

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

1170 West 3rd Street, Unit 150 San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 388-0481
lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE : FEBRUARY 12, 2020

FROM: SAMUEL MARTINEZ, Executive Officer
MICHAEL TUERPE, Senior Analyst
JEFFREY LUM, LAFCO Analyst/GIS
BOB ALDRICH, Consultant

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #10: LAFCO 3233 – Spring Valley Lake Reorganization

- LAFCO 3233A – Reorganization to include Dissolution of County Service Area 64 and Formation of the Spring Valley Lake Community Services District together with Formation of Zone A for Solid Waste and Street Sweeping
 - LAFCO 3233B – Establishment of the Sphere of Influence for the Spring Valley Lake Community Services District
-

INITIATION

Initiated by resolution of the County of San Bernardino Board of Supervisors

TABLE OF CONTENTS

SECTION	PAGE
Executive Summary	2
Introduction	6
History of Spring Valley Lake and CSA 64	9
Environmental Considerations	11
LAFCO 3233A (Reorganization Proposal)	13
Boundaries	14
Service Considerations	24
Financial Considerations	29
Determinations	38
LAFCO 3233B (Sphere of Influence Establishment)	41
Conclusions	43
Recommendations with Terms & Conditions	46
Attachment Listing	52

EXECUTIVE SUMMARY

Initiation and Objective

LAFCO 3233 consists of a request from the San Bernardino County Board of Supervisors to dissolve County Service Area 64 (“CSA 64” or “District”) and form a new, local government agency to be named the Spring Valley Lake Community Services District (“SVLCSD”). If approved, the new community services district will have the authority to provide the following services: water, wastewater collection, street sweeping, and solid waste. The proposed SVLCSD would assume the water, wastewater and street sweeping services from CSA 64, as well as assume responsibility for solid waste services currently being managed by the County’s Solid Waste Division of its Public Works Department. The objective is for Spring Valley Lake residents to assume local control over certain services in their community.

Financial Determination

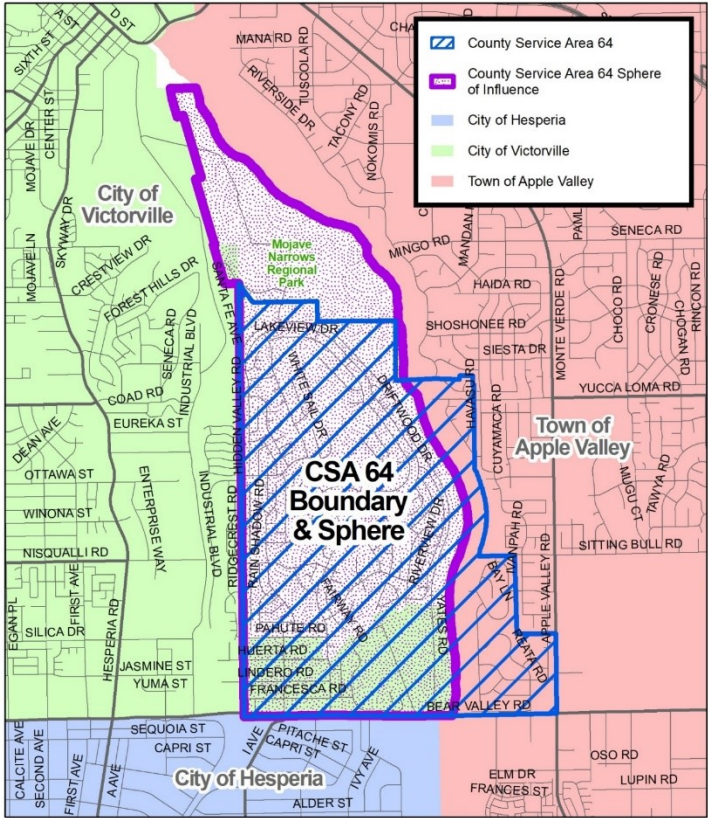
As outlined in the financial discussion within this report, the proposed CSD’s five-year financial forecast demonstrates that the CSD would be fiscally viable.

Sphere of Influence Establishment and the Commission’s Signals

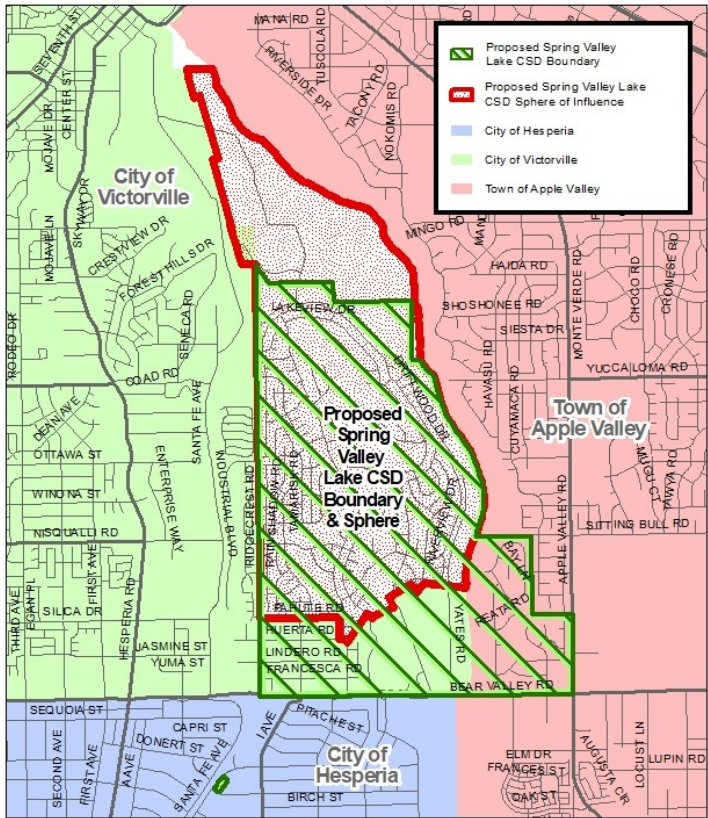
In addition, staff is also recommending that the Commission—as part of its approval of the proposed reorganization—establish the sphere of influence for the proposed SVLCSD to exclude the areas within the Town of Apple Valley and within the City of Victorville in order to signal the Commission’s directive that the Town of Apple Valley and City of Victorville should ultimately assume responsibility for service delivery to their respective areas.

Following this Executive Summary, beginning on page 6, are the details and in-depth analysis for the reorganization and sphere of influence establishment.

Below is the boundary and sphere of influence map for CSA 64 and the proposed SVLCSD.

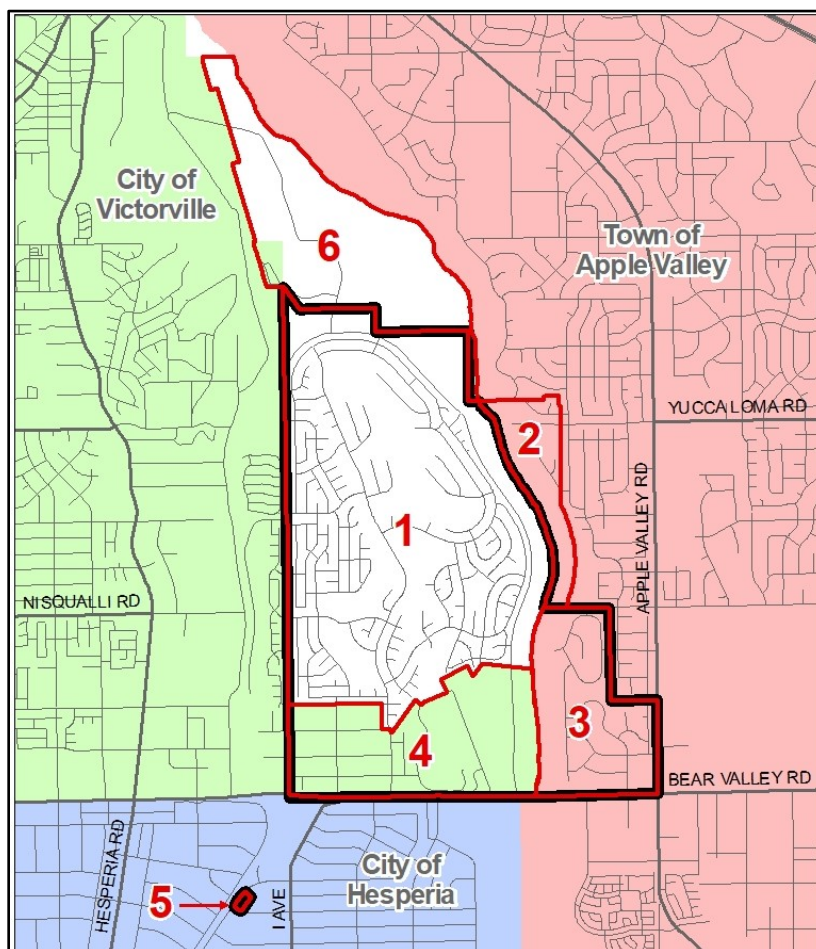


**County Service Area 64
Current Boundary and
Sphere of Influence**



**Proposed Spring Valley Lake
Community Services District
Boundary (as modified by
LAFCO Staff); and
Proposed Sphere of Influence
Establishment**

The area map and chart below summarize the reorganization by study area.



Area	Location	Current	Proposed	Current Service Providers	Proposed Service Providers	Notes
1	Unincorporated Spring Valley Lake Community	CSA 64	CSD	Water – CSA 64 Wastewater – CSA 64 Street sweeping – CSA 64 Solid Waste - County	Water – CSD Wastewater – CSD Street sweeping – CSD Solid Waste - CSD	CSD assumes all CSA 64 services and adds solid waste
2	Town of Apple Valley (north of Sitting Bull Rd.)	Apple Valley CSA 64	Apple Valley	Water – Liberty Utilities (private) Wastewater – Apple Valley Street sweeping – Apple Valley Solid Waste – Apple Valley	Water – Liberty Utilities (private) Wastewater – Apple Valley Street sweeping – Apple Valley Solid Waste – Apple Valley	Area 2 not proposed for inclusion in CSD. Property tax to transfer to the Town.
3	Town of Apple Valley (south of Sitting Bull Rd.)	Apple Valley CSA 64	Apple Valley CSD	Water – CSA 64 Wastewater – CSA 64 Street sweeping – CSA 64 Solid Waste – Apple Valley	Water – CSD Wastewater - CSD Street sweeping – Apple Valley Solid Waste – Apple Valley	A share of the property tax to transfer to the Town for street sweeping. CSD sphere of influence not proposed to overlay Town.
4	City of Victorville	City of Victorville (not within Victorville WD) CSA 64	City of Victorville CSD	Water – CSA 64 Wastewater – CSA 64 Street sweeping – Victorville Solid Waste – Victorville	Water – CSD Wastewater – CSD Street sweeping – Victorville Solid Waste - Victorville	CSD sphere of influence not proposed to overlay City.
5	APN 0416-263-13 (Hesperia)	Hesperia	Hesperia CSD	Not Applicable	Not Applicable	To be included in CSD for tax exemption of property.
6	Mojave Narrows Regional Park	CSA 64 sphere	CSD sphere	Water, Wastewater - Regional Parks (through contract with CSA 64) Solid Waste - County	Water, Wastewater - Regional Parks (through contract with CSA 64) Solid Waste - County	No change

What Does this Mean for the Affected Agencies?

If this proposal is approved as modified, the following summarizes the general impacts to affected agencies within the Spring Valley Lake area:

Town of Apple Valley:

- Area 2 - The CSD boundary would not extend into Area 2, and CSA 64's property tax would transfer to the Town.
- Area 3 - The Town would continue to provide street sweeping and refuse collection/recycling. The Town would assume street sweeping services and receive a portion of the property tax revenue associated with that service.
- The CSD sphere of influence would exclude Areas 2 and 3 and would not overlay any portion of the Town's boundary.
- Responsibility for land use and entitlements remain unchanged and are retained by the Town of Apple Valley.

City of Victorville:

- Area 4 - The City would continue to provide street sweeping and refuse collection/recycling.
- The CSD sphere of influence would exclude Area 4.
- The only portion of the proposed CSD sphere of influence that would overlay Victorville is the RV camping parcel within Mojave Narrows Regional Park that is inaccessible through the City; CSA 64 currently provides sewer service to the RV camping parcel through a contract with Regional Parks; the new CSD would assume this service contract.
- Responsibility for land use and entitlements remain unchanged and are retained by the City of Victorville.

City of Hesperia:

- Area 5 is a non-contiguous, three-acre parcel located in Hesperia which houses CSA 64's water storage facilities and other facilities for Special Districts; if formed, the parcel would transfer to the CSD; Special District's facilities and equipment would be removed from the parcel within six months following reorganization.
- Responsibility for land use and entitlements remain unchanged and are retained by the City of Hesperia.

County/Special Districts Department:

- CSA 64 would be dissolved, and its services assumed by the CSD.
- Property taxes and other revenues currently accrued by CSA 64 to fund services would transfer to the CSD, except as identified above for the Town.
- Responsibility for land use planning and entitlements in the unincorporated area would remain unchanged and are retained by the County.
- There would be a potentially significant indirect physical impact to the residual agencies managed by the Special District's Department.

INTRODUCTION

The Spring Valley Lake community, generally located east of the City of Victorville, north of the City of Hesperia, and southwest of the Town of Apple Valley, is a planned development community consisting of over 4,000 single-family residential lots, two condominium complexes, a number of townhomes and some commercial development that surround an 18-hole golf course and a 200-acre man-made recreational lake (See Figure 1 below). Ownership, operation, and maintenance of these amenities are provided by the Spring Valley Lake Association (the property/ homeowners association).



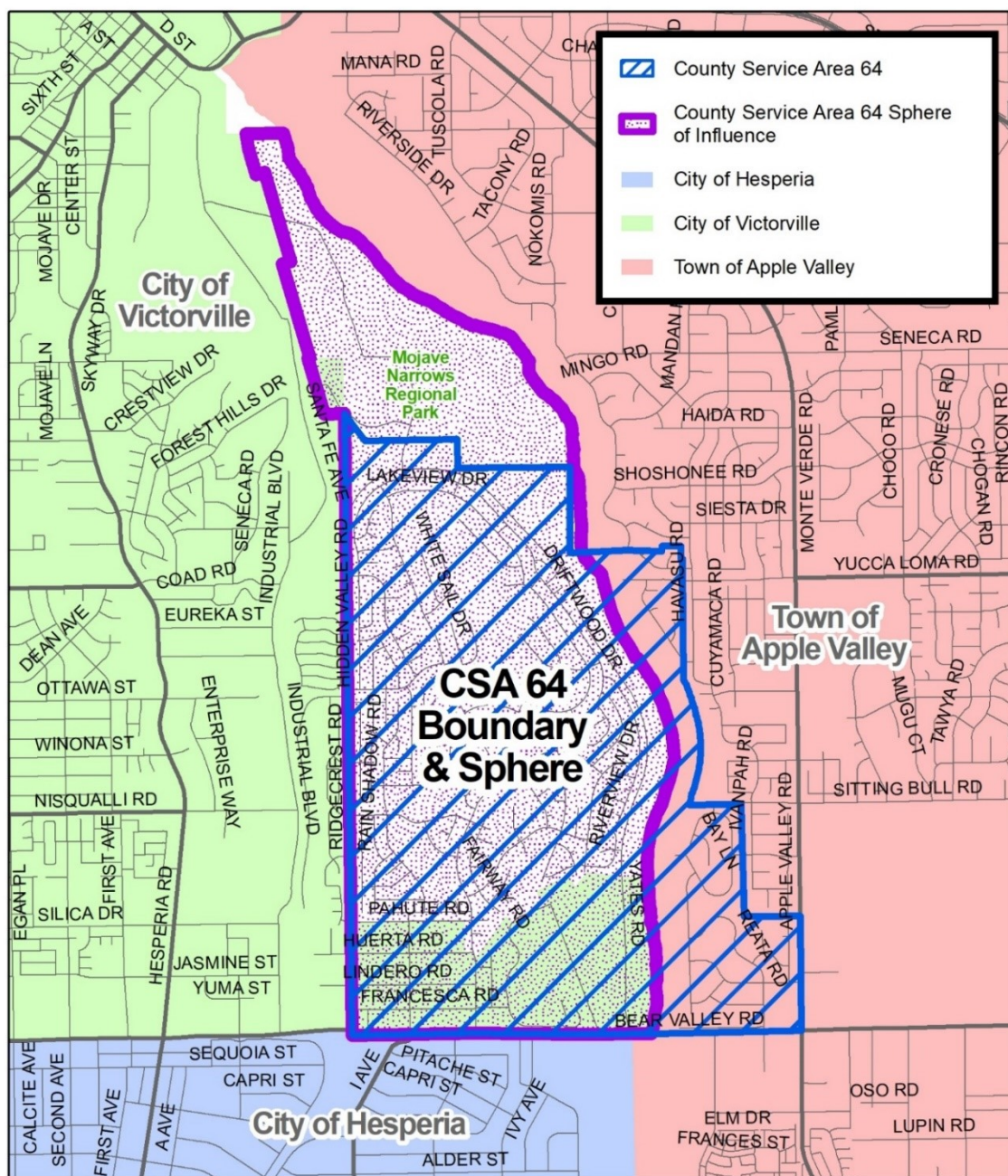
Figure 1. Spring Valley Lake Vicinity Map

County Service Area 64 ("CSA 64" or "District") is a dependent special district governed by the San Bernardino County Board of Supervisors and operates under County Service Area Law (Government Code §25210 et seq.). Currently, LAFCO authorizes CSA 64 to provide the following functions: water, sewer, street sweeping, parkway maintenance (inactive), and roads (inactive) - this is memorialized in *LAFCO's Policy and Procedure Manual, Section VI*

(Special Districts), Chapter 3 (Listing of Special Districts within San Bernardino County LAFCO Purview – Authorized Functions and Services).

