicator of a government's financial position. In the case of the City of Victorville, net assets increased by 5.5% at the close of the most recent fiscal year. ... At the end of the current fiscal year, the City of Victorville is able to report positive balances in all three categories of net assets, both for

<sup>1</sup> City of Victorville's Comprehensive Annual Financial Report (2005).

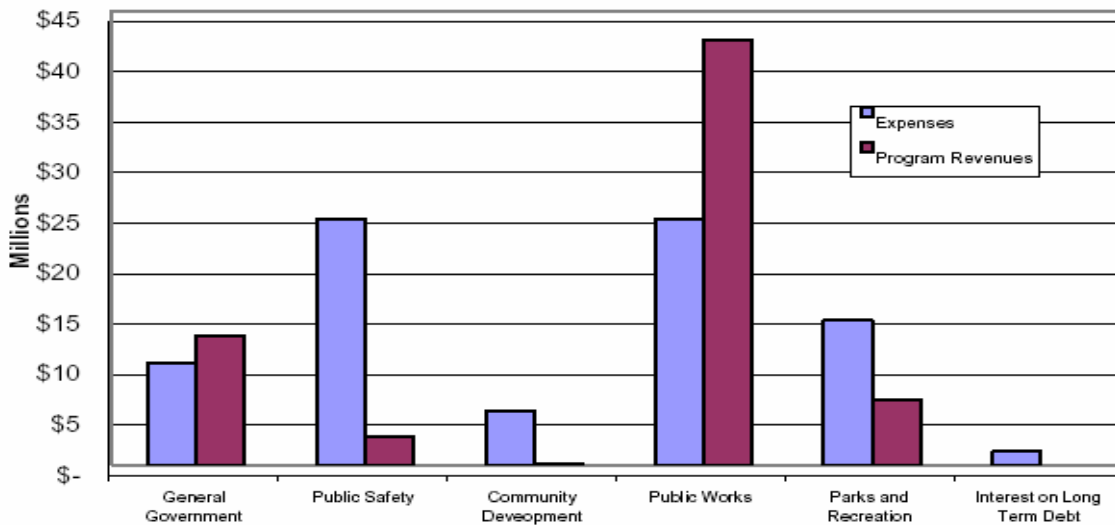




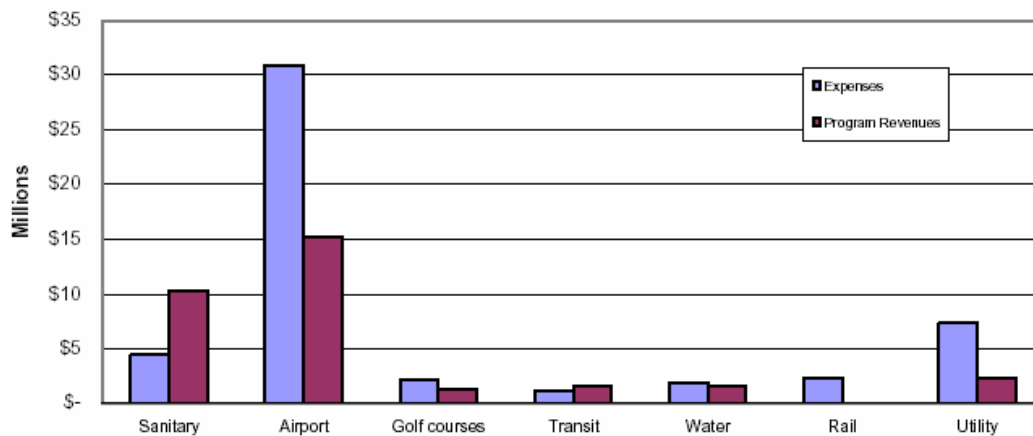
the government as a whole, as well as for its separate governmental and business-activities." However, the materials reported in the City's CAFR do not individually identify the subsidiary districts administered by the City - the Victorville Fire Protection District, the Victorville Recreation and Park District, and the Victorville Sanitary District. Page 133 of the CAFR does provide a listing of the property tax revenues attributable to these three agencies and the internal City Streetlighting District, but no independent evaluation of the separate agencies is provided.

In the City's proposed budget for FY 2006-07 the subsidiary districts are treated as departments of the City and combined in a single budget.

**Expenses and Program Revenues- Governmental Activities**



**Expenses and Program Revenues-Business-types Activities**



---

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

### *Rate Issues & Restructuring*

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

### *Cost Avoidance & Opportunities for Shared Facilities*

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

### *Management Efficiencies*

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

### *Government Structure Options*

The government structure options for the City of Victorville, excluding its proposed sphere of influence amendment, are described below:

#### 1. Subsidiary Districts Dissolution

With this governmental structure option, the City of Victorville would dissolve its three existing subsidiary districts – the VFPD, the VSD and the VRPD. The City adopted a resolution initiating dissolution of these agencies in August 2005; however, a complete application for the individual dissolutions was not received until December 22, 2006. Processing of these applications has only recently begun. The proposals request that the City become the successor agency and all assets and

---

liabilities would transfer to the City. The advantages could include some cost saving, more efficient provision of service and greater transparency of government structure to residents. Since the VFPD and the VRPD serve areas outside the City's current boundaries, as a condition of approval, authorized pursuant to Government Code Section 56886(r), the Commission should require that services shall be continued to be provided to these areas at the same level as in-city services. As an alternative, these areas could be annexed to the City where they are a part of the sphere of influence, be served by an out-of-area service agreement with the City, or find alternative service providers. The Fire Protection District serves areas along I-15 north of the City and the Coad Road Island. However the Coad Road Island could be annexed under the islands provision of the Cortese-Knox-Hertzberg Act. The Recreation and Park District serves Spring Valley Lake, three unincorporated islands and the Mojave Narrows Regional Park.

## 2. Annexations

The City of Victorville has requested a sphere of influence amendment to include an additional 37,000 acres. Subsequent annexations would be processed after the sphere of influence is approved and have been identified to include the following:

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

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

**Baldy Mesa** – this 4,215-acre area, which is served by the BMWD, is located to the west of the City and has approximately 655 residents.

**SCLA Vicinity** – this area is located between the SCLA and Route 66, southwest of Oro Grande.

**Northeastern Sphere of Influence** – The City of Victorville is proposing to expand its sphere of influence to include territory west of the I-15 freeway, south of the existing City of Barstow sphere of influence and the newly-created Helendale Community Services District, and north and east of the City of Adelanto boundary and sphere.

However the Coad Road Island, a 96-acre island entirely surrounded by the City of Victorville with 28 residents, could be annexed under the provisions of Government Code Section 56375.3 which allows cities to annex unincorporated urban islands through a streamlined process that does not require protest proceedings or elections

provided the islands do not exceed 150 acres. The City and LAFCO staff should address any other islands within the City that meet the requirements of 56375.3, are less than 150 acres and meet the Commission’s defined policy for “substantially-surrounded” islands. This would result in more efficient provision of services and more logical governmental boundaries.

### 3. Reorganization of Water Districts

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

#### *Local Accountability & Governance*

The City of Victorville is governed by a five-member Council elected at-large to four-year, staggered terms. **Figure 4.4** lists City of Victorville’s council members and their titles. No information regarding terms of office or stipends was provided.

**Figure 4.4, Victorville City Council Membership**

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

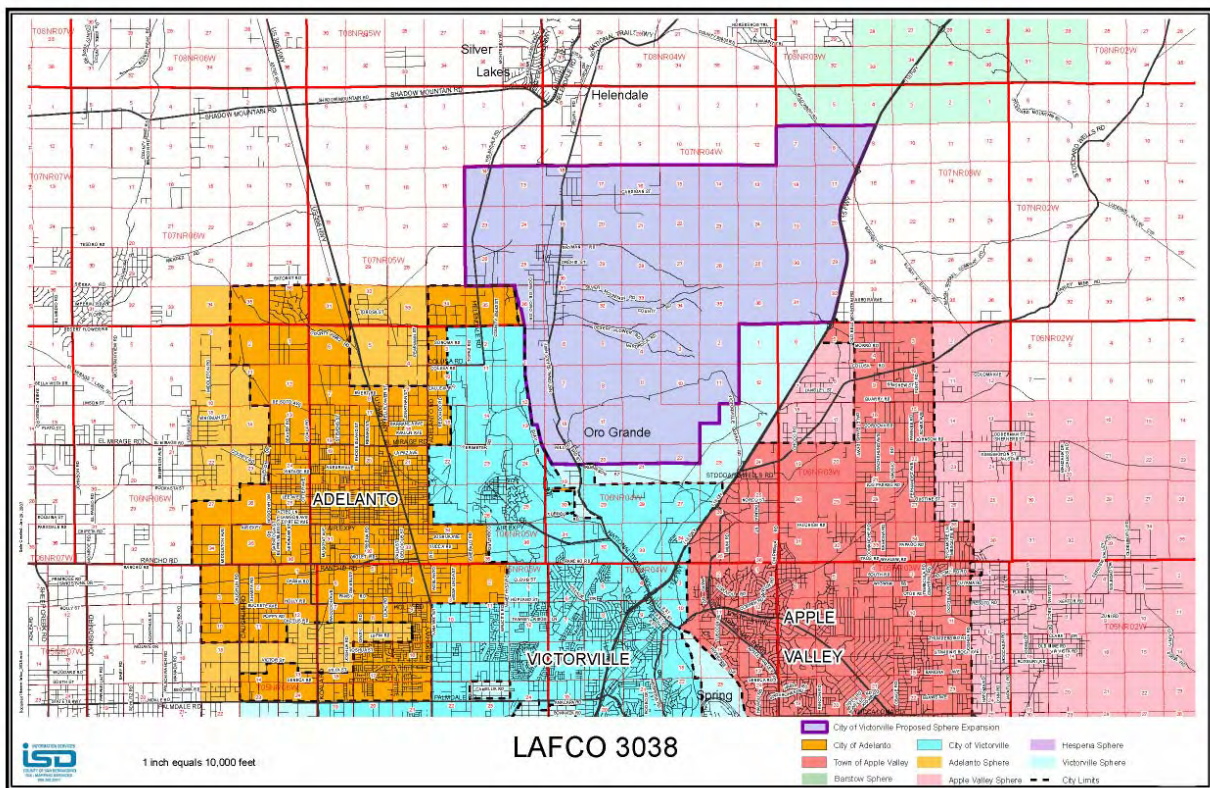
The City of Victorville’s City Council holds its regularly-scheduled meetings on the first and third Tuesday of each month at 7:00 pm. No significant issues related to local accountability or governance were identified.