The boundary for CSA 64 (as shown above) is generally east of Ridgecrest Road, north of Bear Valley Road, and west and south of a combination of Apple Valley Road, Sitting Bull Road, and parcel lines within the Town of Apple Valley and the Mojave Narrows Regional Park. CSA 64 includes mostly unincorporated area and limited incorporated areas of the City of Victorville and the Town of Apple Valley.

Below is the boundary and sphere of influence map (Figure 2) for CSA 64.



Proposal as Submitted by the Applicant

LAFCO 3233 consists of a request from the San Bernardino County Board of Supervisors to initiate proceedings to dissolve CSA 64 and form a new local government agency to be named the Spring Valley Lake Community Services District. The Board Resolution identified the following determinations:

- The request for formation of a community services district and dissolution of CSA 64 was initiated on behalf of certain residents of Spring Valley Lake (also referred to as the CSD Formation Committee).
- The objective is for Spring Valley Lake residents to carry out local control over certain services in their community as enumerated below.
- The SVLCSD would be governed by a five (5) member Board of Directors elected at large from within the proposed boundaries of the District.
- The range of services for which authorization was requested include: water, sewer, street sweeping, park and recreation¹, and solid waste.
- The new CSD would assume the rights, responsibilities, properties, contracts, assets and liabilities, and functions of CSA 64.
- The new CSD would also assume the authorized charges, fees, assessments, and taxes currently in effect.
- The goal of the LAFCO 3233 would be to maintain the current level of service to the Spring Valley Lake community with local control.

The proposal boundary, as initiated, was a combination of CSA 64's existing boundary and its sphere of influence, including two non-contiguous parcels (Assessor Parcel Numbers 0415-263-13 and 0473-183-23) encompassing a total of approximately 3,139 acres.

Applicant's Revised Proposal

Since the Board Resolution was adopted, and through the initial processing and review of the proposal by LAFCO staff, the applicant amended its application and removed park and recreation service from consideration. It was determined that there was no need for the CSD to take over responsibility of the Mojave Narrows Regional Park at this time.

The revised boundaries of the proposed SVLCSD are now reflective of the current boundary for CSA 64 including a non-contiguous parcel, Assessor Parcel Number (APN) 0415-263-13, which currently houses two of CSA 64's water storage facilities.

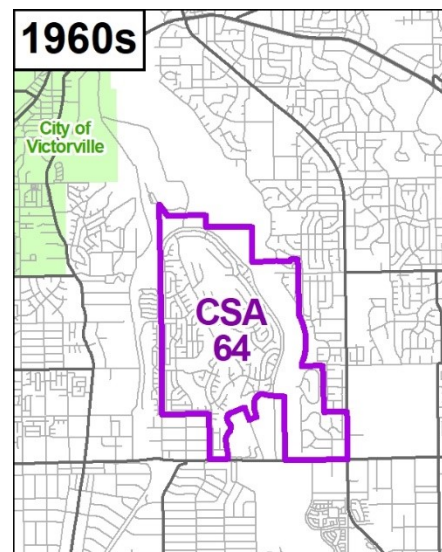
The proposal, as revised, provides for the new CSD to be formed with the active functions of water, sewer (limited to collection), roads (limited to street sweeping), and solid waste services. The new CSD would assume the water, wastewater collection and street sweeping services from CSA 64, as well as assume responsibility for solid waste services currently being managed by the County's Solid Waste Division of its Public Works Department.

¹ Park and recreation service was later removed at the request of the applicant (See Letter from County Administrative Office Dated November 7, 2019 included as Attachment #3)

HISTORY OF SPRING VALLEY LAKE AND CSA 64

The history of Spring Valley Lake and CSA 64 has evolved for over 50 years. A chronology of major events in the community's history is summarized below:

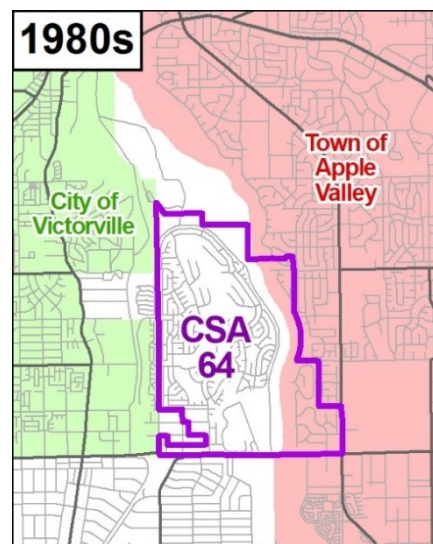
1960 & 70s. CSA 64 was formed by an act of the County of San Bernardino Board of Supervisors for the primary purpose of assuming responsibility for the provision of water and sewer service to the territory commonly known as Kalin Ranch. At the time of its formation, the District was authorized the functions and services of water, sewer, pest abatement, garbage collection, and street lighting services. In 1968, LAFCO reviewed and approved the formation of CSA 64 (LAFCO 665). The property located within the original boundaries of CSA 64 was developed as a planned unit development known as the "Spring Valley Lake Project".



The Spring Valley Lake Project was unique in that it was the first major planned development within the Desert region of the County. The Project was also unique in terms of the financing for municipal facilities. Under an agreement between the County and Boise Cascade (developer), all improvements including the sewer and water lines and reservoirs were installed at the developer's expense. In turn, Boise Cascade would be reimbursed at a later time when the assessed valuation reached a pre-determined level that supported the bond sale and redemption since the development would be in existence and the assessed valuation would be substantial. This mechanism necessitated the formation of a county service area to acquire the facilities. Boise Cascade deeded the facilities to CSA 64 for operation and maintenance of the facilities.

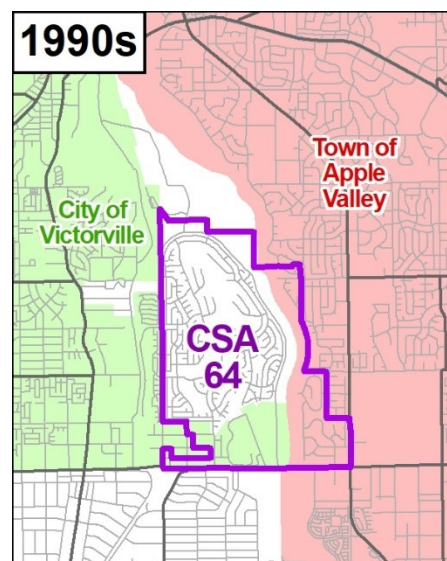
1980s. In the 1980s, LAFCO processed and approved five annexation proposals to CSA 64. These proposals expanded CSA 64 beyond the original residential confines of Spring Valley Lake for the primary purpose of receiving water and sewer services from CSA 64.

In 1988, the Town of Apple Valley ("Town") was incorporated, establishing the Apple Valley Water District as a subsidiary district of the Town (LAFCO 2470). In order to clarify the boundary of this incorporation, there was a reorganization of park and fire boundaries along the Mojave River north of Bear Valley Road to remove the Victorville based districts from the east side of the Mojave River. The exception to this action was CSA 64 within the area identified as the Equestrian Estates for the Spring Valley Lake community. As a result, CSA 64's boundaries remained within the Town's incorporation boundaries east of the Mojave River for water and sewer services.



1990s. By the 1990s, the City of Victorville's boundary abutted most of the CSA 64's westerly boundary.

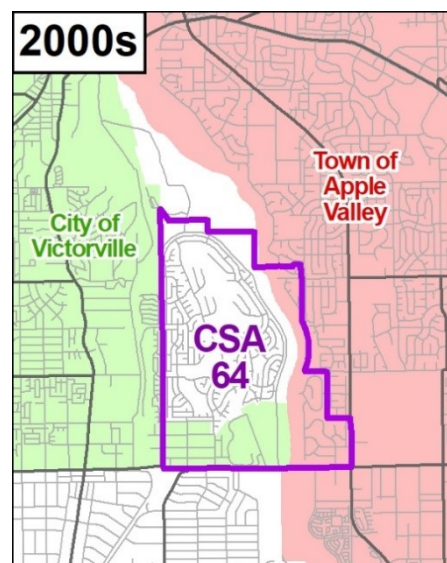
In 1991, the territory east of Ridgecrest, west of the Mojave River, north of Bear Valley Road, (including Victor Valley College), was annexed to the City of Victorville (LAFCO 2668). The proposal originally included the annexation of the area to the then Victorville Sanitary District (sewer) and the then Victor Valley Water District (water). However, the Commission determined to retain CSA 64 in this area since neither the Victor Valley Water District nor the Victorville Sanitary District were in a position to provide the services more efficiently than CSA 64. LAFCO 2668 was, therefore, modified to exclude the annexation to the Victor Valley Water District and Victorville Sanitary District.



2000s. In 2002, the remainder of the island area west of Ridgecrest road was annexed to CSA 64 for the primary purpose of receiving water and sewer services to a proposed day care center (LAFCO 2883). The proposal was expanded by LAFCO to include the remainder of the area since portions of the area were already receiving service from CSA 64 which included an assisted living facility, then known as Sterling Commons.

In 2004, street sweeping powers were confirmed through LAFCO 2951 after LAFCO became aware that CSA 64 actively engaged in the delivery of street sweeping since 1977.

Finally, in 2009, as part of the Service Review and Sphere of Influence Update for CSA 64 (LAFCO 3024), the Commission expanded CSA 64's sphere to encompass the entirety of the Mojave Narrows Regional Park and reduced CSA 64's sphere to exclude the area within the boundaries of the Town.



ENVIRONMENTAL CONSIDERATIONS

The Commission is the lead agency for review of the potential environmental consequences on the overall Spring Valley Lake Reorganization which includes the reorganization proposal to form the Spring Valley Lake Community Services District (SVLCSD) and dissolve County Service Area 64 (LAFCO 3233A) and the proposed sphere of influence establishment for the SVLCSD (LAFCO 3233B) both of which are being considered and evaluated in this report. In order to fulfill that requirement, the Commission's Environmental Consultant, Tom Dodson and Associates, prepared, and LAFCO staff reviewed, advertised and circulated an Initial Study and a proposed Mitigated Negative Declaration for the proposed reorganization and sphere of influence establishment proposal.

The Notice of Availability was published in *The Sun*, a newspaper of general circulation in the area, and posted on the LAFCO website on January 2, 2020. The Initial Study and proposed Mitigated Negative Declaration, as well as the Notice of Availability/Intent to Adopt a Mitigated Negative Declaration were circulated by certified mail to all interested and affected agencies, to individuals requesting notification on this particular proposal, as well as the State Clearinghouse for review by State agencies. The 30-day public review period was from January 2 through close of business at 5:00 p.m. on January 31, 2020.

At the close of the review period, six comment letters were received from the following agencies:

- Lahontan Regional Water Quality Control Board
- Mojave Desert Air Quality Management District
- City of Victorville
- County of San Bernardino (County Administrative Office)
- Town of Apple Valley
- State of California, Governor's Office of Planning and Research, State Clearinghouse and Planning Unit

The comments received during the circulation of the materials have been evaluated by the Commission's Environmental Consultant. A response to the comments has been prepared and forwarded to each of the agencies. Therefore, the original Initial Study will be utilized as the description of environmental impacts anticipated by the proposed reorganization and sphere of influence establishment proposal.

Included in the Initial Study is a discussion of a requirement to transfer a level of funding to the County Special Districts Department to mitigate the loss of CSA 64 from the list of agencies that the County Special Districts Department manages and to assure the continued operation of its residual agencies. The Initial Study includes the following mitigation measure to address this situation:

Utilities and Service Systems

UTIL-1 The County shall implement the necessary measures to ensure that future service to all remaining water and wastewater CSAs operated by the Special Districts Department is maintained at a comparable level of service and

operation that fulfills regulatory requirements for the specific resource, i.e., water and/or wastewater, delivered by the CSAs. This responsibility can be fulfilled by any one, two, or all of the following methods:

- 1) Increasing the rate(s) charged for the service provided by the CSAs consistent with meeting regulatory requirements;
- 2) LAFCO may assign to the new SVLCSD an amount of funds required to be returned to the Special District's Department to offset losses from approving LAFCO 3233 that will maintain a comparable level of service and operation in the remaining water and wastewater CSAs;
- 3) The County can allocate sufficient funds to maintain a comparable level of service and operation at the remaining water and wastewater CSAs.

As identified in the discussion under financial considerations, a condition of approval will require the SVLCSD to make a mitigation payment(s) to the County. The Response to Comments, the original Initial Study, and the Mitigation Monitoring and Reporting Program constitute the Final Mitigated Negative Declaration package that will be used by the Commission to consider the environmental effects of implementing the proposed reorganization and the sphere of influence establishment proposal. A copy of the Response to Comments, the original Initial Study, and Mitigation Monitoring and Reporting Program are included as Attachment #4 to this staff report. Mr. Dodson has indicated that the following actions must be taken by the Commission prior to making a decision on the proposed reorganization and sphere of influence establishment proposal:

- Certify that the Commission and its staff have independently reviewed and considered the environmental assessment and proposed Mitigated Negative Declaration prepared by the Commission's Environmental Consultant, Tom Dodson and Associates; it has reviewed and considered any comments received; and provided a response to those comments;
- Adopt the Mitigated Negative Declaration, including the mitigation measure and the Mitigation Monitoring and Reporting Program;
- Find and determine that the Commission does not intend to adopt alternatives but does intend to adopt a mitigation measure related to the mitigation payment(s) to the County Special Districts Department as part of the project; and,
- Direct the Executive Officer to file a Notice of Determination together with payment of the required Department of Fish and Wildlife Fees within five (5) days.

LAFCO 3233A (REORGANIZATION PROPOSAL)

This hearing requires consideration of the issues required for the formation of an independent district and dissolution of a dependent district. The evaluation of the reorganization will include a review of issues outlined by the Community Services District Law and by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, as well as a number of Commission policy issues relevant to the formation of an independent special district.

State law and Commission policy require that the Commission's decision must include, but not be limited to, answering the following questions:

1. Do the boundaries of the new district make sense from a service delivery perspective for current and future growth? Are the boundaries reasonably recognizable? Do they promote efficient service delivery? Do they represent a community of interest?
2. Would the formation of the new district impair the ability of any other agency to continue providing services? Would there be any adverse financial or service impacts on other agencies that would damage their ability to maintain service levels in other areas?
3. Is the proposed new district financially feasible and sustainable for at least the five years following formation? Can it, at least, maintain the pre-formation service levels that are currently provided within the study area?
4. Does the proposed formation represent the best available service option for the community? Are there better alternatives for the provision of the range of services within the study area? Does the proposed formation provide for a more efficient and accountable form of government?
5. Would the proposed formation have any adverse environmental effects that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

What is a Community Services District?

The principal act that governs CSDs is the Community Services District Law (California Government Code Sections 61000 through 61144). A CSD can be any of the following:

- A permanent form of governance that can provide public facilities and services.
- A form of governance for combining two or more special districts that serve as overlapping or adjacent territory into a multifunction special district.
- A form of governance that can serve as an alternative to the incorporation of a new city, or
- A transitional form of governance as the community approaches cityhood.

A CSD is governed by a five-member, locally elected board of directors. The board appoints a general manager, directly responsible to the board, to implement the board's policies.

A CSD can provide one, or any combination of, the 33 services outlined in Government Code Section 61100. Services may include, but are not limited to, water, wastewater, fire, law enforcement, solid waste, and street lighting.

BOUNDARIES

The community of Spring Valley Lake and CSA 64 can be divided into six (6) distinct areas. These areas are generally described as follows:

- Area 1 – Unincorporated portion of CSA 64
- Area 2 – CSA 64 within the Town of Apple Valley located north of Sitting Bull Road
- Area 3 – CSA 64 within the Town of Apple Valley located south of Sitting Bull Road
- Area 4 – CSA 64 within the City of Victorville
- Area 5 – A parcel within the City of Hesperia that houses two of CSA 64's water storage facilities
- Area 6 – Current sphere of influence for CSA 64 outside of District's boundaries (portion of Mojave Narrows Regional Park outside of CSA 64)

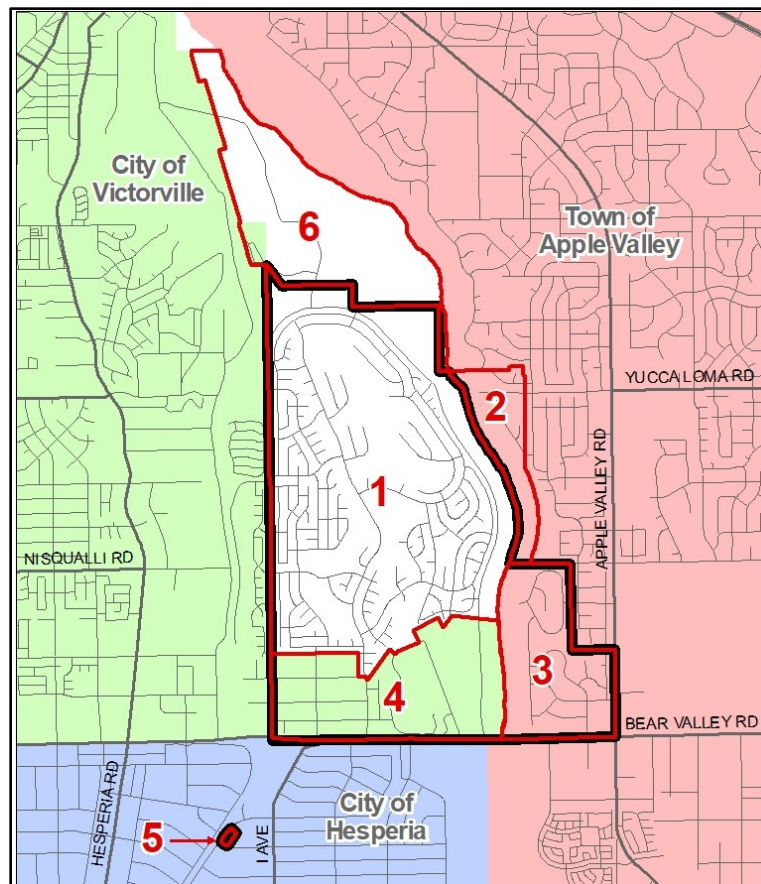


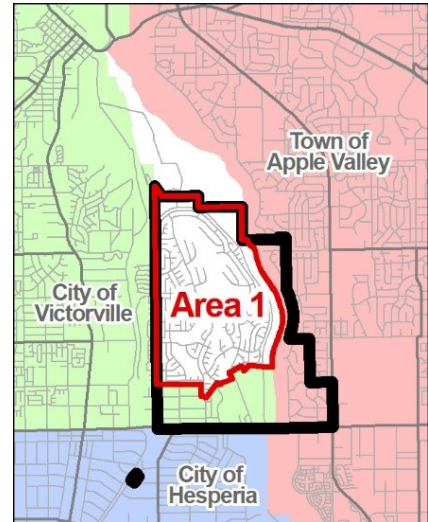
Figure 3. Map of Areas

The following provides an analysis of all six areas, which will be the basis for making a determination on the boundaries for the new CSD.

- **AREA 1**

Area 1, encompassing approximately 1,603 acres, is entirely unincorporated and is part of the original boundaries for CSA 64. CSA 64 currently provides water, sewer collection and street sweeping to the area, and the County manages the solid waste service. Following the reorganization, the new CSD will continue to provide water, sewer collection, and street sweeping services and would begin managing solid waste service to the area.

Both solid waste and street sweeping require the creation of a zone within the proposed CSD to isolate the delivery of these services to the unincorporated area of SVLCSD (Area 1). This is necessary since the areas within the corporate boundaries of the City of Victorville and the Town of Apple Valley are already included within the franchise area of the respective municipalities.



Similarly, as to the assumption of street sweeping by the new CSD (under its Road function), territory within the City of Victorville as well as the Town of Apple Valley will be provided street sweeping service by the respective municipalities. Therefore, street sweeping authority by the new CSD (under its Road function) will be isolated within the unincorporated portion of the CSD (Area 1).

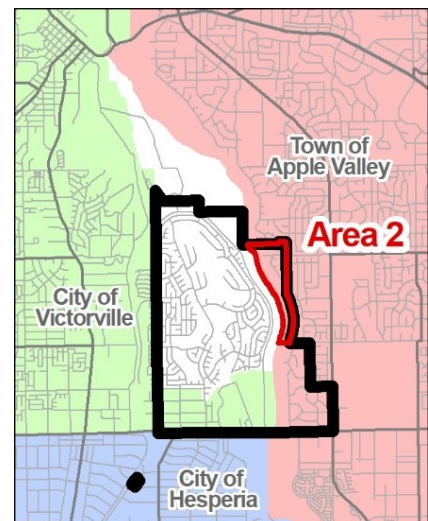
- **AREA 2**

Area 2 is an area within the Town of Apple Valley (Town), encompassing approximately 156 acres, and is generally located east of the Mojave River, north of Sitting Bull Road, and west and south of parcel lines.

Area 2 is part of the original boundaries for CSA 64 (Spring Valley Lake Project); however, it has never provided any services to the area.

The Town currently provides sewer collection, street sweeping, and refuse collection/recycling services while Liberty Utilities is the water service provider.

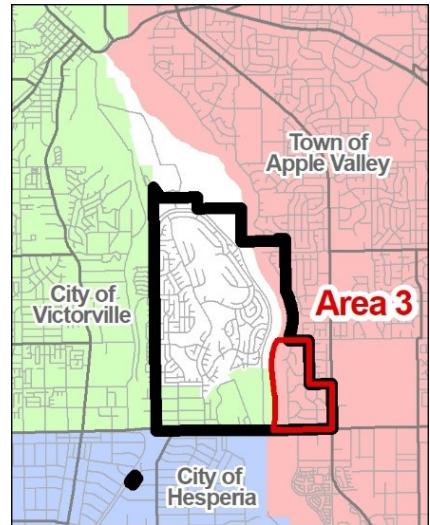
Because there are no services being provided by CSA 64 to the area, LAFCO staff is recommending modifying the revised proposal by removing Area 2 from LAFCO 3233. Since the area is already within the Town, no other action is required. This action would also transfer the property tax share in this area from CSA 64 to the Town.



- **AREA 3**

Area 3 is also an area within the Town of Apple Valley, encompassing approximately 345 acres, and is generally located east of the Mojave River, north of Bear Valley Road, west of a combination of parcel lines and Apple Valley Road, and south of Sitting Bull Road.

Area 3, which is the Equestrian Estates for Spring Valley Lake, has also been a part of the original boundaries for CSA 64. CSA 64 currently provides water, sewer collection, and street sweeping services to the area (The Town provides street sweeping limited to Bear Valley Road). Since the area is already within the Town, Apple Valley already provides solid waste collection service to the area.



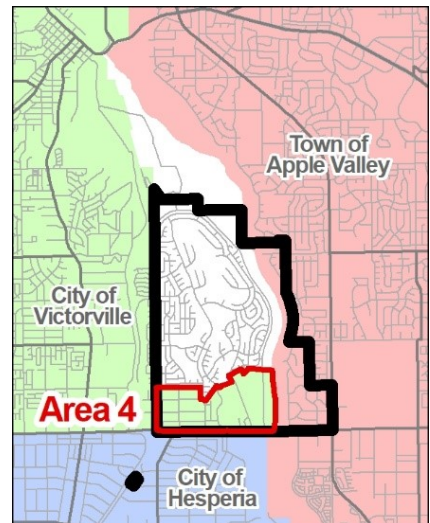
Following the reorganization, the new CSD will continue to provide water and sewer collection, and the Town will continue to provide solid waste service and assume direct responsibility for street sweeping service to the area, along with a share of the property tax to provide said service.

- **AREA 4**

Area 4 is an area within the City of Victorville, encompassing approximately 483 acres, and is generally located east of Ridgecrest Road, north of Bear Valley Road, west of the Mojave River (existing Apple Valley boundaries) and south of parcel lines.

Only the section along the Spring Valley Parkway is part of the original boundaries for CSA 64. Although the area is within the City of Victorville note that the area is not a part of the Victorville Water District, which is the City's subsidiary district for water and wastewater.

With regard to the services for Area 4, CSA 64 currently provides water and sewer service to the area. The City of Victorville already provides street sweeping and solid waste and refuse collection service to the area.



Following the reorganization, the new CSD will continue to provide water and sewer collection service, and the City will continue to provide street sweeping and solid waste and refuse collection service to the area.

- **AREA 5**

Area 5 is a non-contiguous parcel, Assessor Parcel Number 0415-263-13, encompassing approximately three acres, and is generally located at the northeast corner of Alder Street and Santa Fe Road within the City of Hesperia.

The parcel currently contains two of CSA 64's water storage facilities. It also houses other facilities for Special Districts including its main warehouse, main SCADA location, and main emergency/heavy equipment hub, as well as a fuel pod for County Fleet Services.

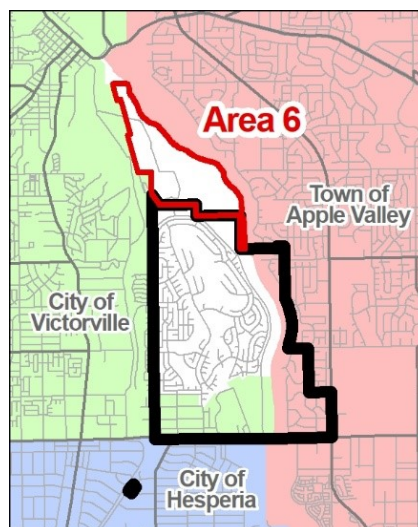
The parcel is being included within the new CSD in order for the parcel to be declared exempt from property tax assessment. As part of the process, if the formation of the SVLCSD is successful, the County Special Districts Department will have six (6) months following issuance of the Certificate of Completion to remove all equipment and facilities that are not considered CSA 64 equipment and facilities.



- **AREA 6**

Area 6, encompassing approximately 549 acres, is generally unincorporated and includes the Mojave Narrows Regional Park (Park), including the RV campground parcel that is within the City of Victorville but inaccessible from the City.

Area 6 is part of CSA 64's current sphere of influence, which was expanded by the Commission 2009 as part of the Service Review and Sphere of Influence Update for CSA 64 (LAFCO 3024) to encompass the entirety of the Park. It was noted that the Park received and benefited from sewer service provided by CSA 64 since approximately the early 1990s, and possibly as early as the mid-1970s. However, Special Districts Department could not locate an out-of-agency agreement for sewer service between CSA 64 and the County Regional Parks Department. Therefore, the sphere of influence was expanded to include the entirety of the Park.



Boundary Determinations:

- **Revised Proposal (Option 1)**

The applicant's revised proposal includes the current boundary for CSA 64 including the non-contiguous parcel which has two of CSA 64's water storage facilities.

- **LAFCO Staff's Proposed Modification (Option 2)**

Area 2, which is within the Town of Apple Valley, has not received any services from CSA 64 nor are services anticipated to be provided by the new CSD to the area. Therefore, LAFCO staff is recommending a modification of the revised proposal boundary by removing Area 2 from the proposed SVLCSD. Below is a map of LAFCO staff's proposed modification to the applicant's revised proposal.

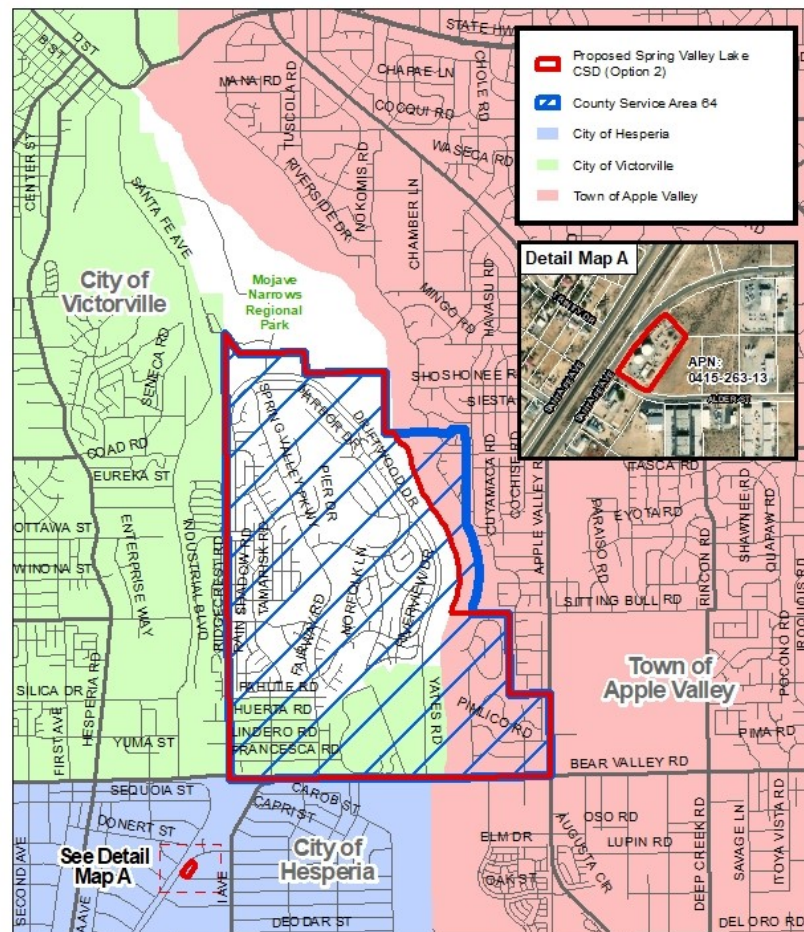


Figure 4. Revised Proposal, as Modified by LAFCO Staff (Option 2)

Option 2 makes sense from a service delivery perspective since it is the exact same service area for CSA 64, except for the portion that it currently does not provide any service (Area 2). With regard to the boundaries, it is the same area currently served by CSA 64, which defines the community of Spring Valley Lake.