# Sphere of Influence

## City of Victorville

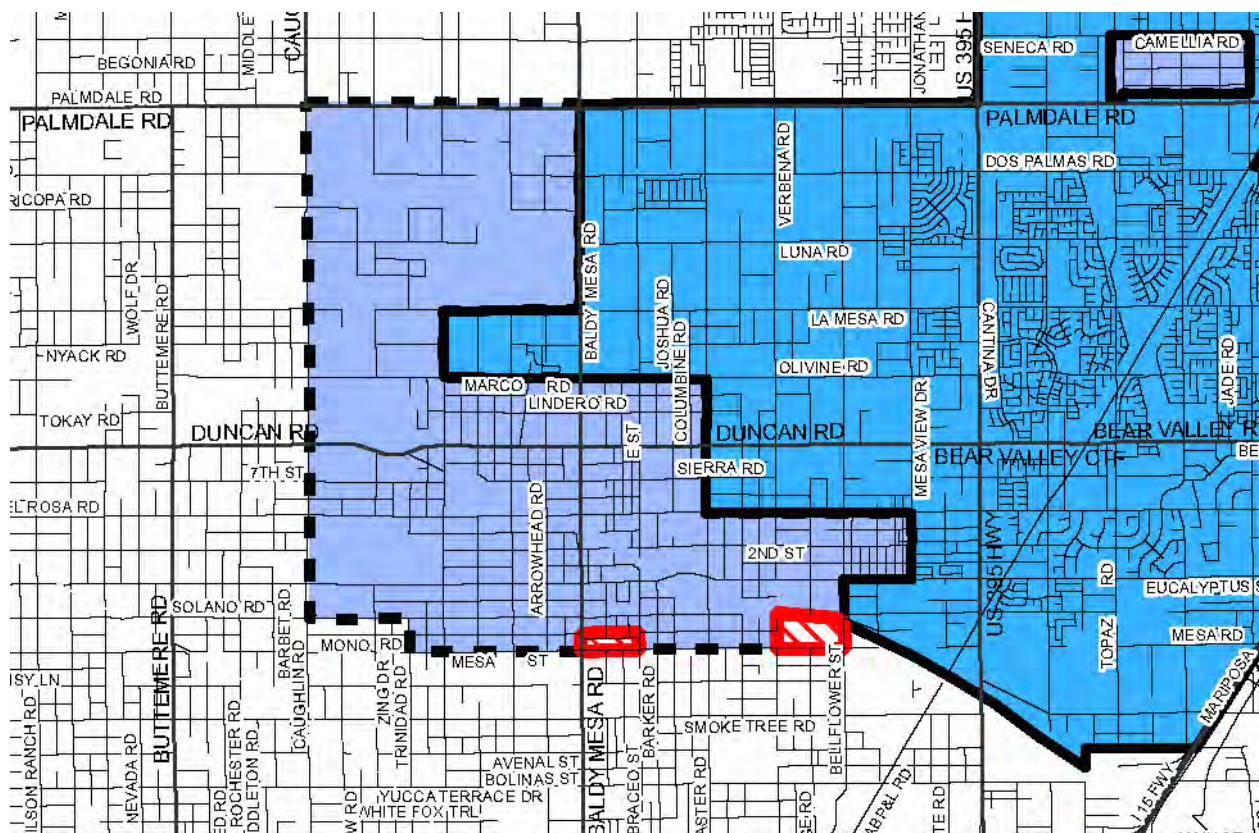
The City of Victorville has requested that LAFCO amend its current sphere of influence to include an additional 37,000 acres (57.8 square miles), see map below. However territory within the proposed expansion area is not addressed by the City's existing General Plan. For LAFCO to adequately address the City's request to expand its sphere of influence by 130%, of which approximately 45% (or 20,000 acres) is developable, it is required to address present and *planned* land uses as well as the present and *probable* need for services. Neither can be fully assessed until the City's General Plan Update is completed and addressed in the City's environmental review analysis for the General Plan. This will allow for a comparison of infrastructure needs anticipated by the existing County land use designations with those anticipated by the City in areas adjacent to the proposed expansion. Members of City staff met with representatives of the County to discuss the sphere of influence update and amendment proposed as required by Government Code Section 56425. However, to date, no identification of agreement of land use issues or general development patterns has been presented to LAFCO staff for inclusion in this report.



The City is currently updating its General Plan which is expected to be completed in 12 months along with the City's environmental review. It is recommended that the

Commission adopt the City's current sphere of influence and defer further consideration of the sphere expansion until the City's General Plan Update is completed. At that time, the City of Victorville's sphere of influence will be given priority by LAFCO staff.

In addition, staff has identified a minor expansion area along the southern boundary of the City's sphere of influence that is unsphered territory. LAFCO staff is recommending that a minor expansion be approved to include the territory between the existing City of Hesperia sphere of influence and the City of Victorville sphere of influence within the Victorville community sphere.



*Expansion areas shown in red.*

The City has proposed dissolving its three subsidiary districts (fire, park and sanitary) and requests a zero sphere of influence for each to allow the City to move forward with processing the dissolutions while it completes its General Plan. Therefore, it is recommended that the Commission adopt zero spheres of influence for the Victorville Fire Protection District, the Victorville Recreation and Park District and the Victorville Sanitary District.

*Staff recommends that LAFCO re-affirm the City of Victorville's existing sphere of influence, defer consideration of the 37,000 acre expansion until the City has completed the update of its General Plan and related environmental review, and approve the expansion of the City sphere of influence along its southern boundary with the City of Hesperia sphere of influence.*

*Staff also recommends that the Commission adopt zero spheres of influence for the City's existing subsidiary districts - the Victorville Fire Protection District, the Victorville Recreation and Park District and the Victorville Sanitary District.*

## **City of Victorville**

### *Present and Planned Land Uses*

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

### *Present and Probable Need for Public Facilities & Services*

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

### *Present Capacity of Public Facilities and Adequacy of Public Services*

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



---

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

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

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

#### *Social & Economic Communities of Interest*

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





---

## Victorville Recreation and Park District

*Staff recommends that the Commission adopt a zero sphere of influence for the Victorville Recreation and Park District, indicating its position that the District should be consolidated with the City of Victorville. The City of Victorville has also requested a zero sphere of influence.*

### *Present and Planned Land Uses*

The Victorville Recreation and Park District provides park and recreation services to the residents of the City of Victorville as well as the unincorporated communities of Spring Valley Lake and Mountain View Acres. The District serves over 100,000 residents and encompasses 98 square miles within its boundaries and sphere of influence. The present and planned land uses within the District are identical with those in the City and include a range of residential, commercial and industrial uses with large areas available for development.

### *Present and Probable Need for Public Facilities & Services*

A Community Services Master Plan was adopted in 2006 establishing goals for acquiring park space and developing recreational facilities. Growth within the City is estimated to be approximately 800 people per month and adequate parks and recreation facilities are critical. The City currently shares some park facilities with schools but is concentrating on acquiring parks of ten to sixty acres which improves the efficiency of operations.

### *Present Capacity of Public Facilities and Adequacy of Public Services*

The Victorville Recreation and Park District maintains a ratio of approximately 2.1 acres of park space per 1,000 residents but has an interim goal of 3 acres per 1,000 residents and an ultimate goal of 5 acres per 1,000. Acquisition of park facilities is financed primarily through development impact fees; and the cost of recreational programs comes from the General Fund which includes the receipts of property tax revenues attributed to the District estimated for FY 2006-07 at \$3,250,000 with some offset from user fees.

### *Social & Economic Communities of Interest*

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

---

## Victorville Fire Protection District

*Staff recommends that the Commission adopt a zero sphere of influence for the Victorville Fire Protection District, indicating its position that the District should be consolidated with the City of Victorville. The City of Victorville has requested a zero sphere of influence.*

### *Present and Planned Land Uses*

The Victorville Fire Protection District serves the City of Victorville, along the I-15 corridor north of the existing City of Victorville boundary, and the majority of the Coad Road unincorporated island. The District does not directly provide service to the Mountain View Acres community as it is a part of County Service Area 38 and its Improvement Zone D, or the Spring Valley Lake community as it is a part of County Service Area 38 and its Improvement Zone K. However, the District does provide mutual and automatic aid to these areas through agreement. The present and planned land uses within the District are nearly identical with those in the City and include a range of residential, commercial and industrial uses with large areas available for development.

### *Present and Probable Need for Public Facilities & Services*

Calls to the Victorville Fire Protection District increased by 36% from 2001 to 2005 and demand will increase as population grows. If the City's sphere of influence is approved and if areas within the sphere of influence annex, the City has identified the need for future fire stations to the west and northwest of the current boundaries. As growth occurs in the proposed sphere of influence expansion to the north, the Village Drive, SCLA and Stoddard Wells/Dante Road stations would initially serve the development, until capital improvements can be planned and built.

### *Present Capacity of Public Facilities and Adequacy of Public Services*

The Victorville Fire Protection District maintains an ISO rating of 3. Demand for fire services will increase with growth. Over the next fifteen years, calls to the Victorville Fire Protection District are estimated to increase more than 50%. The City is planning for at least \$20 million in capital improvements through 2016 with the costs primarily funded through development impact fees. A similar increase in the need for police protection services is also expected and the City plans to invest \$9.6 million in police-related capital improvements through 2020. These costs will be funded by development impact fees and General Fund revenues. Maintenance and operation is anticipated to be funded through the receipt of the 1% ad valorem property tax share of the existing Victorville Fire Protection District, estimated for the FY 2006-07 at \$3,017,000.

### *Social & Economic Communities of Interest*

The Victorville Fire Protection District's residents share social and economic interests. There are several unincorporated communities within the District's existing boundaries

---

and sphere of influence including Baldy Mesa, Spring Valley Lake, Oro Grande and Mountain View Acres. Since the 1970's, the social and economic community of interest for the Victorville community has been defined by the joint sphere of influence assigned the City of Victorville and its subsidiary districts, including the Victorville Recreation and Park District, and the combined spheres of influence of the VVWD and BMWD.



---

## Victorville Sanitary District

*Staff recommends that the Commission adopt a zero sphere of influence for the Victorville Sanitary District, indicating its position that the District should be consolidated with the City of Victorville. The City of Victorville has also requested a zero sphere of influence.*

### *Present and Planned Land Uses*

The Victorville Sanitary District provides wastewater collection facilities to the residents of the City of Victorville as well as being the VVWRA joint powers authority member for the wastewater treatment services. The District serves over 100,000 residents and encompasses approximately 74+/- sq. miles within its existing boundaries and approximately 98 square miles within its existing sphere of influence. The present and planned land uses within the District are nearly identical with those in the City and include a range of residential, commercial and industrial uses with large areas available for development.

### *Present and Probable Need for Public Facilities & Services*

The Victorville Sanitary District sends 8.3 mgd to the VVWRA joint facility. It is anticipated that at build-out the City will send 22 mgd, exceeding the total capacity projected at the VVWRA facility, planned to be 18 mgd by 2008.

### *Present Capacity of Public Facilities and Adequacy of Public Services*

The City of Victorville FY 2006-07 budget estimated property tax receipts for the District at \$1,500,000; and User charges at \$5,150,000. The capacity at the sewage treatment facility operated by the VVWRA has a current capacity of 12 mgd and is project to have 18 mgd by 2008. However, the demand for capacity at build out is projected to be 22 mgd. Future development of facilities, either through expansion of the current wastewater treatment plant or the development of other sited facilities is required. The City of Victorville anticipates the need for \$13 million in capital improvements in addition to the system improvements anticipated to be constructed by developers.