- **Revised Proposal Excluding the Town of Apple Valley and the City of Victorville (Option 3)**

Through the initial processing of LAFCO 3233 and through the circulation of the Initial Study for LAFCO 3233, LAFCO staff received correspondence from both the Town of Apple Valley and the City of Victorville requesting that the areas within their respective municipalities be removed from the boundaries of the proposed SVLCSD.

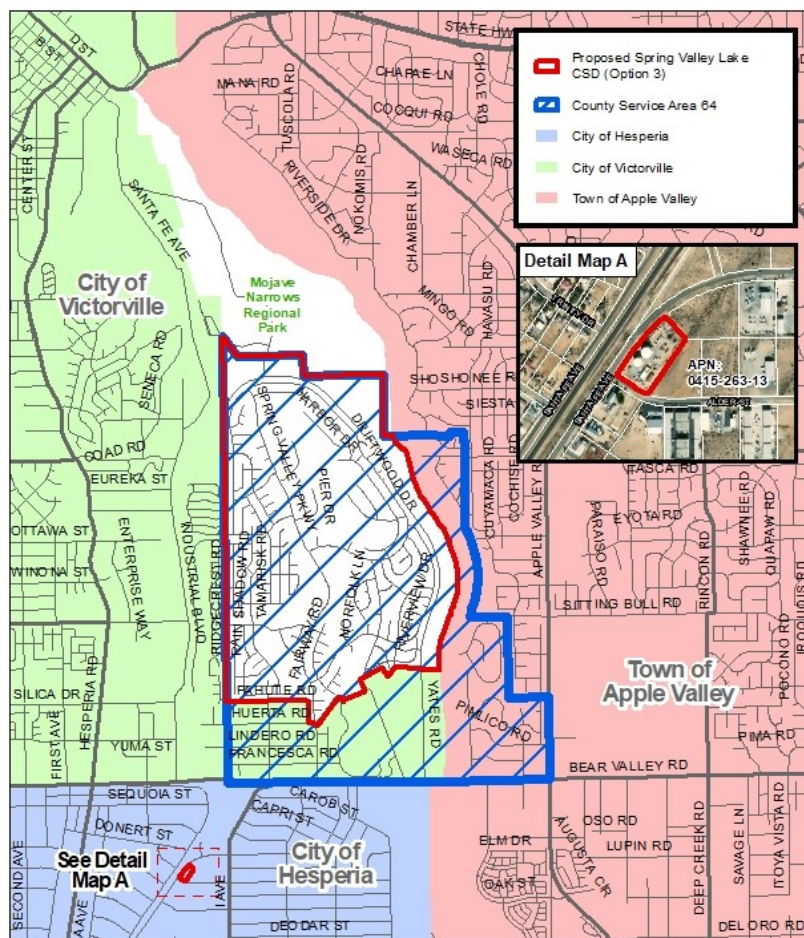


Figure 5. Proposal Excluding Town of Apple Valley and City of Victorville

Discussion Regarding Reorganization Boundary Option 3:

As noted previously, Area 2, which is within the Town of Apple Valley, is already being recommended for exclusion from LAFCO 3233, as modified by LAFCO staff. Therefore, the option to be discussed, Option 3, is the option that excludes the rest of the incorporated areas from the overall reorganization proposal—Area 3 (within the Town of Apple Valley) and Area 4 (within the City of Victorville).

The main issue relates to the delivery of water and sewer collection to both Areas 3 and 4, which involves infrastructure that cannot easily be transferred. As proposed, the new CSD

is to take over the management and operation of the existing water and sewer infrastructure of CSA 64.

Town of Apple Valley

The water service provider for the Town is Liberty Utilities, which is a private water company that the Town is currently trying to acquire by condemnation. The court trial for the said condemnation (CIVDS1600180) is still on-going. On the other hand, sewer collection is provided by the Town.

Therefore, for water service, the Town is not in a position to actually provide water service at this time. For sewer, the Town has indicated it will need to prepare engineering plans in order to add Area 3 into its wastewater collection system.

If Area 3 is excluded from the boundaries of the proposed SVLCSD, it is the Town's position that an out-of-agency service agreement could be utilized to continue to provide the service until such time that the Town can actually provide the service(s) to the area.

City of Victorville

Water and sewer collection for the City of Victorville is provided by its subsidiary district, the Victorville Water District. Although Area 4 is within the City of Victorville, the area is actually not within the Victorville Water District. In order to provide water and/or sewer service to the area, the Victorville Water District will have to annex Area 4 into its boundaries and propose detachment from the new CSD. The Victorville Water District will have to prepare a plan for service/feasibility study to connect Area 3 into its water and sewer collection systems.

Similarly, if Area 4 is excluded from the boundaries of the proposed SVLCSD, an out-of-agency service agreement could be utilized to continue to provide water and sewer collection service to the area until such time that the Victorville Water District can actually provide the services to the area.

Analysis:

Both the Town of Apple Valley and the Victorville Water District are not in a position to actually serve their respective areas right away. As such, it is LAFCO staff's position that the areas, Areas 3 and 4, should be kept as a part of the proposed SVLCSD. Then, when the time comes that the Town and/or the Victorville Water District can actually serve their respective areas, the Town can propose detachment of Area 3 from the SVLCSD and the Victorville Water District can proposed annexation of Area 4 into its boundary and detachment from the SVLCSD.

Utilizing an out-of-agency service agreement for both areas and excluding all the parcels within those two areas from the proposed SVLCSD means approximately 10 percent of the landowners (which is also approximately 45 percent of the total land area) will have no

participation in the setting of rates/policies related to water and sewer collection within the new CSD.

Therefore, LAFCO staff recommends that both Areas 3 and 4 remain within the new CSD until such time that either the Town or the Victorville Water District can actually serve the areas—at which time, either the Town can propose detachment from the SVLCSD or the Victorville Water District can propose annexation into its boundary and detachment from the SVLCSD.

In addition, staff is also recommending that the Commission—as part of its approval of the proposed reorganization—establish the sphere of influence boundary for the proposed SVLCSD to exclude the areas within the Town of Apple Valley (Area 3) and within the City of Victorville (Area 4) in order to signal the Commission's directive that the Town of Apple Valley should ultimately assume responsibility for service delivery to Area 3 and the City of Victorville should also ultimately assume responsibility for service delivery to Area 4.

Boundary Conclusion:

Based upon the information outlined above, it is the staff's position that the Commission can make the following determinations related to LAFCO staff's proposed modified boundary (Option 2):

1. Option 2 represents a reasonable service boundary since it is the exact same service area of CSA 64 except for the portion that CSA 64 currently does not provide any service (Area 2); and,
2. Option 2 is also an easily identifiable boundary since CSA 64 generally defines the community of Spring Valley Lake, and the new CSD will simply take over the services currently provided by CSA 64. As such, the new CSD will be able to provide the range and level of services in, at least, the same manner as CSA 64.

Additional Boundary Determinations:

- **Area 1 – Formation of Zone A**

Area 1 will define the zone being created as part of the reorganization (Zone A) to isolate the delivery of solid waste and the special tax for its operation. As noted earlier, this is necessary since the areas within the corporate boundaries of the City of Victorville and the Town of Apple Valley are already included within the solid waste franchise area for the respective municipalities.

Also, said municipalities are the responsible entity for maintaining roads (including street sweeping) within their respective corporate boundaries. Therefore, street sweeping services by the new CSD will also be contained within the boundaries of Zone A. All costs associated with street sweeping will be isolated within the zone.

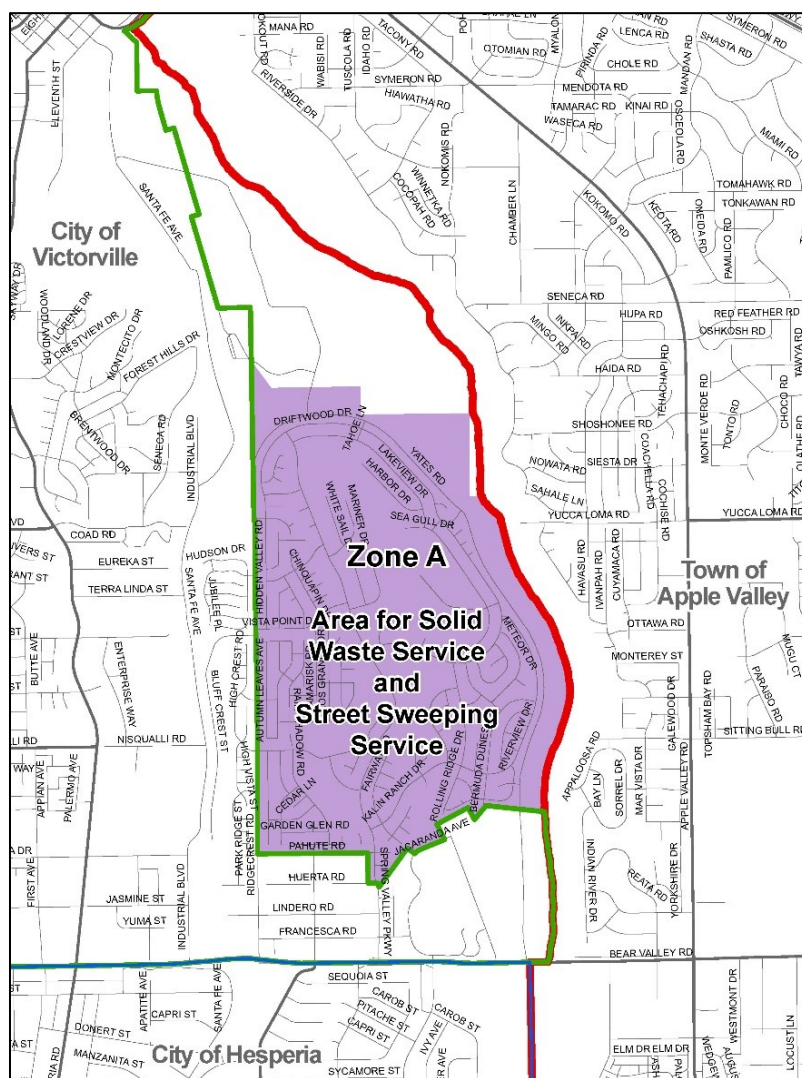


Figure 6. Formation of Zone A for Solid Waste and Street Sweeping

- **Sphere of Influence Establishment for the Spring Valley Lake CSD**

As mentioned previously, LAFCO staff is recommending that the Commission establish the sphere of influence for the SVLCSD to include the core of the community (Area 1) and the Mojave Narrows Regional Park (Area 6). The park area has received and benefited from sewer service provided by CSA 64.

As noted earlier, the exclusion of Areas 3 and 4 reiterates the Commission's directive that the Town of Apple Valley should ultimately assume responsibility for service delivery to Area 3, and the City of Victorville should also ultimately assume responsibility for service delivery to Area 4.

The establishment of the Sphere of Influence for the Spring Valley Lake Community Services District (LAFCO 3233B) is discussed on page 41.

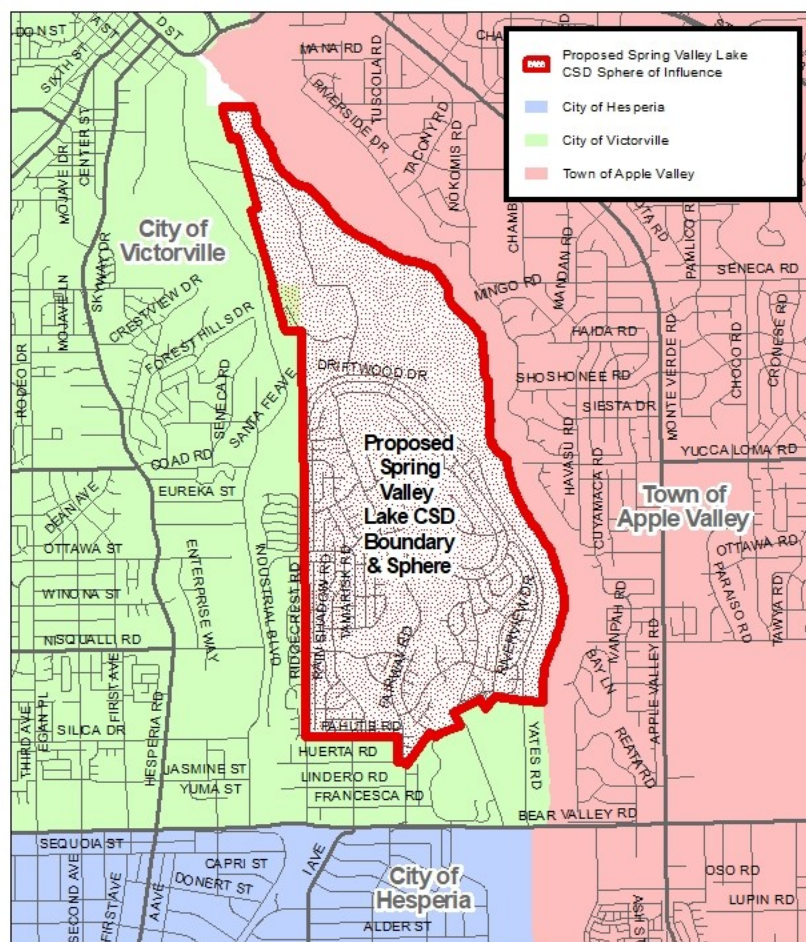


Figure 7. Proposed Sphere of Influence for the SVLCSD

SERVICE CONSIDERATIONS

County Service Area 64 is governed by the County Board of Supervisors, and LAFCO authorizes it to provide the following functions: retail water, wastewater collection, roads (currently not provided), parkway maintenance (for maintenance of the Spring Valley Parkway median), and street sweeping (not provided within the City of Victorville nor in Bear Valley Road within the Town of Apple Valley). The application proposes that the Spring Valley Lake CSD ("SVLCSD") provide the following services which are discussed below: water, wastewater collection, street sweeping (unincorporated area only, Area 1), and solid waste collection (currently provided by the County for the unincorporated area only, Area 1).

A. Water

CSA 64 currently provides water service to Areas 1, 3, and 4. The feasibility study for this proposal identifies that the water service operations currently provided through CSA 64 will transfer to the new SVLCSD. Area 2 receives water through Liberty Utilities, a private water purveyor. No change in water service for Area 2 is proposed by this reorganization.

Water service in CSA 64 is provided through five wells, one booster station, and three water reservoirs. CSA 64 has no direct employees - it operates with personnel and supplies provided by Special Districts Department. Services are funded by property tax revenue, user fees, and service charges.

The existing CSA 64 water system serves approximately 3,810 residential and commercial connections, including the Victor Valley College, and is divided into two pressure zones. Water service in each zone is gravity fed from storage reservoirs located at high elevations to provide the required minimum operating pressure. The three water reservoirs within CSA 64 have a total capacity of 2.75 million gallons. Two of the reservoirs are located on a parcel within the City of Hesperia (Area 5). These two reservoirs serve the upper zone and have a combined capacity of 1.65 million gallons. The third is located at Pebble Beach Road and Ridgecrest Road and serves the lower zone. This reservoir has a capacity of 1.0 million gallons. The District currently does not have inter-ties with other agencies for back-up supplies.

Mojave Basin Area Watermaster

The water supplied for consumption and/or use within the community is pumped from the local groundwater basin. 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 ten acre-feet per year). The purpose of the adjudication is to balance water supply and demand and address groundwater overdraft. The Mojave Water Agency, the State Water Contractor that encompasses CSA 64, was appointed as Watermaster in 1993 pursuant to the Court Judgment which adjudicated groundwater pumping rights in the Mojave Basin. The Watermaster's main responsibilities are to monitor and verify water production and serve as a clearing house for recording water transfers and changes in ownership of Base Annual Production rights.

According to the most recent Watermaster Annual Report (May 1, 2019), producers in the Alto Subarea, which is where CSA 64 is located, have reduced water production from about 98,900 acre-feet in 1990 to 77,686 acre-feet in 2018. Population in Alto in 1990 was 165,100, which grew to 346,665 by 2015, and is projected to reach 371,356 by 2020. Prior to 1990, most pumping in the Alto Subarea was for agriculture. In the past 28 years while population has more than doubled, water production has been reduced by 21.4 percent. Water levels in Alto have been relatively stable, although some indications of water levels trending downward is apparent in some wells.

The Mojave Basin Area Watermaster states that once the reorganization is completed, the Watermaster will require copies of the LAFCO approvals and the executed Permanent Transfer of Base Annual Production Right forms to be filed and processed through the Watermaster. LAFCO staff has included a proposed condition of approval, Condition #10, which will transfer the water rights and obligations from CSA 64 to the SVLCSD and require the submission of required paperwork to effectuate this change.

B. Wastewater

Collection

Currently, wastewater within the service boundary of CSA 64 is collected via the collector sewer system owned and operated by CSA 64. CSA 64's wastewater and collection system includes three lift stations, a total of 35.6 miles of gravity sewer, and 0.5 miles of pressure sewer with approximately 3,837 connections. The system serves Areas 1, 3 and 4 and is segregated into 13 tracts and collectors.

The feasibility study for the SVLCSD identifies that the wastewater service operations currently provided through CSA 64 (Areas 1, 3 and 4) will transfer to the new SVLCSD. The new CSD will also assume the billing responsibilities for wastewater treatment and disposal from Mojave Narrows Regional Park currently undertaken by CSA 64. Wastewater collection for Area 2 is currently provided by the Town of Apple Valley. No change in sewer collection service for Area 2 is proposed by this reorganization since the Town will remain the wastewater collector for the area following the formation of SVLCSD.

Treatment and Disposal

Effluent within the community is collected by CSA 64's sewer lines and transported to the Victor Valley Wastewater Reclamation Authority's ("VWVRA") interceptor line located in the northern portion of CSA 64. The effluent is then transported to the Regional Wastewater Reclamation Facility operated by VWVRA for processing. The Regional Plant is located adjacent to the Southern California Logistics Airport ("SCLA") approximately nine miles north of CSA 64. VWVRA serves portions of Victorville, Hesperia, Apple Valley, CSA 64, and Oro Grande (CSA 42).

VWVRA is a Joint Powers Agency ("JPA"), and service is currently provided to CSA 64 because of the County's membership in the JPA. At the outset, the new CSD would not be a member of the JPA; however, VWVRA has agreed to continue to provide its services to

the new CSD at the current level as long as Spring Valley Lake CSD enters into a service agreement with VVWRA (see Attachment 5, VVWRA letter dated 10/28/2019).²

LAFCO staff has included a proposed condition of approval, Condition #11, which will transfer the provision of wastewater service within Areas 1, 3 and 4 to the SVLCSD and require the submission of required paperwork to effectuate this change.

Sewer Service to the Mojave Narrows Regional Park

CSA 64 has provided wastewater service outside of its boundaries and/or sphere of influence to the Mojave Narrows Regional Park since the early 1990s (and possibly as early as the mid-1970s). The Park receives sewer service through a direct connection to the VVWRA's interceptor line. Historically, VVWRA provided this service to the Park at no charge. However, in 2000, VVWRA requested a fee from the Park for use of their interceptor line.

On February 6, 2001, an agreement (Agreement No. 01-96) was approved by the County Board of Supervisors (acting as the governing body of CSA 64) between the Public Works Department (Regional Park Division), VVWRA and CSA 64 for the purpose of providing sewer service billing for Mojave Narrows Regional Park. (Regional Parks is now a separate agency and is not a division of Public Works.) As a member entity of the VVWRA, CSA 64 is billed for the Park's sewer flow that is ultimately transmitted to VVWRA for treatment and disposal. Regional Parks subsequently reimburses CSA 64 for the amount of the sewer fee and pays CSA 64 a small administrative fee for overseeing the billing process.

Sewer Service to a Development within the City of Hesperia

CSA 64 also recently executed an agreement with the Hesperia Water District to provide sewer collection to a proposed shopping center project located south of the terminus of Mojave Fish Hatchery Road on Bear Valley Road. LAFCO recognized this agreement in November 2018 (Service Contract #433).

C. Solid Waste & Recycling

The proposal has identified that the provision of solid waste (refuse) is to be an active function/service of the new Spring Valley Lake CSD. The proposed CSD will take over solid waste service for the unincorporated portion of Spring Valley Lake (Area 1) from the County's Solid Waste Division of its Public Works Department by assuming the existing contract with the County's franchisee, Advanced Disposal. It was noted that a dumpster in the RV campground park/parking area located near the southwestern entrance to Mojave Narrows Regional Park (which is within the City of Victorville) is being served by Advance Disposal through contract by the County. This may be because the area is inaccessible from the City, and there is no identifier that this small area is within the City. The new CSD will be required to take over the County's contract (Burrtec) with the City to continue this service to the RV park/parking area.

² VVWRA membership is currently composed of four members: City of Hesperia (on behalf of its subsidiary district Hesperia Water District), City of Victorville (on behalf of its subsidiary district Victorville Water District), County of San Bernardino (on behalf of County Service Area 42 and County Service Area 64), and Town of Apple Valley.

Three areas within the proposed CSD boundary that are located within incorporated cities will not receive solid waste services from the CSD. These include Areas 3, 4 and 5, which will continue to receive solid waste service from Victorville (Burrtec) and Apple Valley (Burrtec), and Hesperia (Advanced Disposal) per their individual franchise agreements.

Another aspect of Solid Waste will be the transfer of the existing special tax of the County Land Use Solid Waste of \$85.14 per parcel (actual receipts would be \$84.89 [subtracting the 25 cent per parcel administrative charge]). This will include the administration of the "dump card program". The issuance of the SVLCSD dump card program would require the completion of contracts with the County much like those implemented on behalf of the Helendale CSD and Phelan Pinon Hills CSD, and the County has indicated its assurance that it will assist in this process. The contract will need to be in place before the County will transfer the revenues of the special tax.

To distinguish the boundary of the new CSD's solid waste service responsibilities and ensure an equitable transfer of funds, staff has incorporated Condition #8 which would create a zone to isolate the service and related financial activities.

As for County Solid Waste, County Franchise Area No. 19 contains only unincorporated territory, and this proposal reduces CFA 19 by Area 1 of this report. The remainder of CFA 19 would continue to exist and operate through its contract with Advance Disposal.

Obligations and Reporting Requirements

Since the passage of AB 939, the State of California has shifted the responsibility for waste disposal from the haulers to the government jurisdictions. Currently, the County is responsible for the waste education programs implemented for the entirety of the County, including reporting and diversion programs. According to the County, the SVLCSD will be required to assume State mandated obligations/reporting requirements related to solid waste collection and recycling for the unincorporated portions of Spring Valley Lake. Those obligations/reporting requirements include, but are not limited to, those summarized below:

- When the Community Service District (CSD) is formed, the County will stop collecting the Land Use Fee for residential properties within the CSD. These fees are currently collected by the County to pay for landfill disposal costs. It will be up to the CSD to determine what fees, if any, they want to impose for solid waste services and the legal processes required to impose the Land Use Fee.
- If the CSD decides to issue "Land Use Disposal Cards" to its residents, then an agreement will need to be put into place between the CSD and the County for disposal costs.
- AB 939 and SB 1016 require jurisdictions to meet a 50 % diversion goal by 2000 and every year thereafter through source reduction, recycling, composting, and household hazardous waste diversion programs. The CSD will have to report annually to the County on diversion programs for incorporation into the County's annual report to the State.

- AB 341 and AB 1826 require implementation of Mandatory Commercial Recycling (MCR) requirements for certain commercial generators and Mandatory Commercial Organics Recycling requirements for certain commercial generators that meet certain thresholds.
- SB 1383 requires implementation of organics collection/processing and food recovery programs for short-lived climate pollutants.

D. Street Sweeping

Street sweeping powers were confirmed for CSA 64 in January 2004 through approval of LAFCO 2951. Currently, CSA 64 provides street sweeping services in Area 1 (unincorporated). This responsibility will transfer to the proposed SVLCSD. Areas 2 and 4, located in the Town of Apple Valley and the City of Victorville, respectively, receive street sweeping services from the respective municipalities. No change in this arrangement is proposed at this time.

Area 3 remains an anomaly – although located with the Town of Apple Valley, it is currently provided street sweeping services through CSA 64 (the Town only provides street sweeping along Bear Valley Road). In discussions with the Town, County and LAFCO staffs regarding this situation, the Town has agreed to absorb street sweeping responsibilities for Area 3 (see Attachment #6, Town of Apple Valley letter, 6/26/2019). Accordingly, street sweeping responsibility for Area 3, under the proposed CSD formation, will transfer from CSA 64 to the Town of Apple Valley. In turn, a share of the property tax will transfer to the Town for this service provision.

Interestingly, CSD Law does not allow for a separate function of street sweeping amongst the variety of services. Rather, the Roads function includes the service of street sweeping. Therefore, LAFCO would authorize the new CSD the function of Roads with a limitation of street sweeping – the CSD would not provide road construction or maintenance.

Service Determinations

Based upon the information presented in this report, it is the staff's position that the Commission can make the following determinations:

1. In response to the question of whether the formation represents the best available service option for the community, the staff would respond in the affirmative. Approval of this application by the Commission, and ultimately by the electors, will provide for a locally-elected Board of Directors, with five members from the community, to determine the delivery of the services and to be able to represent the community to state agencies proposing the imposition of new services for the area.
2. The alternatives to the formation are the continuation of the status quo without a voice on the delivery of these services. Incorporation of the area as a city is not available to the total community as it would not be financially viable, in the staff's opinion. It is the staff's opinion that the a single, multi-function Community Services District could assist the community in achieving local decision-making for the services the community desires and can fund and provide for selection of the Board of Directors from candidates within the community.

FINANCIAL CONSIDERATIONS

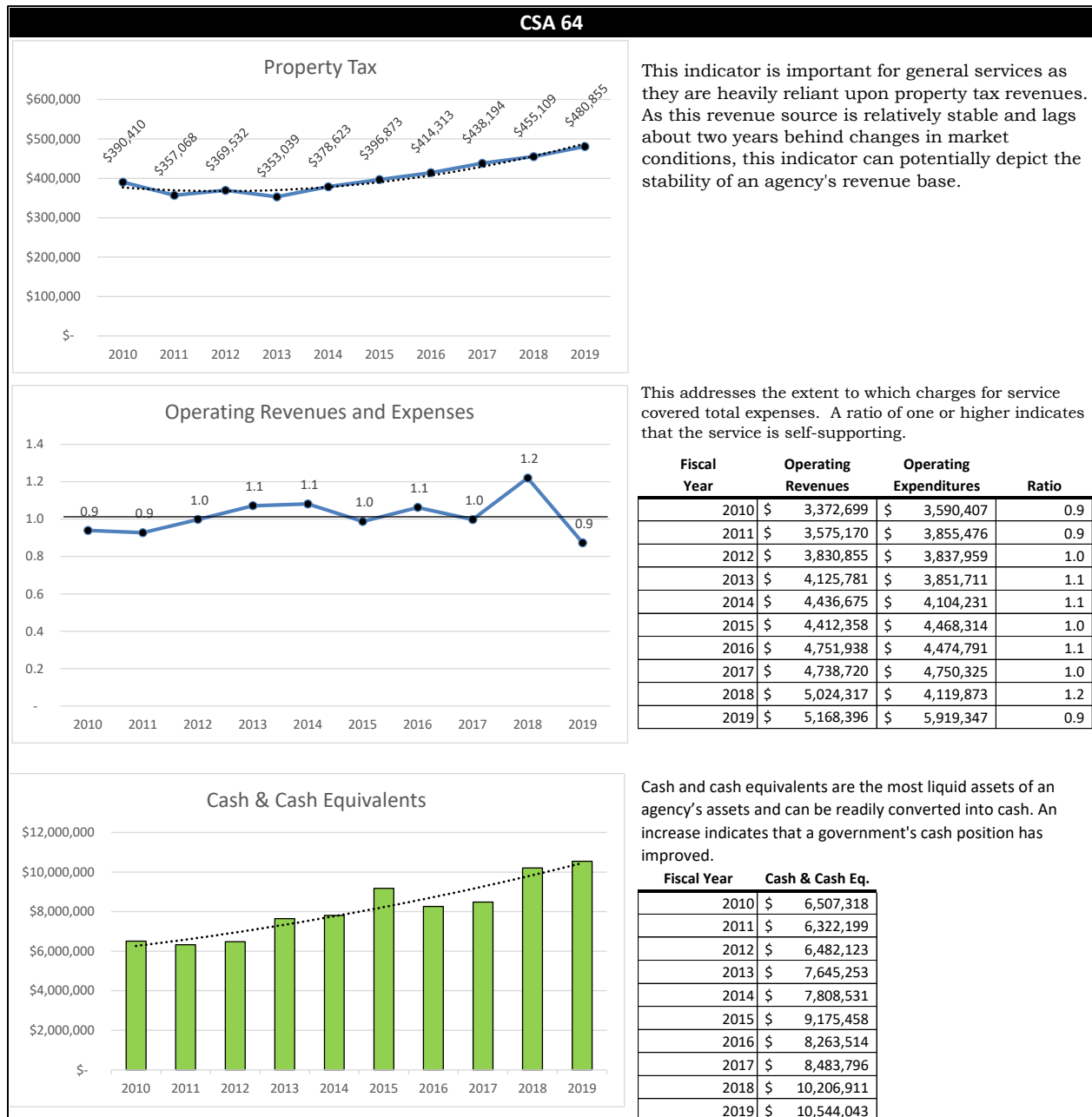
The County has submitted a Feasibility Study, prepared by the Spring Valley Lake Resident Group, as a part of its application and has supplemented that document with additional information, as required by LAFCO staff during the processing of the application. The Board Agenda Item initiating the application and the Feasibility Study are included as Attachment #2 to this report to include relevant supplemental information received during the processing of the proposal. The Commission is required to review these materials, and the LAFCO staff response to them, in order to make its determinations. This section, Financial Considerations, is organized as follows:

- A. CSA 64 Financial Position
- B. Property Tax Transfer
- C. Five-year Projection
- D. Calculation of Appropriations Limit
- E. Financial Effect on Other Governments
- F. Assets
- G. Financial Liabilities
- H. Financial Determinations

A. CSA 64 Financial Position

In order to evaluate the proposed change in governance structure, the Commission needs to be aware of the historic provision of service to this community. The unincorporated Spring Valley Lake community has a single direct service provider, CSA 64, and the incorporated portions receive additional services from their respective municipalities. The following materials provide for an outline of the current operations for CSA 64 based upon audit information:

CSA 64 AUDITED FINANCIAL POSITION					
	2014-15	2015-16	2016-17	2017-18	2018-19
Operating Revenues					
Sanitation Services	\$ 2,223,668	\$ 2,497,245	\$ 2,431,422	\$ 2,253,029	\$ 2,434,435
Water Sales	2,061,518	2,095,658	2,081,147	2,425,416	2,138,725
Connection Fees	37,891	74,480	86,657	145,739	406,522
Permit and Inspection Fees	2,625	3,750	5,250	8,100	4,875
Penalties	63,798	63,587	79,889	76,232	77,009
Other Services	22,858	17,218	54,355	115,801	106,830
Total Operating Revenues	4,412,358	4,751,938	4,738,720	5,024,317	5,168,396
Operating Expenses					
Salaries & Benefits	1,928,845	2,202,664	2,231,889	1,422,186	1,347,003
Services & Supplies	1,709,225	1,684,875	1,772,730	1,306,316	1,273,776
Professional Services				101,844	1,641,715
Water Replacement	369,310	137,340	301,950	-	252,750
Utilities	180,278	153,940	147,883	963,184	1,053,992
Depreciation/Capital Purchases	280,656	295,972	295,856	326,343	357,369
Total Operating Expenses	4,468,314	4,474,791	4,750,308	4,119,873	5,926,605
Operating Income (Loss)	(55,956)	277,147	(11,588)	904,444	(758,209)
Non-Operating Revenues (Expenses)					
Property Taxes	396,873	414,313	438,194	455,109	480,856
Special Assesment & Other Taxes	52,025	46,961	46,097	35,287	39,787
Loss on Disposal of Capital Assets	-	-	(252)	2,200	-
Investment Earnings	36,215	68,521	45,279	71,726	335,418
Other Revenues (Expenses)	72,829	71,799	86,364	82,183	145,132
Total Non-Operating Revenues (Expenses)	557,942	601,594	615,682	646,505	1,001,193
Change In Net Position	501,986	878,741	604,094	1,550,949	242,984
Net Position Prev Year	11,861,656	12,363,642	13,242,383	14,106,575	15,657,524
Prior-Period Adjustment	-	-	260,098	-	-
Net Position Beginning of Year	11,861,656	12,363,642	13,502,481	14,106,575	15,657,524
Net Position End of Year	\$ 12,363,642	\$ 13,242,383	\$ 14,106,575	\$ 15,657,524	\$ 15,900,508
Source: CSA 64 Financial Statements: Statement of Revenues, Expenses, & Changes in Net Position					



The materials identify that for the past five audit years, the annual revenues of CSA 64 are sufficient to cover its annual costs. LAFCO staff reviewed the budget adopted for Fiscal Year 2019-20, but it did not provide for an itemization of the revenues and expenditures for CSA 64.