### *Social & Economic Communities of Interest*

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

---

**BOARD  
GOVERNED  
DISTRICTS  
COUNTY  
SERVICE  
AREAS 42  
AND 64**

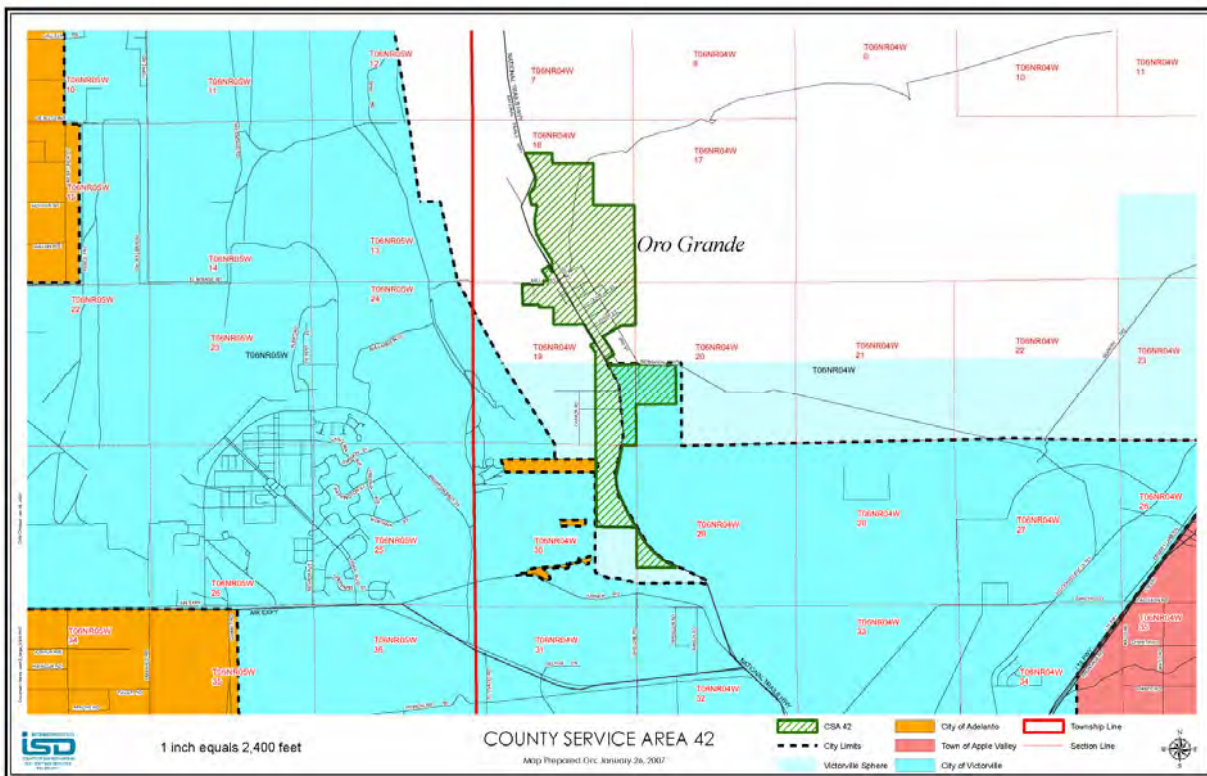
Municipal Service Review and Sphere of Influence



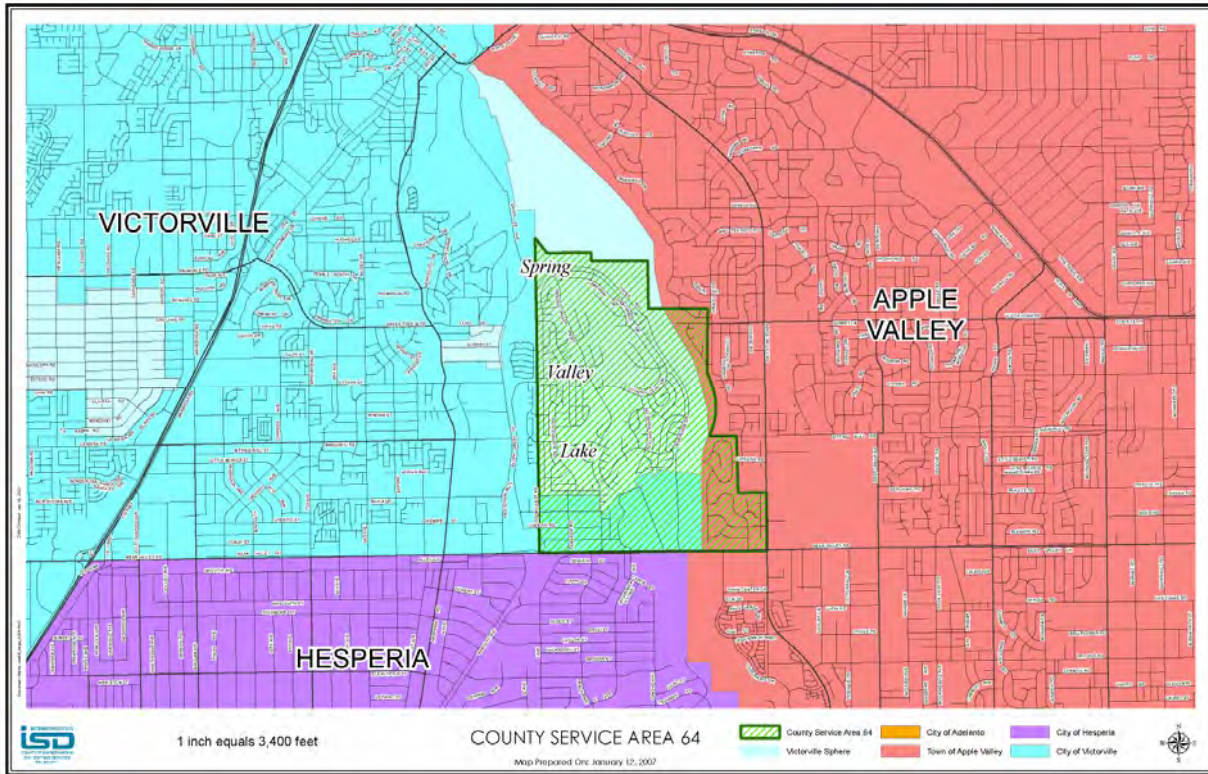
## Service Review Summary

As a part of the discussion of the Victorville community, the municipal service review for County Service Area 42 (Oro Grande) and County Service Area 64 (Spring Valley Lake) is required. As staff has conducted this review, information has come to light that requires a continuation of these two entities to the April 18, 2007 hearing. The County Special Districts Department has indicated its request that the matters be continued (copy of letter dated February 8, 2007 included as Attachment #4). This will allow the County Special Districts Department and LAFCO staff to respond to questions on current service provision, services authorized, and potential expansion of the sphere of influence. If necessary, additional publication will be required to identify the area of consideration. Outlined below are the maps showing the existing service areas of these agencies.

### County Service Area 42 (Oro Grande)



# County Service Area 64 (Spring Valley Lake)



---

# **BALDY MESA WATER DISTRICT**

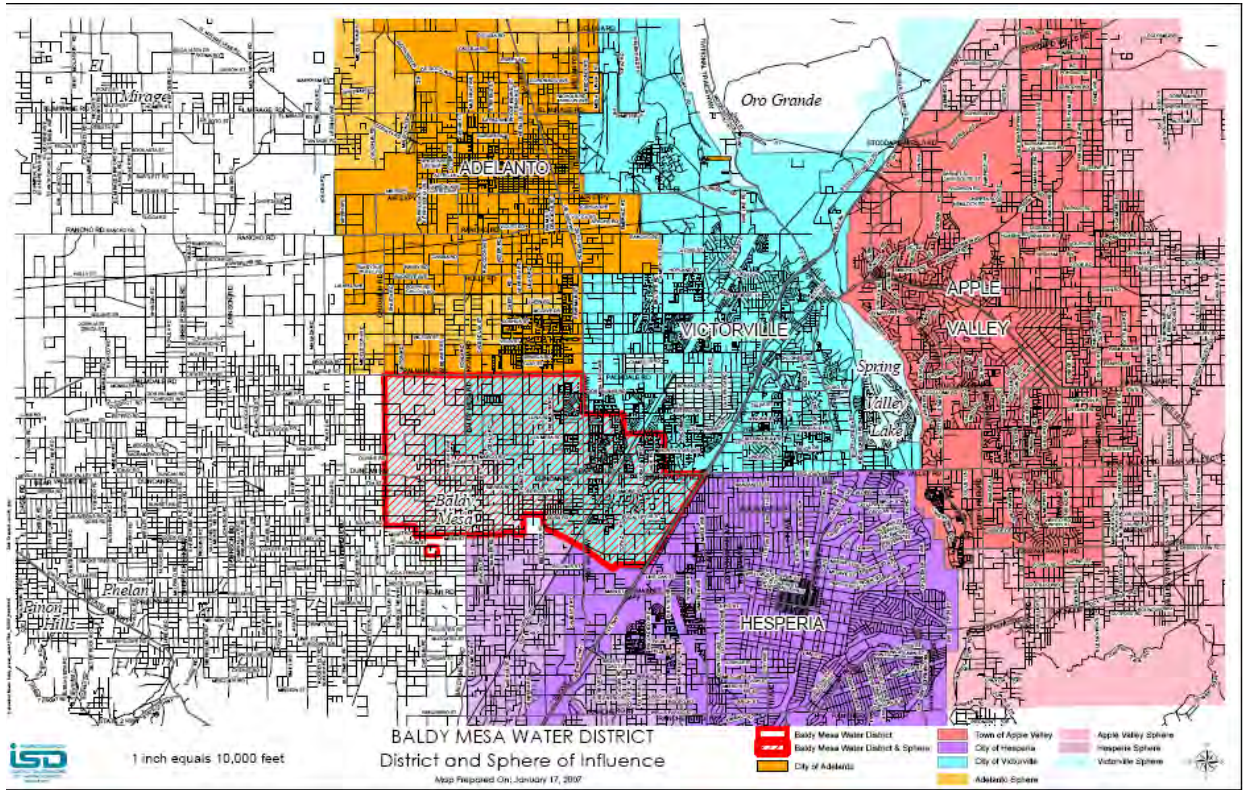
**Municipal Service Review and Sphere of Influence**





## Baldy Mesa Water District

The Baldy Mesa Water District responded to LAFCO's request to prepare a service review as required by Government Code Section 56430. The District's response, supporting material, and appendices are included as attachments to this report and are briefly summarized in the pages that follow.



### Infrastructure Needs & Deficiencies

The most significant regional issue is future water supply. The high growth rate in the region coupled with a continued overdraft of the groundwater basin, which is the primary source of supply, is an infrastructure deficiency. The Mojave Water Agency<sup>2</sup> has estimated that if agricultural water use continues to decline and it is able to take all of its average annual State Water Project (SWP) supply, there is a potential that an annual surplus may be available between 2005 and 2020. .

<sup>2</sup> Final EIR For Groundwater Replenishment Program, Mojave Water Agency

Therefore, BMWD's most significant infrastructure deficiency is the available supply of water for projected growth within the District's service area and throughout the region. The groundwater basin is adjudicated under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft.

Since the amount of groundwater production is limited, producers using more than their Free Production Allowance (FPA) incur an obligation to buy imported water to offset "excess" groundwater use. Reductions in FPA occur in increments of 5% per year until the available production is in balance with the available water supply. 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.

Currently the District has rights to or has purchased water rights to assure 1,760 acre-feet (AF) of FPA, at the 65% rampdown of usage without being assessed groundwater replacement costs. The current demand is 6,200 AF and, at build-out, the demand is projected to be approximately 50,000 AF. It is the District's understanding that the Mojave Water Agency has assured an adequate supply of water will be available to the BMWD in the future. However, there are many factors that limit the SWP supply, including jurisdictional squabbles, funding, lack of off-river recharge facilities, and reduced supply due to drought or lack of adequate extraction facilities. There is currently a net deficit in the region's groundwater basin that must be addressed by increasing supply, reducing use, or continuing the overdraft.

Reducing usage is a high priority for the District. Currently the District's per capita use of water at 188 gallons per day (gpd) is higher than the statewide average of 175 gpd per capita. However, the BMWD's arid climate dictates the use of water. The District has established goals of a 10% reduction per capita per day use by 2010 and a 20% reduction by 2020 and is implementing programs to assist in achieving this goal.

As noted above, the BMWD has purchased additional water rights and is encouraging conservation among its customers and it is also participating in long-range re-use plans. However, the pace of growth and the availability of water are out of balance and are beyond the financial and operational ability of one agency to solve. The District recently prepared a study of areas of significant growth within its service area and based its Master Plan on that study. Information provided by BMWD indicates it has completed an Urban Water Management Plan (UWMP) in 2000; however, as of December 1, 2001, the report to the State Legislature entitled "Summary of 2000 Urban Water Management Plans" does not identify that the State has received a copy of the UWMP with proof of adoption by the governing board. The District has indicated in its supplemental filing that the 2000 and 2005 required UWMP have been provided to the Department of Water Resources; however, LAFCO staff has received no documentation of adoption by the



---

Board of Directors of the District nor proof of receipt by the Department of Water Resources.

The information submitted by BMWD for this service review indicates that the District regularly reviews infrastructure needs and deficiencies. BMWD completed a Master Plan in 1995 and again in 2001, and it adopts a Capital Improvement Program (CIP) each year in conjunction with its annual budget. Based on the material submitted by the District, the District's storage appears to be low according to industry standards.<sup>3</sup> Currently, the District has approximately 2.5 days of storage, although in areas where groundwater is the sole source, storage is typically less than in those areas that rely more heavily on imported water.

Another infrastructure deficiency is arsenic in the groundwater basin. In response to changes in Federal and State standards for acceptable levels of arsenic in the water supply, the District conducted pilot projects to determine the most cost-effective and efficient means of removal. Supplemental information received from the District on February 2, 2007 identifies that the District has recently "commissioned" a 6,000 gallon per minute (gpm) arsenic removal facility which will become operational once California State Department of Health Services review and approval of the District's permit application is provided. According to the District, the facility can be expanded to 8,000 gpm based upon need. In addition the District has plans for an additional 2,000 gpm arsenic removal facility scheduled to be completed by mid-May 2007. These facilities are designed to remove arsenic to non-detect levels and to accommodate the District's current production facilities. These facilities provide the District with the ability to use blending as a method for reducing arsenic in future wells. The 2005 Water Supply Plan describes a comprehensive solution, for which the District has secured funding and is in the process of implementing multiple solutions. The funding identified is \$13,070,000 in bonds to fund the arsenic removal facilities, four miles of 24-inch transmission pipeline and to construct a second treatment facility along with the appurtenant piping to convey well water to the facility. In a regional context, the VVWD has also just completed a treatment plant to correct its arsenic problems; and, while it is unknown if the plant could be utilized by the BMWD, two agencies addressing the same critical issues within the region is, in the staff view, inefficient.

### *Growth & Population Projections*

The BMWD currently serves a population of approximately 22,000 through 7,000 connections. The District's total service population is projected to increase to

---

<sup>3</sup> Assumes 7,000 connections using 0.55 acre feet of water per year or approximately 75 acre feet of water consumed over a 7 day period. The minimum standard that would be required is approximately 24.5 million gallons of storage for one week. The total current storage for the District is 8.68 million gallons.

---

approximately 215,000 by 2025, and the District will require more than 65,000 new connections to serve these customers.

The District's growth trends have fluctuated through the years. During the late 1980s and early 1990s, BMWD experienced rapid growth. In 1992 and 1993, for example, the District added more than 300 new connections annually (an 11% and 12% increase in total connections per each year respectively). During the five years between 1996 and 1999, the District's growth dropped, with the District adding less than 100 connections per year (an average increase of 2% per year). The year 2000 marked the beginning of the most recent development boom, and new connections again increased. In both 2003 and 2004, for example, the District added 700 new meters. This development trend is expected to continue.

With the building boom and rise in average water use per connection, BMWD's water system and supplies will be burdened, as will those of the region's other water agencies. BMWD has identified the significant growth areas and prepared both a Master Plan and a Water Supply Plan in response to the growth and as part of its ongoing operations.

#### *Financing Constraints & Opportunities*

The BMWD's most recent audits demonstrate that the District is operating at a loss. During the Fiscal Year ending June 30, 2004, the District's operating loss was \$488,674 (17%). The following Fiscal Year, the District's operational deficit grew to \$787,791, a 27% loss. Generally speaking, a decrease in an agency's net assets is a concern for the future financial health of the organization.

In the Executive Summary for its FY 2005-2006 budget, BMWD noted that the operating budget reflected a 13% increase in expenses, while revenues were projected to only increase by 9%. The following chart depicts the changes in the various categories in BMWD's FY 2005-2006 budget as compared to the previous fiscal year.



Figure 4.1, BMWD Budgetary Changes, FY 2005-2006

| CATEGORY                         | PROJECTED percent CHANGE FROM FY 2004-2005 | AMOUNT of PROJECTED CHANGE (\$) |
|----------------------------------|--|---------------------------------|
| <i>Operating Revenues</i>        | +9%  | +\$277,500                      |
|                                  |  |                                 |
| <i>Source of Supply</i>          | +9%  | +\$116,500                      |
| <i>Booster Pumping</i>           | -24%                                       | -\$12,600                       |
| <i>Transmission/Distribution</i> | -26%                                       | -\$53,200                       |
| <i>Engineering</i>               | +4%  | +\$8,900                        |
| <i>Customer Accounts</i>         | -5%  | -\$30,000                       |
| <i>Administration</i>            | +30%                                       | +\$208,300                      |
| <i>Vehicles/Equipment</i>        | -39%                                       | -\$28,300                       |
| <i>Total Operating Expenses</i>  | +9%  | \$269,600                       |
|                                  |  |                                 |
| <b>TOTAL PROFIT (LOSS)</b>       |  | \$7,900                         |

The decrease in net assets for the previous two Fiscal Years would seem to indicate that BMWD should raise rates significantly. Reasons for the fiscal losses, as noted by the District, include shifts in revenue from the District to the State, ERAF, for two years (\$245,000 per year) and “adjudication costs, electricity costs, water quality costs, general inflationary increases (higher fuel, etc), and costs associated with 30% growth experienced over the past two years.”<sup>4</sup> The District’s financial constraints could become a significant concern if steps are not taken to address them.

#### *Rate Issues & Restructuring*

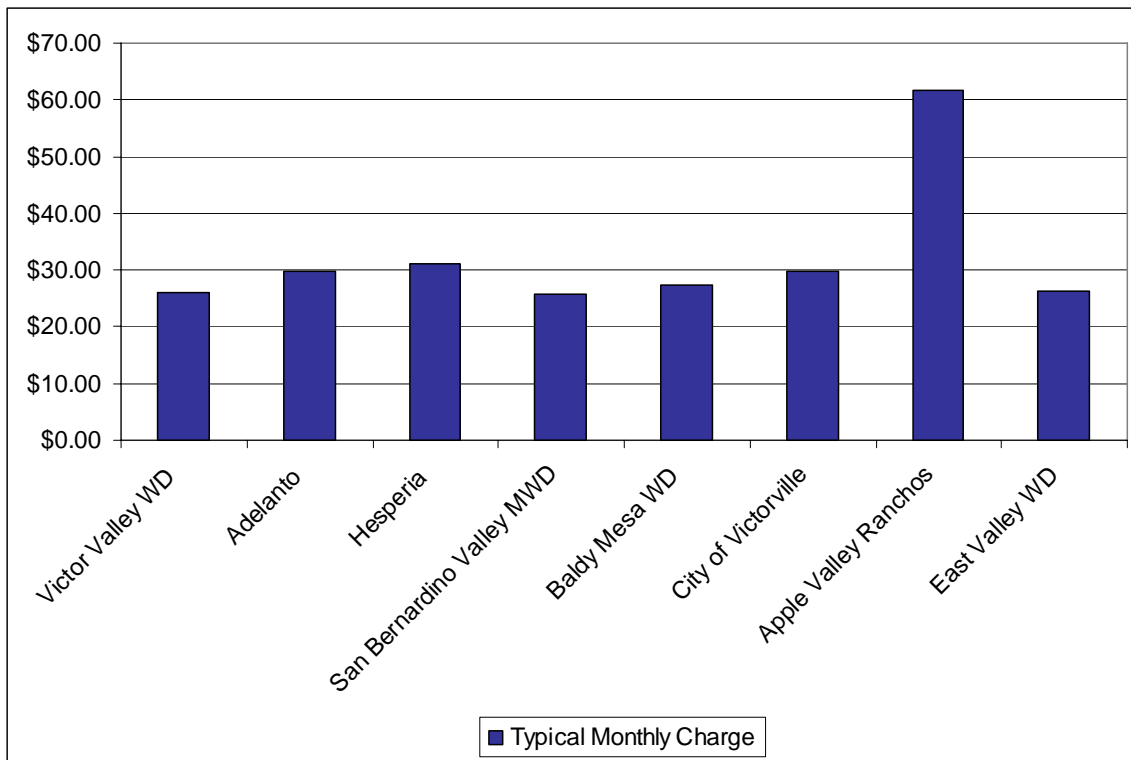
The BMWD’s Board of Directors examines rates annually in a public workshop and adjusts rates as needed after public hearing(s). BMWD’s rates are tiered to encourage conservation and are a combination of a monthly meter fee and commodity rates. The District increases the commodity rate to encourage more conservation and occasionally uses surcharges on bills to clearly identify increased costs. For example, the increases in energy costs over the past few years and recent costs for the federally-mandated arsenic removal are, and will continue to be, shown as a separate surcharge on each customer’s bill. The energy surcharge will eventually be melded into the commodity rate on the service bill, as will the arsenic treatment surcharge. The arsenic facility surcharge will

<sup>4</sup> BMWD Final Budget, FY 2005-2006 (July 1, 2005 - June 30, 2006).



not be melded as it will be reduced, and ultimately removed, after the bond for the construction of these facilities is repaid. The BMWD noted that it was able to avoid rate increases for several years due to operating efficiencies and economies of scale that resulted from the region's growth. The chart below shows a comparison of rates among agencies in the region.