B. Property Tax Transfer

The first order of business in evaluating a reorganization proposal which includes a formation requires staff to provide a determination on what the general ad valorem property tax transfer would be for this proposal pursuant to the provisions of Government Code

Section 56810. As this section of law requires, LAFCO staff contacted the County Auditor/Controller-Recorder and requested information regarding the property tax revenues attributable to the affected agencies for the services to be transferred. The Auditors' responses indicated that for Fiscal Year 2018-19 the property tax revenue distributions for CSA 64 within LAFCO 3233 was \$426,373.

In the case where all the services provided by the entity are to be transferred, pursuant to Government Code Section 56810(d), the Commission shall transfer the full amount of the property revenues attributable from the area for the service(s), as shown below (see Condition #14). In this case, LAFCO proposes the following property tax transfers:

Area	Transfer from	Transfer to	Percent
1	CSA 64	Spring Valley Lake CSD	100%
2	CSA 64	Town of Apple Valley	100%
3	CSA 64	Spring Valley Lake CSD	85%
	CSA 64	Town of Apple Valley	15%
4	CSA 64	Spring Valley Lake CSD	100%

The County Auditor's Property Tax Division provided a letter dated May 11, 2019 that identified certain tax rates areas that are a part of former redevelopment projects.

- Project RR97-RG01. CSA 64 has not been receiving pass-through payments for this project, thus these funds would not transfer to the new CSD. In order for the CSD to receive these funds, the CSD and the County would need to enter into an agreement.
- Project RR97-RG03. CSA 64 has been receiving pass-through payments for this project, thus these funds would statutorily transfer to the new CSD, approximately \$1,080 for FY 2017-18.

C. Five-Year Projections

With the property tax determination made, the Commission can now turn its attention to the discussion of whether or not the Spring Valley Lake CSD is financially feasible and sustainable, and whether or not, according to Commission policies, it can maintain pre-formation levels of service. In order to make these determinations, the Commission is required to review the feasibility study presented by the proponents, with the supplemental documentation provided at the request of LAFCO staff, against Community Service District Law requirements, Cortese-Knox-Hertzberg Local Government Reorganization Act requirements, and the policies of the Commission.

At the outset, LAFCO staff had questions regarding the financial assumptions included in the Five-Year financial analysis submitted. The applicant and resident group have provided adequate information to satisfy LAFCO staff's questions. The budget spreadsheet submitted by the applicant and resident group has been amended by LAFCO staff and is shown below.

Spring Valley Lake CSD Five-Year Forecast

Assumes estimated retirement costs if under SBCERA

	2020-21	2021-22	2022-23	2023-24	2024-25
Operating Revenues					
Sanitation Services	\$ 2,431,000	\$ 2,431,000	\$ 2,431,000	\$ 2,431,000	\$ 2,431,000
Water Sales	2,081,000	2,081,000	2,081,000	2,081,000	2,081,000
Connection Fees	78,416	78,416	78,416	78,416	78,416
Solid Waste Franchise Fees	103,000	103,000	103,000	103,000	103,000
Dump Fees / ESFR Fees	275,000	275,000	275,000	275,000	275,000
Permit and Inspection Fees	5,250	5,250	5,250	5,250	5,250
Penalties	79,889	79,889	79,889	79,889	79,889
Total Operating Revenues	5,053,555	5,053,555	5,053,555	5,053,555	5,053,555
Operating Expenses					
Salaries & Benefits	1,325,000	1,364,000	1,406,000	1,448,000	1,491,000
Services & Supplies	1,443,000	1,487,000	1,531,000	1,577,000	1,624,000
Solid Waste Disposal Fee	161,000	166,000	171,000	176,000	181,000
Solid Waste Recycle Program	10,300	10,600	10,900	11,200	11,500
Victor Valley Wastewater Reclamation Authority	795,000	859,000	876,000	894,000	912,000
Water Replacement (Mitigation)	309,000	318,000	328,000	338,000	348,000
Utilities	308,500	318,000	327,500	338,000	348,500
Capital Needs (Projects & Equipment)	543,000	559,000	576,000	593,000	611,000
Total Operating Expenses	4,894,800	5,081,600	5,226,400	5,375,200	5,527,000
Operating Income (Loss)	158,755	(28,045)	(172,845)	(321,645)	(473,445)
Non-Operating Revenues (Expenses)					
Property Taxes	501,000	511,000	521,000	532,000	544,000
Special Assesment & Other Taxes	46,000	46,000	46,000	46,000	46,000
Investment Earnings	46,000	46,000	46,000	46,000	46,000
Election	(50,000)	-	(25,000)	-	(25,000)
LAFCO Apportionment	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Mitigation payment to County	(729,000)	(486,000)	(243,000)	-	-
Other Revenues	86,000	86,000	86,000	86,000	86,000
Total Non-Operating Revenues	(110,000)	193,000	421,000	700,000	687,000
Change In Net Position	48,755	164,955	248,155	378,355	213,555
Net Position Beginning of Year	16,665,469	16,714,224	16,879,179	16,879,179	17,127,334
Net Position End of Year	\$ 16,714,224	\$ 16,879,179	\$ 17,127,334	\$ 17,257,534	\$ 17,340,889

D. Calculation of Appropriation Limit:

For the formation of any new special district, the Commission is required to establish its provisional appropriation limit, also known as the Gann Limit, pursuant to requirements of the California Constitution. Government Code Section 56811 sets forth the required method to be utilized in calculating the provisional appropriation limit for the new SVLCSD. On June 11, 2019, Board Agenda Item 100, the San Bernardino County Board of Supervisors set the FY 2019-20 provisional appropriation limit for the County and its Board-governed special districts requiring such a determination. The appropriation limit for CSA 64 was set as: \$475,369 (sewer), \$382,471 (water), and \$210,265 (street sweeping).

Additionally, this proposal adds solid waste powers and its associated revenues. Therefore, the appropriation limit for the new CSD would have to include this amount (\$378,000). Hence, staff's recommendation will include Condition #18 to set a provisional appropriation limit at \$1,446,105.

E. Financial Effects on other Levels of Government:

Town of Apple Valley

As identified throughout this report, the CSD would not overlay the Town in Area 2, and in Area 3 the Town would assume street sweeping responsibility. Therefore, property taxes would transfer from CSA 64 to the Town as follows:

- Area 2. 100% of the share attributable to CSA 64 would transfer to the Town.
- Area 3. The cost of street sweeping service would transfer from CSA 64 to the Town. This equates to 15% of the property taxes attributable to CSA 64 from this area.

County of San Bernardino

As outlined at the outset of this discussion, one of the questions that the Commission is required to answer is whether or not the formation of the Spring Valley Lake CSD would have a financial or service impact on other agencies. There is a concern regarding the potential indirect impact of this project on the residual County water and wastewater agencies that remain under the jurisdiction of the County's Special Districts Department.

CSA 64 represents approximately 35% of the Special Districts' budget allocated to the water and wastewater agencies that it manages. Removal of CSA 64's portion of salaries and benefits that support Special Districts' water and wastewater agencies may have an adverse effect on provision of services (maintenance of facilities, required upgrades to water and wastewater infrastructure, and continued compliance with existing or new regulatory requirements for water quality at water and wastewater facilities) to the remaining agencies. This is considered a potentially significant indirect physical impact to the residual agencies managed by the Special District's Department.

The County Administrative Office provided LAFCO with information as to the financial effect of removing CSA 64 from the Special Districts Department mechanism; the figure identified is \$729,011 annually. The summary of this figure is as follows:

- Special Districts Department - Administration
 - Salary and Benefits – Remaining Allocated Costs \$ 41,937
 - Services and Supplies – Remaining Allocated Costs \$195,124
- Water and Sanitation Division
 - Salary and Benefits – Remaining Administrative Costs \$198,215
 - Services and Supplies – Remaining Costs \$304,735
- **TOTAL \$729,011**

The initial study for this proposal identifies three options to ensure that future service to all remaining water and wastewater CSAs operated by the Special Districts Department is maintained at a comparable level of service and operation that fulfills regulatory requirements for the specific resource, i.e., water and/or wastewater, delivered by the agencies:

- 1) Increasing the rate(s) charged for the service provided by the CSAs consistent with meeting regulatory requirements;
- 2) LAFCO may assign to the new SVLCSD an amount of funds required to be returned to the Special District's Department to offset losses from approving LAFCO 3233 that will maintain a comparable level of service and operation in the remaining water and wastewater CSAs; or
- 3) The County can allocate sufficient funds to maintain a comparable level of service and operation at the remaining water and wastewater CSAs.

The applicant (County) and the Resident Group continue to negotiate the mitigation mechanism to offset losses to maintain a comparable level of service and operation for the remaining county agencies. Of question is the amount and duration of mitigation funds. With implementation of this mitigation measure the potentially significant indirect impact to residual water and wastewater agencies in Special Districts Department from approval of LAFCO 3233 can be reduced-controlled to a less than significant impact level.

As a condition of approval (Condition #13), the County and Resident Group are to present a formal response to LAFCO on the negotiated and approved mitigation mechanism. The Certificate of Completion for LAFCO 3233 will be held in abeyance until receipt of said formal response. Such mitigation shall be signed within ten (10) days following the first regular meeting of the Board of Directors of the Spring Valley Lake CSD.

F. Assets

The SVLCSD shall succeed to all properties, land, improvements, equipment, etc. owned in the name of CSA 64 (Condition #s 4, 5, and 12). Listings of these assets are included as Attachment #9. There are 10 properties that are in the name of CSA 64. The new CSD would assume ownership of all 10 parcels, including the parcel within the City of Hesperia (Area 5).

Entrance Archway

The Spring Valley Lake developer, Boise Cascade, constructed the entrance archway in 1969. In 1979, CSA 64 agreed to assume ownership of the archway in exchange for receipt

of two vacant lots (at that time known as lots 79 and 80 in Tract 8031).³ Since that time, CSA 64 has owned and maintained the archway. The new CSD would assume ownership, responsibility, and liability of the archway.

Financial Assets

All reserve funds in the name of or apportioned to CSA 64 would transfer to SVLCSD.

In addition to the reserves in the name of CSA 64, the County has identified that CSA 64's share of Fund 1378 "CSA 70 Countywide General Districts Special Reserve Fund" would transfer to SVLCSD. Fund 1378 has accumulated fund balance over the years due to MOU work done for other County departments. This fund balance is used to acquire and/or replace capital assets associated with providing various services to these departments. Fund balance also fluctuates when the General Fund prepays Special Districts for construction projects that span multiple fiscal years (i.e. Calico Ghost Town). CSA 64 is entitled to \$438,418 for their portion of fund balance.

G. Financial Liabilities

CSA 64 has a proportionate share of the County's net pension liability allocated by the San Bernardino County Employees' Retirement Association ("SBCERA"). Upon formation, the SVLCSD would assume the net pension liability assigned to CSA 64 (see Condition #4). CSA 64's 2019-20 financial statements identify a Net Pension Liability of \$1,500,539; however, the exact figure would be recalculated as of the SVLCSD formation date. The County Administrative Office identified that should the new CSD board take action to enter SBCERA, then the SVLCSD would assume the CSA 64 net pension liability. However, should the SVLCSD take action to not enter SBCERA, then the net pension liability would be due in full to the County and paid from CSA 64's funds.

LAFCO staff asked if the County apportions Compensated Absences as a liability amongst the Special Districts Department agencies. The County replied in the affirmative, and the CSA 64's share of the compensated absences is \$282,171. In addition, the County identified that CSA 64's share of the Special Districts Department Termination Benefit Reserve is \$279,645. The County Administrative Office, LAFCO staff, and Resident Group all agree that the SVLCSD shall not assume any residual liability related to compensated absences due to the nominal variance.

H. Financial Determinations

Based upon the information outlined above, it is the staff's position that the Commission can make the following determinations:

³ County Board of Supervisors. Agreement 79-572. 6 August 1979.

1. The formation of the Spring Valley Lake CSD is financially feasible and could provide for a reasonable reserve during the first five years of its existence based upon the modifications in its financial feasibility study made by LAFCO staff.
2. The formation can maintain the pre-formation service levels that are currently provided within the area and provide for the long range planning necessary to provide for a higher level of service in the future as resources become available or service delivery is mandated by State agencies.
3. This proposal could result in a potentially significant indirect physical impact to the residual agencies managed by the Special District's Department. As a condition of approval (Condition #13), the County and Resident Group are to present a formal response to LAFCO on the negotiated and approved mitigation mechanism. The Certificate of Completion for LAFCO 3233 will be held in abeyance until receipt of said formal response. Such mitigation shall be signed within ten (10) days following the first regular meeting of the Board of Directors of the Spring Valley Lake CSD.
4. The implementation of the reorganization would not impair any other agency currently serving within the area.