**Figure 4.2, Regional Water Rates (Monthly Averages)**



The District prepared a study in August 2005, which addressed several concerns: 1) future water supply in light of continued residential development in the District's service territory, 2) the increased cost of groundwater due to the Mojave Basin adjudication; 3) the overdraft of the groundwater basin; and 4) the new Federal water quality standards for arsenic. The report evaluated new water sources that could meet expected demand in the years 2006, 2010, and 2015 and summarized potential financial impacts to the District's customers.<sup>5</sup>

The report noted that current connection fees (i.e., the fees paid by homebuilders and developers in order to connect to the water system) are approximately \$4,260 per dwelling unit. In order to pay the estimated total capital cost to meet expected future demand (\$50.5 million in 2005 dollars), the District should incrementally increase its

<sup>5</sup> "Baldy Mesa Water District Water Supply Plan, Final Report" - HDR, August 2005.



connection fees – \$5,165 this year (21% increase), \$6,167 by 2010 (19% increase), and \$6,942 by 2015 (12 % increase). In March 2006, the District increased connection fees to \$9,170 to meet demands as identified in the HDR Report included in its submission materials.

BMWD’s water rates are based on a minimum monthly fee and a rate structure tiered to encourage conservation. Yearly estimated water rate increases, as identified by the District on February 2, 2007, are shown in the *Figure 4.3*.

*Figure 4.3, BMWD Estimated Water Rate Increases*

| FISCAL YEAR:         | 2005-06 | 2006-07 | 2010-11              | 2011-12              | 2015-16              | 2016-17              |
|----------------------|---------|---------|----------------------|----------------------|----------------------|----------------------|
| <b>Rate Increase</b> | 0%      | 3%      | 3% to 5% anticipated | 3% to 5% anticipated | 3% to 5% anticipated | 3% to 5% anticipated |

The projected rate increases are the result of higher water costs and new water quality standards and can, therefore, change in accordance with those factors and a variety of others. For example, the newly-revised State and Federal guidelines reduced the minimum acceptable arsenic level. BMWD has identified that the cost for installation of equipment and appurtenant facilities required to meet the new standard is \$13,000,000 funded by the District through bond financing. This cost will be passed on to the District’s customers, which equates to about \$10.75, per month, per customer. The District estimates that this will decrease beginning July 1, 2007 to \$10.25 per month per customer. Additionally, as identified above, the District Board authorized an additional surcharge of \$0.45 per hcf which is to cover operation and maintenance expenses associated with the arsenic treatment facilities. Implementation of this surcharge will take place at the time the arsenic treatment plant comes on line.

*Cost Avoidance & Opportunities for Shared Facilities*

The BMWD participates in regional water groups addressing pertinent issues such as water conservation, water supply, and water quality. Further, BMWD is engaged in collaborative projects, which include the Oro Grande Wash Percolation Basin, with the VVWD and Mojave Water Agency, and a joint water treatment plant with the City of Victorville and Victor Valley Wastewater Authority. The District also has avoided costs by contracting with the City of Victorville for an interim General Manager.

*Management Efficiencies*

The District employs a staff of 29. It noted in its service review response that it exceeds the 75 percentile in the ratio of water production versus number of employees.<sup>6</sup> The

<sup>6</sup> American Waterworks Association benchmark.



District also noted the success with its Automated Meter Reading System, initiated in 1996 and expanded in 1998, which resulted in substantial reduction in the time employees required to read water meters for billing. Staff did not identify any significant issues with regard to management efficiencies.

### *Government Structure Options*

This subsection addresses two types of government structure options:

1. Areas served by the agency outside its boundaries through an “out-of-agency service agreement”;
2. Other potential governmental structure options such as consolidations, reorganizations, and dissolutions.

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

The BMWD currently provides water service to two areas beyond its service territory and outside its sphere of influence – an area within CSA 70 Improvement Zone L (approved by BMWD’s Board in 1999) and the Stater Brothers Development in the vicinity of Amethyst and Bear Valley Road (approved in 1991).

Since January 1994, an agency providing service beyond its boundaries must first receive written approval from LAFCO (Government Code Section 56133). Recent changes in the statute indicate that these provisions do not apply to an extended service being provided prior to January 1, 2001. Therefore, since both these areas pre-date that requirement, they are “grandfathered” in and do not require LAFCO approval. BMWD does not currently have any other out-of-agency service agreements in place.

### *Other Government Structure Options*

While the BMWD has already consented to the City of Victorville’s reorganization application, which proposes to consolidate BMWD and the VVWD as a subsidiary district of the City, there are other potential governmental structure options. While the discussion of some options may be theoretical, a service review should address all possible options.

#### *Consolidation of BMWD with One or More Other Agencies*

The BMWD could reorganize with one or more of the region’s other water agencies, which include the VVWD, San Bernardino County Service Area (CSA) 70, CSA 70 Improvement Zone L, Adelanto Water Authority, as well as the City of Victorville. The bigger issue is whether water demand planning is best accomplished by several smaller districts, one or more larger districts, or an agency with land use authority.

It is clear that there would be benefits resulting from the consolidation of water service providers including improving service efficiency and cost effectiveness,





accommodating the development approved by the land use authorities, and addressing the groundwater basin overdraft.

Maintenance of Status Quo

In this scenario, the BMWD would continue to operate as an independent special district. Given the concerns raised about BMWD’s fiscal health, development in the area, the overdraft of the groundwater basin and the District’s consent to the City of Victorville’s reorganization application, this option is neither logical nor efficient.

*Local Accountability & Governance*

The BMWD is governed by a five-member Board elected at-large to four-year, staggered terms. The San Bernardino Board of Supervisors recently changed the District’s election cycle to correspond with general elections, thus saving public money. Further, Board members’ monthly stipends are limited to a maximum of \$600 per month, consistent with existing State law. *Figure 4.4* lists BMWD’s Board members, their titles, and terms of office.

*Figure 4.4, BMWD Board of Directors (as of December 2006)*

| Board Member             | Title          | Term      |
|--------------------------|----------------|-----------|
| <b>Jacob Jaroszewski</b> | President      | 2003-2008 |
| <b>Robert Almond</b>     | Vice President | 2006-2010 |
| <b>Norman Nichols</b>    | Director       | 2006-2010 |
| <b>William Mines</b>     | Director       | 2003-2008 |
| <b>Norman Miller</b>     | Director       | 2006-2010 |

BMWD’s Board of Directors holds its regularly-scheduled meetings on the first and third Thursday of each month. Further, the District maintains a comprehensive public website and uses newsletters, surveys, and a complaint-tracking system to remain accountable to its customers.

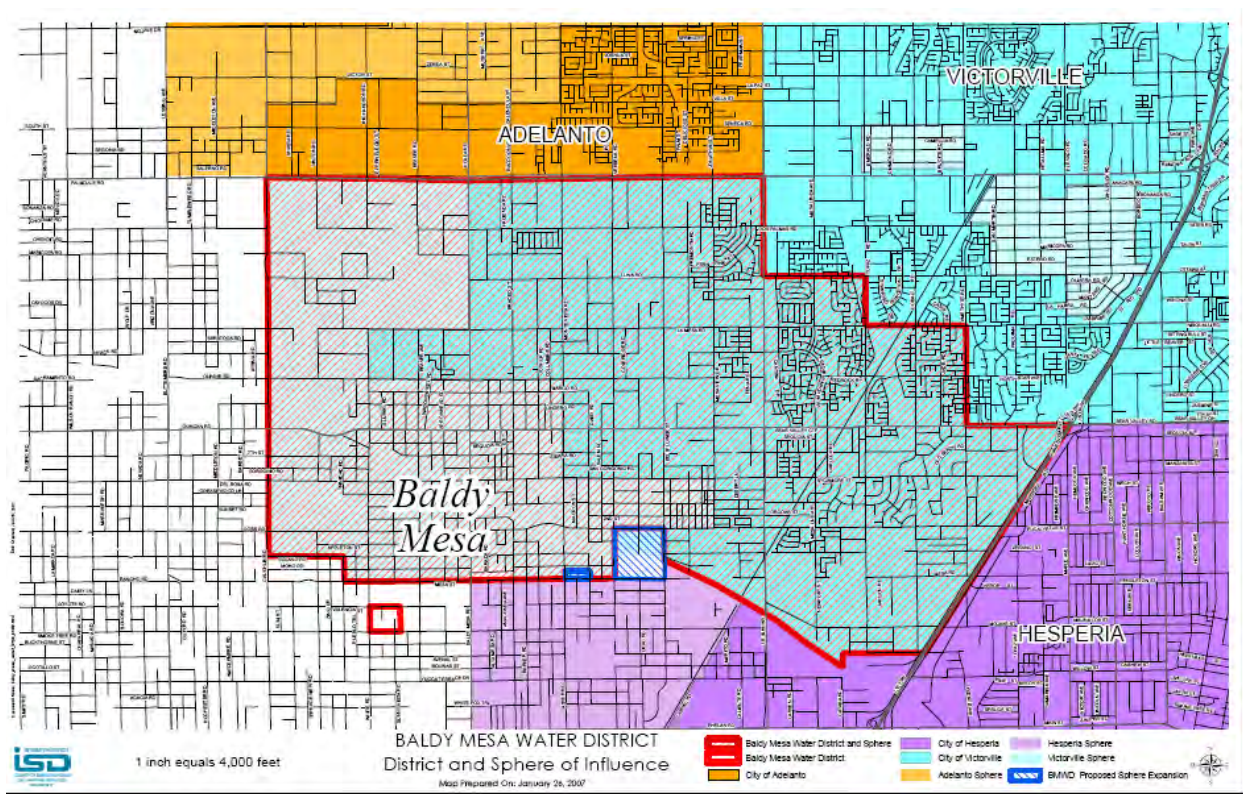
Staff did not identify any significant issues related to local accountability or governance.



## Sphere of Influence

The BMWD currently has a coterminous sphere of influence (the District's sphere is identical to its service territory) with the one minor exception of the non-contiguous area to the southwest of the District. A majority of the BMWD's service area overlaps the City of Victorville. Portions of the District are located west of Baldy Mesa Road, which is unincorporated but within the City's adopted sphere of influence.

There are three areas that should be addressed as part of the sphere of influence. First, are areas located between the existing BMWD and its sphere of influence and that of the Hesperia Water District to the south. One area, located west of Bellflower Street and north of Mesa Street, is not within the District's service territory, nor within its sphere of influence, although the BMWD surrounds it on three sides. This area is, however, within the City of Victorville's sphere. The second area is located outside the sphere of influence of any water provider or City. If LAFCO approves the City's reorganization proposal, this area would be best served through the consolidated water district when it requires water service. If the City's reorganization proposal is not approved, the consolidated district's sphere should include this area.



*Expansion areas shown in blue hatching.*

There is also a portion of BMWD that is noncontiguous with the remainder of the District. This area, located at Smoke Tree and White Roads, is not a part of the District's

sphere. The site houses a BMWD tank, but also serves residential connections in the area. The surrounding service provider is CSA 70 Improvement Zone L and transfer of water service responsibility should be explored with that agency. LAFCO, in conjunction with the successor agency to BMWD, should investigate other service providers.

On July 7, 2005, the BMWD's Board of Directors adopted Resolution 2005-40, consenting to the City of Victorville's reorganization proposal (LAFCO 2991). Therefore, staff recommends that LAFCO adopt a consolidated sphere of influence for the BMWD and VVWD. A consolidated sphere indicates that the BMWD should be reorganized with the VVWD to create a single water purveyor for the Victorville community.

#### *Present and Planned Land Uses*

The BMWD encompasses approximately 26.7 square miles of territory. The present and planned land uses in the District's service territory represent varying levels and intensities of urban development within the unincorporated County areas, as well as in the City of Victorville. Due to the limitation of service providers, the unincorporated territory does not support an urban intensity of land use.

#### *Present and Probable Need for Public Facilities & Services*

The present and probable need for the services provided by the BMWD is expected to expand as the region's population increases. BMWD currently serves a population of about 24,900 through approximately 7,500 service connections. The area's service population is expected to grow to approximately 215,000 by 2025 and is projected to require 65,000 service connections.

#### *Present Capacity of Public Facilities and Adequacy of Public Services*

The BMWD provides retail water service within its current service territory. The groundwater basins that serve as the District's primary water supply are over-drafted, and the District's water supply exceeds Federal and State limits for arsenic.

#### *Social & Economic Communities of Interest*

Portions of the BMWD's service territory overlap the City of Victorville; therefore, the District's customers are also residents of the City and share social and economic interests. Portions of the District are unincorporated; and, while those areas are also within the City's sphere of influence, it is likely that some residents in the unincorporated areas do not believe they share social or economic ties with the City.

***Staff recommends that LAFCO adopt a consolidated sphere of influence for the BMWD and VVWD indicating the Commission's position that the two should be consolidated into one agency.***



---

# Victor Valley Water District

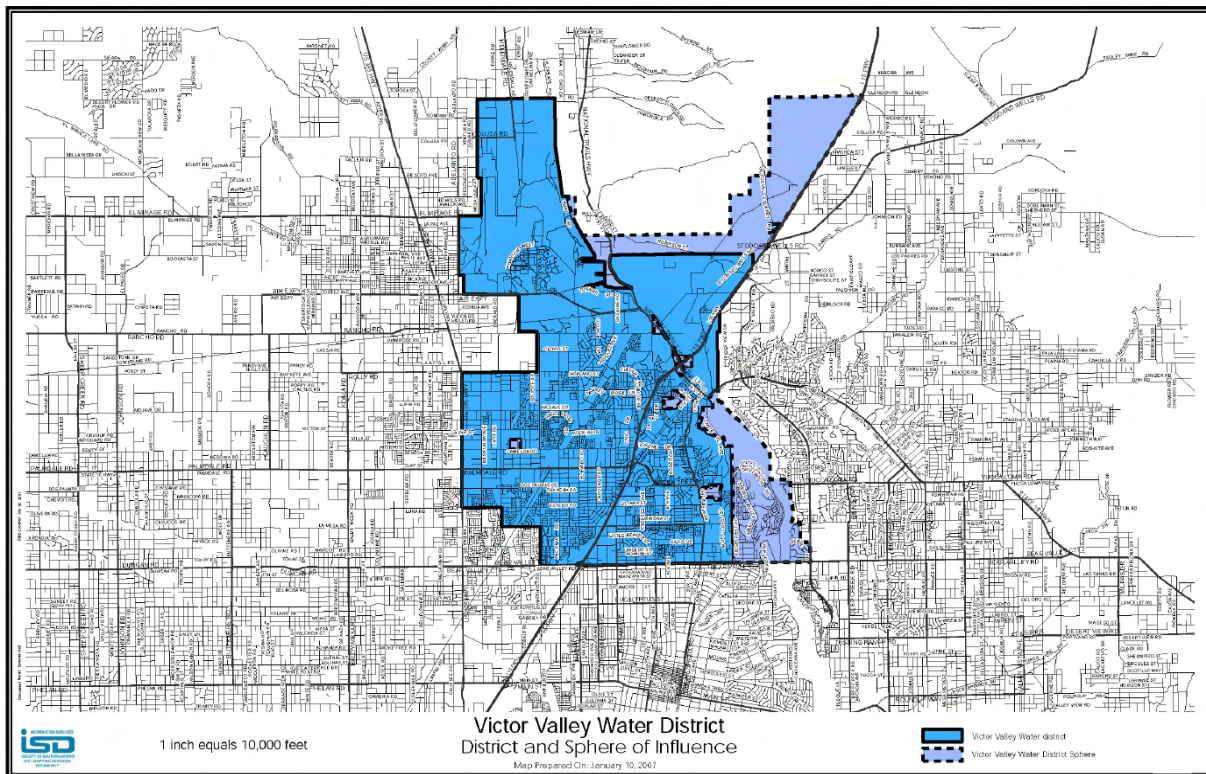
## MUNICIPAL SERVICE REVIEW AND SPHERE OF INFLUENCE



# SERVICE REVIEW SUMMARY

## Victor Valley Water District

The Victor Valley Water District (VVWD) prepared a service review consistent with LAFCO's policies and procedures and the factors required by Government Code Section 56430. The District's response, supporting material, and appendices are included as attachments to this report and are briefly summarized in the pages that follow.



### *Infrastructure Needs & Deficiencies*

The most significant regional issue is future water supply. The high growth rate in the region, coupled with a continued overdraft of the groundwater basin, which is the primary source of supply, is an infrastructure deficiency. The Mojave Water Agency<sup>7</sup> has estimated that if agricultural water use continues to decline and it is able to take all

<sup>7</sup> Final EIR For Groundwater Replenishment Program, Mojave Water Agency

of its average annual State Water Project (SWP) supply, there is a potential that an annual surplus may be available between 2005 and 2020. Therefore, the most significant infrastructure deficiency is the available supply of water for projected growth within the District's service area and throughout the region. The groundwater basin is adjudicated under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft. The groundwater basin is adjudicated and over-drafted, and future supplies are limited, requiring water purveyors to scale back consumption annually, to aggressively promote water conservation measures, to buy more expensive imported water and to develop new supplies.

Currently the District has rights to or has purchased permanent or temporary water rights to be assured of 12,000 acre-feet (AF) of Free Production Allowance, at a 65% ramp down of usage, without being charged groundwater replacement assessments. The District has purchased \$7,100,000 in permanent water rights and \$4,000,000 in temporary rights. The current demand is annualized at 22,000 AF, with an average-day demand of 20 mgd; and, at build-out, the demand is projected to be 71,000 AF. The District has noted that the Mojave Water Agency has assured the District, in writing, that an adequate supply of water will be available to it in the future; and in the 2006 MWA Water Year, MWA had 100% of its entitlement available for use. However, there are many factors that limit that source, including jurisdictional squabbles, funding, lack of off-river recharge facilities, and reduced supply due to drought or lack of adequate extraction facilities. There is currently a net deficiency in the usage of the region's groundwater that must be addressed by increasing supply, reducing use, or continuing the overdraft.

Reducing usage is a high priority for the VVWD. Currently the District's per capita use of water at 244.6 gpd (exclusive of the water used for construction and development) is high compared to the statewide average of 175 gpd per capita. However, the District's arid climate dictates the use of water. The District has already achieved its 2010 goal of a per capita per day use of 248 gallons and expects to reach its goal of 220 gallons prior to the established timeframe of 2020 and has implemented programs to assist in achieving its goal.

The District's top ten water consumers in 2004 are shown in *Figure 4.5*, with consumption listed in increments of hundred cubic feet (HCF). The District supplies water to the City of Victorville, the largest user of water in the District, at a lower rate than the rest of its customers to encourage citizens to use the City's centralized parks instead of having turf lawns.



**Figure 4.5, VVWD's Top 10 Water Customers 2004**

| Customer                                 | Consumption (HCF) |
|--|-------------------|
| City of Victorville                      | 526,468           |
| AFG Industries                           | 110,171           |
| Victor Valley Union High School District | 87,549            |
| Nutro Products                           | 80,000            |
| KB Homes                                 | 76,945            |
| Mountain Vista Apartments                | 65,738            |
| Golden West MHP                          | 45,082            |
| L. D. Anderson, Inc.                     | 37,754            |
| Wimbledon Apartments                     | 36,493            |
| Summer Breeze Apartments                 | 31,575            |

To address the significant need for new sources of water, the District has prepared a series of reports including: Water Master Plan (and EIR – 1995); Urban Water Management Plan (2000 and 2005); Long Range Water Supply Review (2001); an Alternative Water Supply Assessment (2001); and a Groundwater Storage Study (2003). It also received a \$5 million grant from the State for related issues.

With the change in Federal and State levels for arsenic in drinking water, water quality is also an infrastructure need. However the VVWD has completed three (3) arsenic treatment facilities which are anticipated to be fully operational in 2007. The VVWD currently has 373 miles of pipelines (adding 32.2 miles in fiscal year 2006) and capital improvement plans to replace two (2) miles per year. There are also issues with defective polyethylene pipes used by the District which represent approximately 8% of the total amount; however VVWD changed its standard for service lines to copper in March 2002 and has since replaced 1000 service lines within its service area.

No other significant infrastructure deficiencies for the VVWD were identified.

*Growth & Population Projections*

The VVWD currently has a population of approximately 72,056 and has 21,835 service connections. The District currently serves 80% of the City of Victorville and the District's population projections (detailed in *Figure 4.6*) are approximations based on the City's projected growth.

**Figure 4.6, VVWD & Vicinity Population Projections\***

| POPULATION PROJECTIONS |        |        |        |        |         |         |         |
|------------------------|--------|--------|--------|--------|---------|---------|---------|
| Municipality           | 2000   | 2005   | 2010   | 2015   | 2020    | 2025    | 2030    |
| <b>Victorville</b>     | 64,871 | 75,952 | 81,592 | 92,548 | 103,353 | 113,711 | 123,641 |



|                             |        |        |        |        |        |        |        |
|-----------------------------|--------|--------|--------|--------|--------|--------|--------|
| <b>Victor Valley<br/>WD</b> | 51,897 | 60,712 | 65,274 | 74,038 | 82,682 | 90,969 | 98,913 |
| <b>% Change</b>             |        | 17 %   | 7 %    | 13 %   | 12 %   | 10 %   | 9 %    |

\* Southern California Association of Governments (SCAG)

The area served by VVWD has experienced unexpected and tremendous growth, as has the entire region. Water agencies typically utilize Master Plans, which incorporate growth projections, in order to assess the need for future supply and infrastructure. The District's 1986 and 1995 Master Plans projected an increase of 500 connections per year, or about 3% growth annually (approximately 1,700 people). However, the District had 5,459 new connections from 2003-04 through 2005-06 with a record of 2,057 during 2005-06 alone.

However, the growth rate in the region, as noted previously, has been considerably higher. The discrepancy between population projections and actual growth has been a concern for all land use agencies including the City of Victorville. VVWD has selected a consultant to prepare the District's 20-year Master Plan to accommodate projected growth. The Plan is anticipated to be finalized in March 2007. The District has made the commitment to share this updated Master Plan with LAFCO.

#### *Financing Constraints & Opportunities*

The VVWD is completely funded through customer fees/charges; it does not receive any share of the 1% ad valorem property taxes. It has an operating budget of approximately \$17 million, with the largest uses of revenues being labor, power and depreciation. Revenues are approximately \$19 million, with water sales (\$8.2 million), service fees (\$4.2 million), connection fees (\$5.1 million) and other charges (\$1.7 million) as the listed sources.

The District appears to be in sound financial condition. It operates without debt and has adequate reserves. While the District's fund balance at the end of Fiscal Year 2005-2006 was \$30.9 million, the fund balance has declined to \$20 million at present. The almost \$11 million decline in reserves is due to the construction of capital improvements needed to meet more stringent requirements for arsenic removal, significant transmission pipelines, and new wells.