DETERMINATIONS FOR 3233A

The following determinations are required to be provided by Commission policy and Government Code Section 56668 for all proposals considered:

1. The Registrar of Voters has determined that the reorganization study area is legally inhabited, containing a total of 5,605 registered voters within LAFCO 3233A as of February 12, 2020.
2. The reorganization, including formation, does not conflict with the sphere of influence of any other entity because the proposal transfers existing service from an existing agency to the proposed new agency. Further, the companion sphere of influence establishment, LAFCO 3233B, does not include the SVLCSD sphere over the City of Hesperia, Town of Apple Valley or City of Victorville (except for the RV campground within the City of Victorville since it is inaccessible through the City).
3. The County Assessor has determined that the value of land and improvements within the reorganization area is broken down as follows:

Land:	\$ 289,143,644
Improvements:	\$ 823,594,781
Total:	\$1,112,738,425
4. In compliance with Commission policy and Government Code Section 56157, the Notice of Hearing for this proposal was provided by publication of an eight-page (1/8 page) legal ad in the *Daily Press*, a newspaper of general circulation in the area. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination. Opposition has been received and considered by the Commission in making its determination.
5. The proposed reorganization, including formation, includes a variety of land uses established under the San Bernardino County's General Plan, City of Hesperia's General Plan, Town of Apple Valley's General Plan and the City of Victorville's General Plan; however, such formation has no direct impact on said land use designations.
6. The Southern California Association of Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5. Approval of LAFCO 3233 has no direct impact on these determinations.
7. The Commission's Environmental Consultant prepared an environmental assessment for the reorganization proposal to form the Spring Valley Lake Community Services District (SVLCSD) and dissolve County Service Area 64 (LAFCO 3233A) and the proposed sphere of influence establishment for the SVLCSD (LAFCO 3233B) and has proposed a Mitigated Negative Declaration which indicates that approval of the reorganization and sphere of influence establishment as defined in the staff report will not have a significant adverse impact on the environment. The initial study has been independently reviewed by the

Commission's staff and has been found to be adequate for the proposed reorganization and sphere of influence establishment. Responses to comments received during the circulation of the Notice of Availability for the Mitigated Negative Declaration have been provided by the Commission and are made a part the document.

The Commission certifies it has reviewed and considered the proposed Mitigated Negative Declaration and environmental effects as outlined in the Initial Study prior to reaching a decision on the project and finds the information substantiating the Mitigated Negative Declaration is adequate for its use in making a decision as a CEQA lead agency. The Commission further finds that it does not intend to adopt alternatives but does intend to adopt a mitigation measure related to the mitigation payment(s) to the County as part of the project. The Commission hereby adopts the Mitigated Negative Declaration, as presented by its Environmental Consultant. The Commission directs the Executive Officer to file a Notice of Determination and pay the required Department of Fish and Wildlife filing fees within five (5) working days of its adoption.

8. The local agencies currently serving the area are:
 - County of San Bernardino
 - County Service Area 64
 - County Service Area 70 (unincorporated countywide, multi-function)
 - City of Hesperia
 - Hesperia Water District
 - Town of Apple Valley
 - City of Victorville
 - Mojave Desert Resource Conservation District
 - Victor Valley Wastewater Reclamation Authority
 - San Bernardino County Fire Protection District and its North Desert Service Zone

The affected agency is CSA 64, which is to be dissolved as a function of this reorganization. The other agencies are not affected by this reorganization as they are either regional in nature or identified for other services to a specific area.

9. The County of San Bernardino, as the proponent for LAFCO 3233, has submitted a Feasibility Study prepared by the Feasibility Committee for a Spring Valley Lake Community Services District, which provides a general outline of the delivery of services mandated by Government Code Section 56653 for a plan for providing services. The Plan and the Fiscal Impact Analysis indicate that the transfer of service to the Spring Valley Lake Community Service District upon its formation, can, at minimum, maintain the level of service delivery currently received by the area. The Feasibility Study and the supplemental documentation outlined in the staff report shows that the Community Services District has sufficient revenues to provide its active range of services (water, solid waste, wastewater and street sweeping) upon formation. The Feasibility Study and its supplemental information have 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 Study, its supplemental data and the Fiscal Impact Analysis as revised by LAFCO staff, conform to those adopted standards and requirements.

10. The reorganization area can benefit from the availability and continuation water, sewer collection, and street sweeping services as well as assumption of solid waste services, as evidenced by the Feasibility Study and its supplemental data.
11. This proposal will not affect the fair share allocation of the regional housing needs assigned to the County of San Bernardino, the Town of Apple Valley, the City of Hesperia or the City of Victorville through the Southern California Association of Government's (SCAG) Regional Housing Needs Allocation (RHNA) process.
12. With respect to environmental justice, the reorganization provides for the continuation of water, wastewater, street sweeping and solid waste (refuse) services within the area. The delivery of these services, through a locally-elected special district, will not result in the unfair treatment of any person based upon race, culture or income.
13. This proposal complies with Commission and State policies that indicate the preference for the creation of multi-purpose agencies to serve growing communities. This position is taken on the basis that areas proposed for formation as a community services district can be planned, funded, services extended and maintenance funding put in place for the full range of service needs as identified by the community.
14. The maps and legal descriptions, prepared by the County Surveyor's Office, are in substantial compliance with LAFCO and State standards.

LAFCO 3233B

Spring Valley Lake CSD Sphere of Influence Establishment:

CSA 64 covers 2,579 acres. The current sphere of influence boundary for CSA 64 comprises 2,610 acres, and includes the unincorporated portion of Spring Valley Lake (Area 1), portions of the City of Victorville (Area 4) and the Mojave Narrows Regional Park (Area 6). The CSA 64 sphere boundary does not include those portions of the Town of Apple Valley (Areas 2 and 3) that are currently within the CSA 64 boundary, as the Commission has historically recognized this area as being a part of the overall Apple Valley community. Further, the division of the school districts by the Mojave River supports the division between Victorville and Apple Valley.

The proposed Spring Valley Lake CSD sphere of influence is largely consistent with the current CSA 64 sphere, with one exception: the proposed CSD sphere excludes Area 4 (City of Victorville). Area 4 was annexed into Victorville in 1991, however this area is not within the Victorville Water District's boundary, and CSA 64 currently provides water and wastewater collection within this area. The application received by LAFCO proposes to transfer service responsibility from CSA 64 to the new CSD for these services – water and wastewater.

When either the Town of Apple Valley or the Victorville Water District are able to assume water and wastewater collection to their respective areas, then an affected agency could submit an application to LAFCO to detach the CSD from their respective area. Excluding these areas from the newly formed CSD sphere of influence signals the Commission's intent that the CSD is not the logical, long-term service provider for these areas for water and wastewater collection services, and that these services should ultimately be taken over by another agency.

The following address the mandatory sphere of influence determinations as outlined in Government Code Section 54525:

1. The present and planned land uses in the area including agricultural and open space lands:

The land area proposed to be included in the sphere of influence for the Spring Valley Lake CSD comprises 2,152 acres (+/- 3.3 square miles). All land use planning and development entitlements within the sphere area are administered through the County of San Bernardino.

The area is predominantly residential and approaching build-out. Currently, there are approximately 3,565 dwelling units in the proposed sphere area. The County's current land use designations include RS (Single-Family Residential), RS-14M (Single-Family Residential with 14,000 square foot minimum lot size), RM (Multiple Residential), CG (General Commercial), IN (Institutional) and FW (Floodway).

The sphere area also includes the 529-acre Mojave Narrows Regional Park, an open space refuge offering varied recreational opportunities, acres of waterways, and

significant strands of cottonwood and willows. No additional significant development is anticipated for this area in the foreseeable future.

Because a sphere of influence is a planning tool only, no land use changes are anticipated as a result of the proposed sphere establishment.

2. The present and probable need for public facilities and services in the area:

The proposed Spring Valley Lake CSD, if approved as proposed, will assume provision of the following services from CSA 64: water, wastewater collection, street sweeping and solid waste. The proposed sphere area has a population of approximately 8,599 residents and is nearing build-out. The proposed CSD will have adequate facilities and remains the logical service provider for this area at this time.

3. The present capacity of public facilities and adequacy of public services that the agency to be expanded provides or is authorized to provide:

The Spring Valley Lake CSD, as proposed, has the fiscal and operational capabilities to provide its authorized services: water, wastewater collection, street sweeping and solid waste. No expansion of services will result from the proposed sphere of influence establishment.

4. The existence of any social or economic communities of interest as determined by the Commission to be relevant to the agency:

Historically, the Commission has recognized the Spring Valley Lake area as being part of the overall Victorville community. The Commission has long-recognized the boundary between Victorville and the Town of Apple Valley in the Spring Valley Lake area as along the Mojave River. The equestrian area, located in the Town of Apple Valley, south of Sitting Bull Road, is an original part of the Spring Valley Lake planned community and residents continue to strongly identify with that community.

CONCLUSIONS:

Through the review process for LAFCO 3233, the preparation of this staff report, and the completion of an analysis of the financial implications for the creation of a new government for the Spring Valley Lakes community, staff has compiled the information and data necessary to evaluate this application. At its core, the proposal is to dissolve County Service Area 64 and form a new local government agency to be named the Spring Valley Lakes Community Services District. If approved as proposed, the new CSD will have the authority to provide the following services: water, wastewater collection, street sweeping and solid waste.

On its face, the application, initiated by the San Bernardino County Board of Supervisors, appears complex – largely because the Spring Valley Lake community (CSA 64) is made up primarily of unincorporated territory but also includes portions of the City of Victorville and the Town of Apple Valley. Additionally, services for the Spring Valley Lake community are currently provided by a combination of all three entities – CSA 64, Victorville and Apple Valley - best depicted on the Services Roadmap (see Executive Summary). As described throughout this report, service provision for Spring Valley Lake has evolved over time along with the community's growth, the incorporation of the Town of Apple Valley and annexations into CSA 64 by the City of Victorville.

The current proposal for the Commission's consideration, in reality, is fairly straightforward – a transfer of existing CSA 64 services (with minor exceptions) to a new Community Services District that offers residents increased local control through a locally elected Board of Directors. Here are how services are proposed to be provided under a new Community Services District:

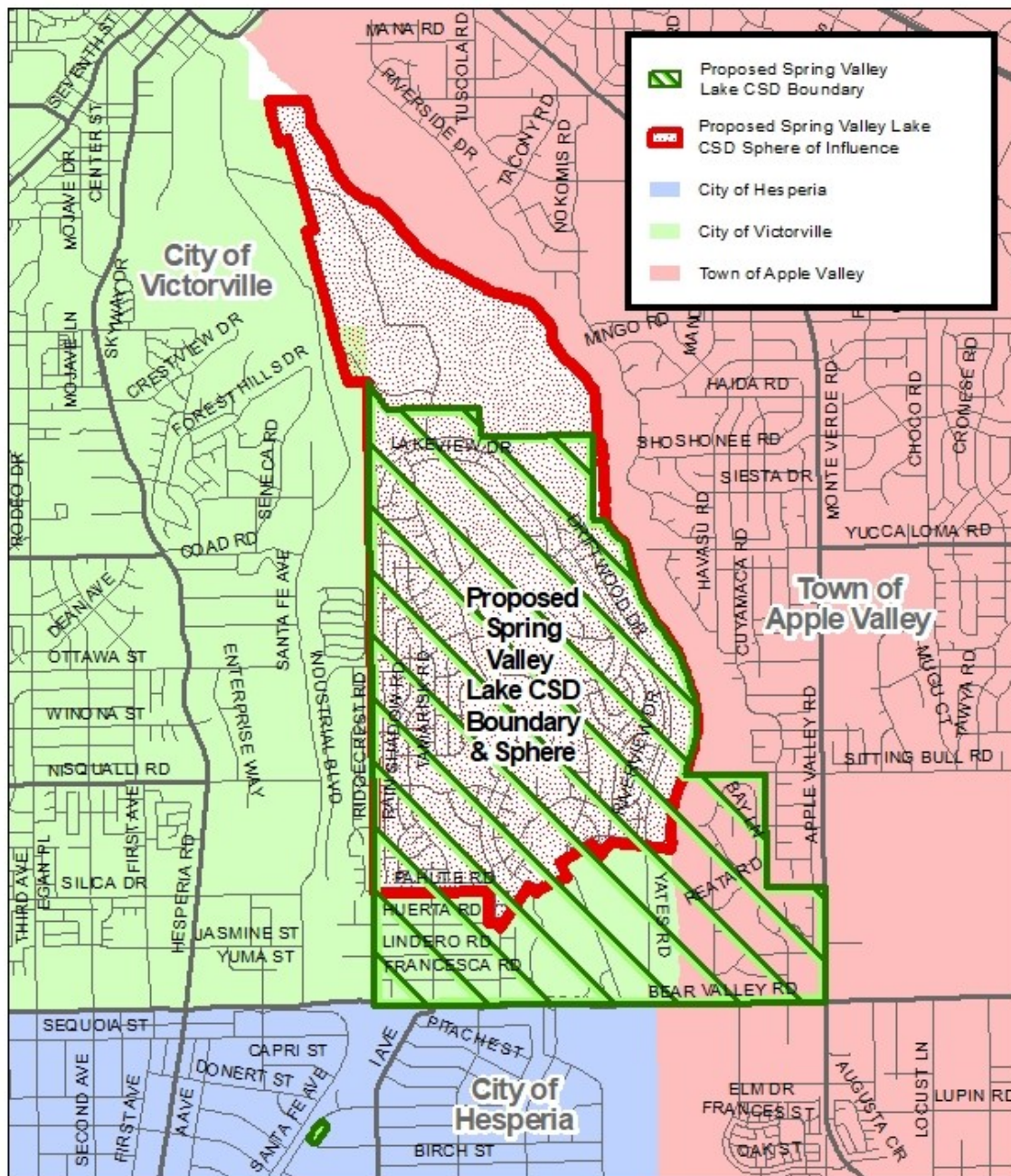
- Area 1 (unincorporated Spring Valley Lake Community/CSA 64): straight transfer of CSA 64 services (water, wastewater, street sweeping and solid waste) to the new CSD.
- Area 2 (Town of Apple Valley/CSA 64, north of Sitting Bull Road): no services currently provided by CSA 64; area excluded from proposed CSD.
- Area 3 (Town of Apple Valley/CSA 64, south of Sitting Bull Road): transfer of water and wastewater services from CSA 64 to the new CSD; transfer of street sweeping service from CSA 64 to the Town of Apple Valley.
- Area 4 (City of Victorville): straight transfer of water and wastewater services from CSA 64 to the new CSD.
- Area 5 (City of Hesperia): straight transfer of public facility site owned by CSA 64 to the new CSD
- Area 6 (Mojave Narrows Regional Park): County Regional Parks provides water, wastewater and solid waste services through a contract with Victorville; no change in service is proposed under the CSD proposal.

As outlined in the financial discussion within this report, the proposed CSD's five-year financial forecast demonstrates the CSD is fiscally viable.

Finally, as discussed in this report's sphere of influence section, staff's proposed sphere for the CSD includes the unincorporated portion of Spring Valley Lake (Areas 1 and 6) only,

and makes no change to the Commission's historical sphere boundary dividing the Town of Apple Valley and the City of Victorville along the Mojave River. This signals that Victorville and Apple Valley are the ultimate, long-term service providers for this area. As both jurisdictions are able to these provide services, annexations to the CSD can be submitted to LAFCO for consideration at that time.

LAFCO 3233A and LAFCO 3233B



What Does this Mean for Affected Agencies?

If this proposal is approved as modified, the following summarizes the general impacts to affected agencies within the Spring Valley Lake area:

Town of Apple Valley:

- Area 2 - The CSD boundary would not extend into Area 2, and CSA 64's property tax would transfer to the Town.
- Area 3 - The Town would continue to provide street sweeping and refuse collection/recycling. The Town would assume street sweeping services and receive a portion of the property tax revenue associated with that service.
- The CSD sphere of influence would exclude Areas 2 and 3 and would not overlay any portion of the Town's boundary.
- Responsibility for land use and entitlements remain unchanged and are retained by the Town of Apple Valley.

City of Victorville:

- Area 4 - The City would continue to provide street sweeping and refuse collection/recycling.
- The CSD sphere of influence would exclude Area 4.
- The only portion of the proposed CSD sphere of influence that would overlay Victorville is the RV camping parcel within Mojave Narrows Regional Park that is inaccessible through the City; CSA 64 currently provides sewer service to the RV camping parcel through a contract with Regional Parks; the new CSD would assume this service contract.
- Responsibility for land use and entitlements remain unchanged and are retained by the City of Victorville.

City of Hesperia:

- Area 5 is a non-contiguous, three-acre parcel located in Hesperia which houses CSA 64's water storage facilities and other facilities for Special Districts; if formed, the parcel would transfer to the CSD; Special District's facilities and equipment would be removed from the parcel within six months following reorganization.
- Responsibility for land use and entitlements remain unchanged and are retained by the City of Hesperia.