Twenty million dollars in reserves is acceptable for an agency the size of VVWD; however the District is debt free and has the ability to incur debt to cover any unexpected needs. The Board of Directors examined options for funding the infrastructure needs and chose a gradual set-aside approach in order to keep increases in rates moderate.

While the District has adopted financial policies consistent with industry standards, it did not submit audited financial statements with its service review report. Staff





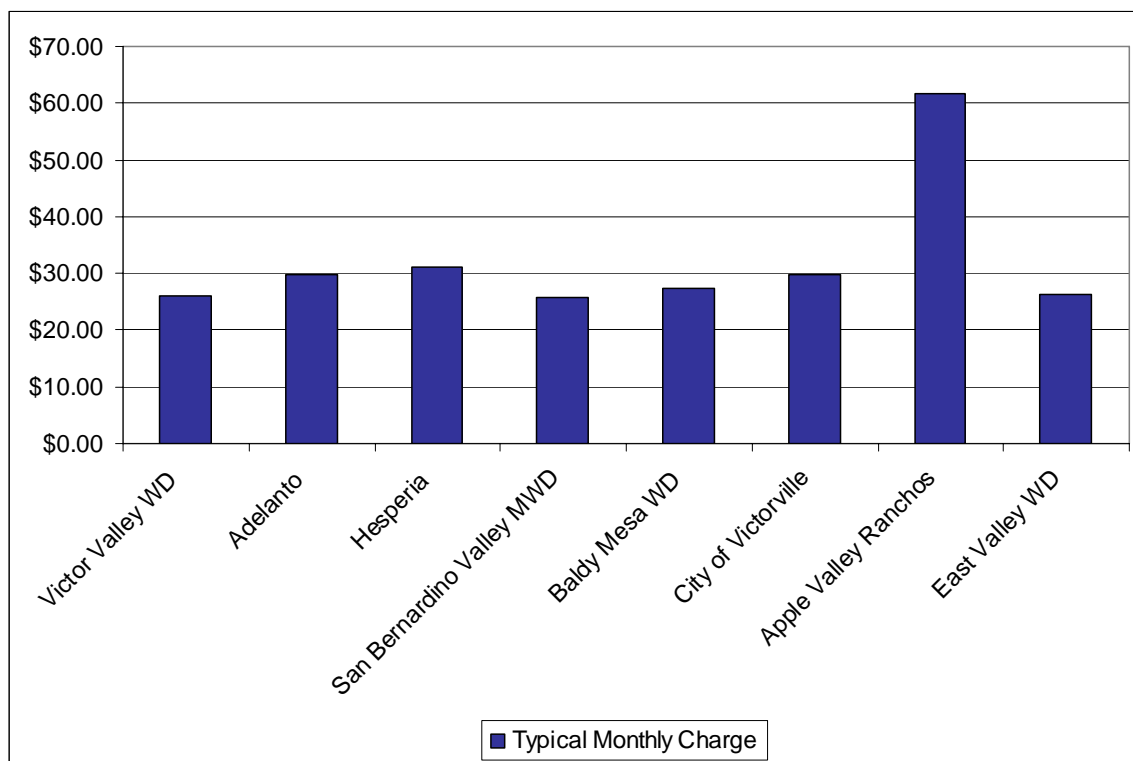
recommends that LAFCO require submittal of audited financial statements for future service reviews.

### *Rate Issues & Restructuring*

The VVWD’s Board of Directors examines rates annually in a public workshop and adjusts rates as needed. VVWD’s rates are based on encouraging conservation and are a combination of a monthly meter fee and commodity rates. The District increases the commodity rate to encourage more conservation and occasionally uses surcharges on bills to clearly identify increased costs. For example, the increases in energy over the previous years and recent costs for federally-mandated arsenic removal were and will be shown as a separate surcharge on each customer’s bill before being melded into the commodity rate on the bill. Rates are projected to increase 17.3% over the next several years.

Figure 4.7 demonstrates how VVWD’s current rates compare with the region’s other water providers.

**Figure 4.7, Regional Water Rates (Monthly Averages)**



### *Cost Avoidance & Opportunities for Shared Facilities*

The VVWD participates in multiple joint agency efforts including the Oro Grande Waste Joint Recharge Project with BMWD, the Mojave Water Agency, the U.S. Geological Survey (USGS) and the City of Victorville, an arsenic pilot study with the BMWD, a



---

Proposition 13 grant with BMWD and the Mojave Water Agency for the Oro Grande Wash. VVWD has Mutual Interconnect Agreements with BMWD and the City of Victorville, is finalizing one with the City of Adelanto, and is in the planning stages with the Hesperia Water District and the County of San Bernardino for its agencies (CSA 42, 64, CSA 70 Improvement Zone J).

VVWD also has a public/private partnership with the High Desert Power Plant (HDPP) to store treated water for the plant in exchange for future water production from the HDPP water treatment plant. The District is continuing discussions with BMWD, the Cities of Adelanto and Hesperia, and San Bernardino County regarding the construction of a treatment plant and a Mojave River well field and pipeline and has bought 20 acres as a possible site for the plant. The District also coordinates and participates in conservation programs.

### *Management Efficiencies*

The VVWD has a staff of 72. VVWD uses a benchmarking system of the American Water Works Association (AWWA) to compare its performance with that of other utilities to identify areas for improvement and to implement changes. According to the information submitted, which is included Attachment AA of the District's service review report, the District compared favorably in most categories. The one area in which the District fell far short of the median performance was in water distribution system integrity, with defective polyethylene pipes (discussed above) as one of the causes.

While the District does not currently participate in any Joint Powers Authorities, it holds quarterly meetings with the City of Victorville staff to discuss new development and coordinate capital improvement projects and has weekly coordination meetings with the Victorville Fire Protection District and periodic coordination meetings with the City of Victorville Engineering Department.

VVWD, like the BMWD, uses an Automated Meter Reading (AMR) system. Staff did not find any significant issues or concerns regarding management efficiencies during its review of the material submitted by the VVWD.

### *Government Structure Options*

This subsection addresses two types of government structure options:

1. Areas served by the agency outside its boundaries through an "out-of-agency service agreement";
2. Other potential governmental structure options such as consolidations, reorganizations, and dissolutions.

---

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

The VVWD currently provides water service to several areas beyond its service territory which are described below and shown on the maps included as a part of Attachment #1. These areas represent conflicts between what the District viewed as its service boundary, showing annexations during the 1950s, as compared to the areas acknowledged by the County Assessor and State Board of Equalization. The following corrections will clarify these concerns and bring into compliance the boundaries of the water agency:

1. ***Study Area #1*** – this area consists of five parcels encompassing 6.16 acres. It contains one dwelling unit and approximately four people. Exclusion Area 3 is larger than the area proposed for annexation.
2. ***Study Area #2*** – this uninhabited area contains 44.24 acres. Existing land uses are a cement plant and commercial uses.
3. ***Study Area #3*** – VVWD has provided water service to the annexation area since 1953. The area contains 101 +/- acres with 95 dwelling units and approximately 300 residents. Existing land uses are commercial (35%), residential (15%), vacant (25%), and other (25%).
4. ***Study Area #4*** – the area contains 91 acres with 95 dwelling units and approximately 300 residents. Existing land uses are public/institutional (75%) and residential (25%).
5. ***Study Area #5*** – VVWD has provided water service to the annexation area since 1959. The area, comprised of 40 acres, is completely uninhabited and contains no dwelling units. The District has an existing well site within the annexation area.

Since January 1994, an agency providing service beyond its boundaries must first receive written approval from LAFCO. Recent changes in the statute indicate that these provisions do not apply to an extended service being provided prior to January 1, 2001. The exclusion areas pre-date that requirement and are therefore “grandfathered in” and do not require LAFCO approval. VVWD does not currently have any other out-of-agency service agreements in place. Any future service provision beyond the District’s territory will require LAFCO’s written approval prior to the extension of services.

The VVWD has proposed annexation of these areas as part of an alternative proposal to that of the City of Victorville. Staff recommends the approval of these annexations regardless of the Commission’s decision on the City of Victorville’s reorganization proposal.

### ***Other Government Structure Options***

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

### Consolidation of VVWD with One or More Other Agencies

The VVWD could reorganize with one or more of the region's other water agencies, which include the BMWD, CSAs 70 and 64, and the City of Victorville. The issue is whether water provision and planning is best accomplished by several smaller districts, one or more larger districts, or an agency with land use authority.

Due to the issues with the region's water supply and growth, having several smaller agencies providing service is not cost-effective or efficient. Having one water service agency would improve service efficiency and cost effectiveness, accommodate approved development and help provide regional programs to correct the groundwater basin overdraft. Consolidation with the BMWD would achieve some of the advantages but ultimately water service provision should be provided by the City of Victorville which has land use authority and provides wastewater services through its subsidiary sanitary district which is to be proposed for dissolution.

### Maintenance of Status Quo

In this scenario, the VVWD would continue to operate as an independent special district. The District's Board of Directors prefers this government structure option to all others. However this is not the most cost-effective or most efficient means of providing water service.

### *Local Accountability & Governance*

The VVWD is governed by a five-member Board elected at-large to four-year, staggered terms. The San Bernardino Board of Supervisors recently changed the District's election cycle to correspond with general elections, thus saving public money. *Figure 4.8* lists VVWD's Board members, their titles, and terms of office.

*Figure 4.8, VVWD Board of Directors (as of December 20, 2006)*

| Board Member   | Title          | Term  |
|--|----------------|---|
| <b>James N. Kennedy</b>                                    | President      | 2006-2010   |
| <b>Jim Cox</b>   | Vice President | 2003-2008   |
| <b>VACANT (Kathleen Cochran resigned in December 2006)</b> | Director       | 2006-2010 (requires vacancy be officially filled by election in 2008) |
| <b>Terrie Gossard Flint</b>                                | Director       | 2003-2008   |
| <b>Larry E. Huber</b>                                      | Director       | 2003-2008   |



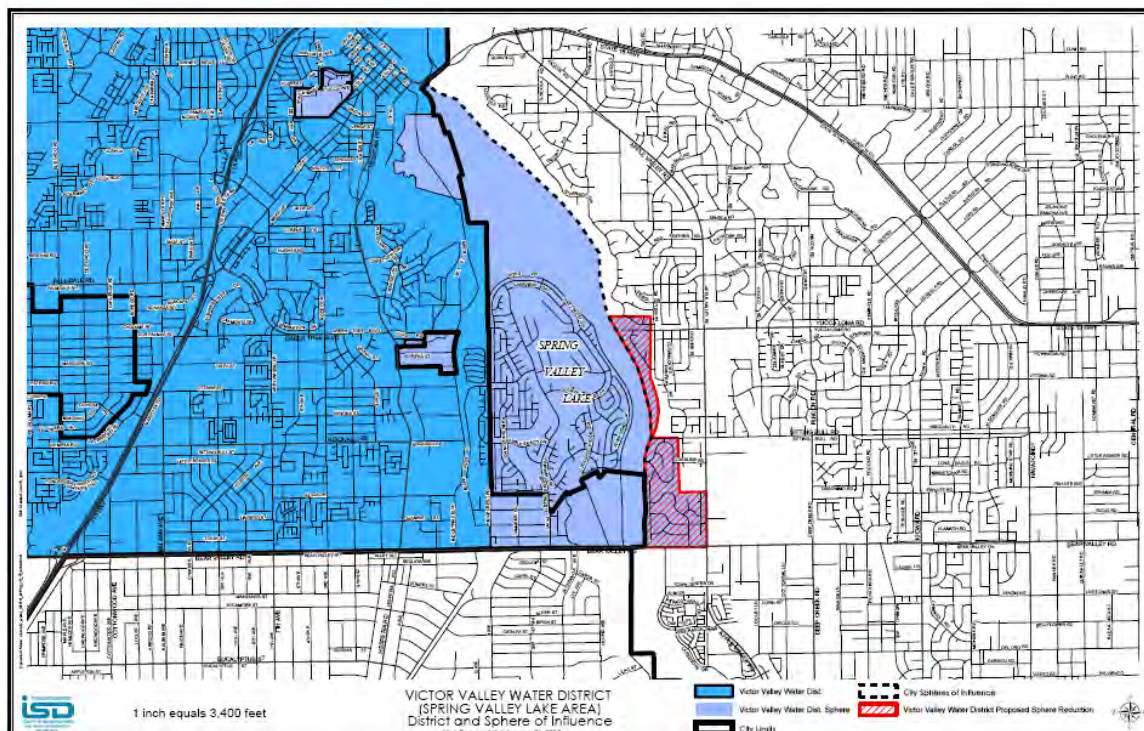
Board members are paid \$115 per day and average \$300 per month. In 2005, the District also spent approximately \$9,000 in water-related meetings, seminars and conferences for Board members. Board members do not receive any other benefits.

VVWD's Board of Directors holds its regularly-scheduled meetings on the first and third Wednesday of each month. Their meetings convene at 6:30 p.m. to allow more public participation. Further, the District maintains a comprehensive public website and uses newsletters, surveys, and a complaint-tracking system to remain accountable to its customers; and results of an April 2005 customer survey showed that the District currently meets its ratepayer's expectations.

Staff did not identify any significant issues related to local accountability or governance.

## SPHERE OF INFLUENCE

The VVWD's sphere of influence is generally coterminous with the northern sphere of influence of the City of Victorville, with the exception of the area located easterly of the Mojave River within the Town of Apple Valley. With this exception, the VVWD's service area and sphere are entirely contained within the City of Victorville's sphere of influence and corporate boundaries. Staff is recommending that the area included within the existing Town of Appel Valley be excluded from the District's sphere of influence.



---

However the VVWD currently extends service to several areas beyond its service territory, all of which are within the District's and City of Victorville's sphere of influences and boundaries. While only LAFCO has the authority to approve extensions of service through out-of-agency agreements, extension of water service to these areas predates LAFCO's authority.

While the District reviewed its records, noting that annexation of these areas had been initiated by the District during the late 1950's, no filing of this information with the State Board of Equalization or County agencies then a part of the annexation process could be found. Therefore, the District has requested annexation of these areas as part of its alternative proposal to the City of Victorville's reorganization proposal. Regardless of the Commission's decision on the City's proposal for consolidation, staff recommends annexation of these areas in order to ensure clear and logical service boundaries, clarification of voter responsibilities, promote orderly growth, and efficient local service.

- 1. It is recommended that LAFCO approve annexation of Study Areas 1, 2, 3, 4, and 5 as requested by the VVWD.*

The City of Victorville's reorganization proposal, which proposes to make the consolidated BMWD and VVWD a subsidiary district of the City, is addressed in other sections of this report. Water service provision in the area should be consolidated and staff recognizes that the City of Victorville should ultimately be the governing body for water service provided to its residents. However, to ensure the orderly formation of local governmental agencies, it is recommended that the VVWD and the BMWD be consolidated first, and allow the City to complete its General Plan update and dissolve the City's current subsidiary district prior to formation of another subsidiary district for water service.

To facilitate this eventual reorganization and provide clear direction to the agencies involved, staff recommends that LAFCO adopt a consolidated, single sphere of influence for the BMWD/VVWD coterminous with the existing City of Victorville sphere of influence.

- 2. Staff recommends that LAFCO adopt a consolidated sphere of influence for the VVWD and BMWD.*

The Commission is required to address the following four factors when adopting a sphere of influence.

#### *Present and Planned Land Uses*

The VVWD encompasses approximately 58 square miles of territory. The present and planned land uses in the District's service territory represent varying levels and intensities of urban development as defined by the City of Victorville General Plan and County of San Bernardino General Plan.



---

*Present and Probable Need for Public Facilities & Services*

The VVWD presently serves approximately 81,510 people through 24,700 service connections. VVWD's service population is expected to increase more than 63 percent by 2030, growing to in excess of 100,000 people. The present and probable need for the District's services will increase as the population in the region rises.

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

The VVWD provides retail water service within its current service territory. The groundwater basins that serve as the District's and other North Desert water suppliers' primary water supply are over-drafted. VVWD, in conjunction with other agencies, is planning for reductions in the water supply, augmentation of recharge, and conservation efforts.

*Social & Economic Communities of Interest*

The majority of the VVWD's service territory overlaps the City of Victorville. Residents are both District customers and City residents and, therefore, share social and economic interests.

*Staff recommends, as outlined above, that LAFCO adopt a consolidated sphere of influence for the BMWD and VVWD indicating the Commission's position that the two should be consolidated into one agency and modify the VVWD sphere of influence to exclude territory within the Town of Apple Valley.*



---

# LAFCO 2991 DETERMINATIONS AND FACTORS OF CONSIDERATION





---

The following provides the response required by State law (§ 56668) and Commission policy for the modified proposal, LAFCO 2991 – Reorganization to Include Consolidation of the BMWD and the VVWD, five Annexations to the Consolidated District, and Formation of Improvement Districts No. 1 (Victor Valley Water District territory) and No. 2 (Baldy Mesa Water District territory).

1. The reorganization area has been certified by the County Registrar of Voters office as being legally inhabited, with a total of 33,571 registered voters, as of July 12, 2005. The certification as to the number of voters within the individual areas within the consolidation proposal is outlined as follows:
  - a. Total within the Baldy Mesa Water District      7,745 Voters
  - b. Total within the Victor Valley Water District      25,826 Voters
  - c. Total within the City of Victorville                      31,247 Voters
2. The County Assessor has indicated that the valuation of land and improvement for the consolidated district is \$3,818,076,101 (\$1,007,533,194 land; \$2,810,542,907 improvements) for Fiscal Year 05-06. Individual valuations are:
  - a. Baldy Mesa Water District has a total valuation of \$940,016,516 (\$258,691,782 land and \$681,324,734 improvements)
  - b. Victor Valley Water District has a total valuation of \$2,878,059,585 (\$748,841,412 land and \$2,129,218,173 improvements)
3. The reorganization area is within the consolidated sphere of influence as assigned through approval of the companion proposal identified as LAFCO 3057.
4. Notice of this hearing was published in The Daily Press and The Sun, newspapers of general circulation in the area as required by law. Individual notice has been provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notification.
5. Pursuant to Commission policy, individual notice was not provided for the proposal as allowed under Government Code Section 56157. In keeping with the Commission’s policy, notice was provided by placing a display advertisement of



---

at least one-eighth page in a newspaper of general circulation within the reorganization area. Comments from landowners, registered voters, and any affected local agency have been reviewed and considered by the Commission in making its determination.

6. The reorganization proposal has no direct effect on the County General Plan or the General Plan of the City of Victorville.
7. Upon reorganization, which includes consolidation, the successor district, the Victorville Water District, will extend its services to residents, landowners and governments within its boundaries. The Plan for Providing Service, submitted by the City of Victorville, provides a general outline of the delivery of service as mandated by Government Code Section 56653. The Plan indicates that the consolidated District can maintain and/or improve the level and range of services available to the reorganized area. The Plan for Service has been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The Commission finds that such Plan conforms to those adopted standards and requirements.
8. The area in question is presently served by a number of local agencies, a complete listing of which is on file in the office of the Local Agency Formation Commission. None of these other agencies will be directly affected by the completion of this reorganization to include consolidation through an adjustment in their boundaries.
9. The consolidation proposal complies with Commission findings in its service review/sphere of influence update for the affected agencies that a single water district serving the Victorville community would be appropriate. The annexation of the five areas identified in the reorganization complies with Commission policies which indicate that areas receiving service should be a part of the service provider which allows for a more efficient and effective service delivery pattern.
10. As a CEQA lead agency, the Commission's Environmental Consultant, Tom Dodson and Associates, has reviewed the application and determined that a statutory exemption would be appropriate for the reorganization to include consolidation of the two Water Districts, for the annexations and the formation of the two improvement districts. Mr. Dodson has recommended the certification of this finding by the Commission. A copy of Mr. Dodson's response is included as a part of Attachment #6 to this report.
11. The reorganization area can benefit from the consolidation through the economies of scale available, the efficient delivery of service to the community of



---

Victorville, and the coordination of efforts in conjunction with other water retailers and wholesalers to address supply deficiencies in the region.

12. The County of San Bernardino has determined that there will be no exchange of property tax revenues for the annexations proposed by this reorganization upon completion of this action and that the consolidation will transfer \$308,050 in property tax revenues. This negotiated agreement fulfills the requirements of Section 99 of the Revenue and Taxation.

Staff has recommended as a condition of approval for the consolidation the transfer of the ad valorem tax revenues currently attributable to the BMWD to the successor agency, Victorville Water District, Improvement District No. 2, upon successful completion of the reorganization.

13. Maps and legal descriptions, as revised, are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.



---

Attachments:

1. Maps of the Proposal Areas:
  - a. City of Victorville and its sphere of influence
  - b. Victorville Sanitary District and its sphere
  - c. Victorville Recreation and Park District and its sphere
  - d. Victorville Fire Protection District and its sphere
  - e. Victor Valley Water District and its sphere
  - f. Baldy Mesa Water District and its sphere
  - g. LAFCO 3057 – Consolidation of the Spheres of Influence for the Baldy Mesa Water District and the Victor Valley Water District
  - h. LAFCO 2991 – Consolidation of the Baldy Mesa Water District and the Victor Valley Water District
  - i. LAFCO 3019 – Victor Valley Water District Alternative Proposal with Annexation of Five (5) Areas to the District
2. Proposed Terms and Conditions for LAFCO 2991
3. Plan for Service Submitted by the City of Victorville for LAFCO 2991
4. Letter from County Special District’s Department Requesting Continuance of Municipal Service Reviews for County Service Area 42 and County Service Area 64
5. Letter from Brunick, McElhaney & Beckett on Behalf of the Helendale Community Services District
6. Letters from Tom Dodson, LAFCO Environmental Consultant
7. LAFCO 2991 Application Excluding Plan for Service
8. LAFCO 3019 Application Including Plan for Service
9. LAFCO 3057 – Sphere Consolidation



- 
10. Municipal Service Review for the City of Victorville including its Subsidiary Districts: the Victorville Fire Protection District, Victorville Recreation and Park District and the Victorville Sanitary District
  11. Municipal Service Review for the Victor Valley Water District
  12. Municipal Service Review for the Baldy Mesa Water District