County/Special Districts Department:

- CSA 64 would be dissolved, and its services assumed by the CSD.
- Property taxes and other revenues currently accrued by CSA 64 to fund services would transfer to the CSD, except as identified above for the Town.
- Responsibility for land use planning and entitlements in the unincorporated area would remain unchanged and are retained by the County.
- There would be a potentially significant indirect physical impact to the residual agencies managed by the Special District's Department.

RECOMMENDATIONS:

If the Commission determines, based upon the staff report and testimony presented at the hearing that the community of Spring Valley Lake is ready for self-governance for the range of services outlined in the staff report, staff recommends that the Commission approve the proposed reorganization to include formation of the Spring Valley Lake Community Services District and Dissolution of County Service Area 64 (LAFCO 3233A) and the Sphere of Influence establishment for the Spring Valley Lake Community Services District (LAFCO 3233B), by taking the following actions:

1. Modify LAFCO 3233A by removing Area 2 from the revised proposal boundary since Area 2 has not received services from CSA 64 nor will the SVLCSD be providing any services to the area following successful completion of the reorganization.
2. With respect to environmental review for LAFCO 3233A, as modified, and LAFCO 3233B:
 - a) Certify that the Commission and its staff have independently reviewed and considered the environmental assessment and proposed Mitigated Negative Declaration prepared by the Commission's Environmental Consultant, Tom Dodson and Associates, it has reviewed and responded to any comments received; and provided a response to those comments;
 - b) Adopt the Mitigated Negative Declaration, including the mitigation measure and the Mitigation Monitoring and Reporting Program;
 - c) Find and determine that the Commission does not intend to adopt alternatives for the project but does intend to include a mitigation measure related to mitigation payment to the County; and,
 - d) Direct the Executive Officer to file a Notice of Determination within five (5) days.
3. Approve LAFCO 3233A, reorganization to include dissolution of County Service Area 64 and Formation of the Spring Valley Lake Community Services District, as modified, to exclude Area 2 from the overall proposal (as shown on Figure #4) together with Formation of Zone A for Solid Waste and Street Sweeping (as shown on Figure #6), with the following determinations:
 - a) Pursuant to the requirements of Government Code Section 61014, the Commission finds that the SVLCSD has sufficient revenues to perform the services as outlined in its application to provide water, sewer collection, street sweeping, and solid waste services.
 - b) Pursuant to requirements of Government Code Section 56301, the Commission determines that the proposed SVLCSD could provide the range and level of services contemplated in a more efficient and accountable manner.

And with the following terms and conditions:

Condition No. 1. The boundaries of this change of organization, as modified by the Commission, are approved as set forth in Resolution #3302 for LAFCO 3233A;

Condition No. 2. The following distinctive short-form designation shall be used through this proceeding: LAFCO 3233;

Condition No. 3. The effective date of this reorganization shall be the date the Certificate of Completion is issued;

Condition No. 4. The Spring Valley Lake Community Services District shall be the successor agency and shall function under and carry out all authorized duties and responsibilities assigned to a community services district as outlined in Government Code Section 61000 et seq., Community Services District Law, and other applicable laws. Upon the Effective Date of this reorganization, the legal existence of County Service Area 64 shall cease to exist, except as otherwise required by law, and the Spring Valley Lake Community Services District, as successor District, shall succeed to all the rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the extinguished agency;

Condition No. 5. All lands, buildings, appurtenances, and equipment held by County Service Area 64 or County Service Area 70 for the purpose of providing services within the boundaries of County Service Area 64 shall be transferred to the Spring Valley Lake Community Services District upon its formation. The Spring Valley Lake Community Services District shall assume complete maintenance and operation responsibilities for these facilities. All quitclaim deeds to effectuate the transfer of land and the title transfer documents for vehicles shall be prepared by the County to be filed upon the effective date of the change with copies provided to LAFCO.

Condition No. 6. The Board of Directors of the Spring Valley Lake Community Services District shall consist of five (5) members, elected at-large, pursuant to the provisions of Government Code Section 61020 and proceedings conducted by the Commission;

Condition No. 7. The Spring Valley Lake Community Services District shall be authorized to provide the following functions and services as active powers:

Water -- Supply water for any beneficial use as outlined in the Municipal Water District Law of 1911, Division 20 (commencing with Section 71000) of the Water Code.

Sewer -- Collection of sewage, wastewater, recycled water, and storm water in the same manner as a sanitary district formed pursuant to the Sanitary

District Act of 1923, Division 6 (commencing with Section 6400 of the Health and Safety Code).

Solid Waste and Recycling-- Collect, transfer, and dispose of solid waste and refuse and provide solid waste handling service, including, but not limited to, source reduction, recycling, and composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.

Roads – Limited to street sweeping of public streets and roads.

Condition No. 8. Upon the Effective Date of this change of organization, there shall be created a Zone of the Spring Valley Lake CSD related to the provision of Solid Waste and Recycling Services, identified in Resolution No. 3302 for LAFCO 3233A which shall continue all previously authorized charges, fees, assessments and/or special taxes of the County of San Bernardino identified as the "ESFR" in the same manner as provided in the original authorization pursuant to Government Code Section 56886(t). Such revenues shall accrue and be deposited in a separate account(s) designated for the use of the Zone and shall be accounted separately from other funds of the District.

Condition No. 9. If the proposal is approved by the electorate at an election, the County Board of Supervisors, through its County Special District's Department, shall continue to provide for the administration of services and functions performed by the dissolving entity for a transition period identified as commencing upon the effective of the reorganization until the contract end date. Nothing in this condition precludes a future Board of Directors of the Spring Valley Lake Community Services District from contracting for an extended period of time for the provision of administration, maintenance, operation, billing, and other services through the County Special Districts Department.

As outlined in the Transition Plan presented by the County Special Districts Department, set forth in Resolution No. 3302 for LAFCO 3233A, the Spring Valley Lake CSD shall be required to sign the Interim General Manager Agreement at its first regular meeting to allow for fulfillment of Government Code Section 61050 and setting forth the payment structure for services rendered. In addition, the Operation and Maintenance Agreement with the County Special Districts Department for the period from the effective date of the reorganization until the contract termination date shall be signed within ten (10) days following the first regular meeting of the Board of Directors of the Spring Valley Lake CSD to assure continuity of services and elimination of questions of liability or risk to the County for continued provision of the administration and operation of the services to the area.

Condition No. 10. The Spring Valley Lake CSD shall succeed to all water and capacity rights, outstanding obligation payments, and interests of County Service Area 64, whether wholly or partially owned or held by the District, and shall succeed to the priorities of use or rights of use of water or capacity rights in any public improvements or facilities or any other property, whether real or personal, to which

CSA 64 is entitled to upon the effective date of the reorganization. The Successor District shall specifically succeed to all rights and interests held or claimed by CSA 64 under the Judgment entered (including all documents constituting the Physical Solution, as from time to time exist) in City of Barstow, etc. et al v City of Adelanto, etc. et al., and Related Cross Actions, Riverside County Superior Court Case No. 208568 (the "Mojave Basin Area Adjudication"), including those from time to time set forth in Table B-1 to the Judgment.

The Successor District shall also specifically succeed to all rights and interest held or claimed by CSA 64 under all agreements and memoranda of understanding with the Regional Water Quality Control Board, the California Department of Health Services, the County Regional Parks, Victor Valley Wastewater Reclamation Authority, the City of Hesperia/Hesperia Water District, and any other public agency or private entity with which CSA 64 has an agreement or memorandum of understanding. The Successor District shall also assume all joint use flow agreements and maintenance agreements pursuant to Government Code Section 56886(j) and (r).

Condition No. 11. The Spring Valley Lake CSD, as the Successor District, shall enter into an agreement with the Victor Valley Wastewater Reclamation Authority (VWWRA) for the continuation of wastewater treatment at the level of service currently provided by VWWRA to CSA 64. Such agreement with VWWRA shall be signed within ten (10) days following the first regular meeting of the Board of Directors of the Spring Valley Lake CSD to assure continuity of services to the area.

Condition No. 12. The Spring Valley Lake CSD, as the Successor District, shall accept all system facilities transferred from the dissolving agency in "as is" condition without any payment or repair obligations (Government Code Section 56886(h)). All material and incidental liabilities, including, but not limited to, accounts payables and receivables, contract obligations and customer deposits, held by the dissolving CSA 64 shall be transferred to the Successor District upon the effective date of the reorganization (Government Code Section 56886(h)). All assets, including, but not limited to, cash reserves, building and other real property, water production equipment (pumps, storage tanks, etc.), transmission lines and rights-of-way, wastewater equipment (pumps, transmission lines); rolling stock, tools, and office furniture, fixtures and equipment, all lands building, real and personal property and appurtenances held by the dissolving entity shall be transferred to the Successor District upon the effective date of the reorganization.

In addition, the Spring Valley Lake CSD shall receive a share of the pooled equipment and equipment reserve funds for the County Special Districts Department, Water and Sanitation Division, as identified in Attachment #9. The Board of Directors of the Successor District are entitled to receive this amount in equipment, in cash, or in a combination of equipment and cash subject to the following limitations:

- a. If the method for receipt of the assigned value is determined by the Board of Directors to be received in cash only, said payment shall be spread over a

three- to five-year period subject to negotiations between the County Board of Supervisors and Board of Directors for the Successor District. Nothing in this resolution precludes the use of the value of these transfers to be used against the payments required of the Successor District as mitigation for continuation of the services of the Special Districts Department;

- b. If the method for receipt of the assigned value is determined by the Board of Directors to be received in a combination of cash and equipment, and the cash balance exceeds \$200,000, said cash payment shall be spread over a three-year period subject to negotiations with the County and Board of Directors; or,
- c. If the method for receipt of the assigned value is determined by the Board of Directors to be received in equipment only, or a combination of cash and equipment and the cash balance is less than \$200,000, said payment shall occur as expeditiously as possible, but not later than 90-days following the determination of the Board of Directors.

Condition No. 13. The applicant (County) and the Resident Group continue to negotiate the mitigation mechanism to offset losses to maintain a comparable level of service and operation for the remaining county agencies. Of question is the amount and duration of mitigation funds. With implementation of this mitigation measure, the potentially significant indirect impact to residual water and wastewater agencies in Special Districts Department from approval of LAFCO 3233 can be reduced-controlled to a less than significant impact level. As a condition of approval, the County and Resident Group are to present a formal response to LAFCO on the negotiated and approved mitigation mechanism. The Certificate of Completion for LAFCO 3233 will be held in abeyance until receipt of said formal response. Such mitigation shall be signed within ten (10) days following the first regular meeting of the Board of Directors of the Spring Valley Lake CSD.

Condition No. 14. All property tax revenues attributable to County Service Area 64, prior to calculations required by Section 96.1 of the Revenue and Taxation Code, including delinquent taxes, return of property tax revenues related to pass-through payments from any and all redevelopment agencies overlying the area, and any and all other collections or assets of the District shall accrue and be transferred to the Successor District, the Spring Valley Lake CSD, pursuant to the provisions of Government Code Section 56810, except as described below;

The property tax revenue attributable to County Service Area 64 within Tax Rate Area 21004 shall transfer at 15% to the Town of Apple Valley. The property tax revenue attributable to County Service Area 64 within Tax Rate Area 21006 shall transfer at 100% to the Town of Apple Valley.

Condition No. 15. All previously authorized charges, fees, assessments, and/or taxes of County Service Area 64 in effect upon the effective date of this reorganization shall be continued and assumed by the Spring Valley Lake CSD, as the successor agency, in the same manner as provided in the original authorization

pursuant to the provisions of Government Code Section 56886(t);

Condition No. 16. Until duly revised by the Spring Valley Lake CSD, and unless otherwise expressly provided herein or legally required, all ordinances, resolutions, rules and regulations, policies, procedures, and practices existing for CSA 64 on the effective date of this reorganization shall govern the activities and affairs of the Successor District. The Board of Directors of the Spring Valley Lake CSD, as the Successor District, shall expeditiously review and ratify the ordinances, resolutions, policies, procedures and practices adopted hereby, making such revisions as it shall deem appropriate;

Condition No. 17. Upon the effective date of this reorganization, any funds currently deposited for the benefit of County Service Area 64 which have been impressed with a public trust, use or purpose shall be transferred to the Spring Valley Lake CSD, as the successor agency, and the successor agency shall separately maintain such funds in accordance with the provisions of Government Code Section 57462;

Condition No. 18. Pursuant to the provisions of Government Code Section 56811, the provisional appropriation limit of the Spring Valley Lake CSD shall be set at \$\$1,446,105. The permanent appropriation limit shall be established at the first district election held following the first full fiscal year of operation and shall not be considered to be a change in the appropriation limit of the district pursuant to Article XIII B of the California Constitution;

Condition No. 19. Pursuant to the provisions of Government Code Section 56885.5(a)(4), the County Board of Supervisors, as the governing body of County Service Area 64, is prohibited from taking the following actions unless an emergency situation exists as defined in Section 54956.5:

1. Approve any increase in compensation or benefits for members of the governing body, its officers, or the executive officer of the agency;
2. Appropriating, encumbering, expending or otherwise obligating, any revenues of the agencies beyond that provided in the current budget at the time the reorganization is approved by the Commission. The Commission identifies that the budget to be utilized in this condition shall be the final budget for Fiscal Year 2020-21 adopted by the County Board of Supervisors;

Condition No. 20. Pursuant to Government Code Section 56886.1, public utilities, as defined in Section 216 of the Public Utilities Code, have ninety (90) days following the recording of the Certificate of Completion to make the necessary changes to impacted utility customer accounts;

Condition No. 21. The County of San Bernardino, as applicant, shall indemnify, defend, and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

4. Adopt LAFCO Resolution #3302 for LAFCO 3233A, setting forth the Commission's determinations, terms and conditions concerning the reorganization proposal;
5. Approve LAFCO 3233B, the sphere of influence establishment for the Spring Valley Lake Community Services District as shown on Figure #7; and,
6. Adopt LAFCO Resolution #3303 for LAFCO 3233B, setting forth the Commission's determinations related to the sphere of influence establishment.

Attachments:

Attachment 1. [Vicinity Maps](#)

- Current CSA 64 Boundary and Sphere of Influence
- Proposed Spring Valley Lake CSD Boundary and Sphere of Influence
- Proposed Spring Valley Lake CSD Zone A for Solid Waste and Street Sweeping
- Three Options - Proposed Spring Valley Lake CSD Boundary
- Proposed Sphere of Influence Establishment
- CSA 64 Water and Sewer Lines

Attachment 2. [Application Packet](#)

- Resolution No. 2018-134 Initiating the Proposal
- Budget Prepared by County
- Letter from Applicant and CSD Formation Committee on Revised Proposal
- Application including Feasibility Study

Attachment 3. [Letter from County Administrative Office removing park and recreation service at request of applicant dated November 7, 2019](#)

Attachment 4. [Letter from Tom Dodson and Associates dated February 10, 2020, Response to Comments, including Initial Study, Mitigation Monitoring and Reporting Program](#)

Attachment 5. [Letter from VVWRA regarding continued service to SVLCSD dated October 28, 2019](#)

Attachment 6. [Town of Apple Valley letters dated May 8, 2019 and June 26, 2019](#)

Attachment 7. [Letter from City of Victorville dated May 9, 2019](#)

Attachment 8. [Draft Transition Plan \(Resolution 3302 Exhibit C\)](#)

Attachment 9. [Listing of Reserves, Properties, Pooled Equipment \(Resolution 3302 Exhibit D\)](#)

Attachment 10. [CSA 64 2018-19 Audit](#)

Attachment 11. [Draft Resolution 3302 for LAFCO 3233A](#)

Attachment 12. [Draft Resolution 3303 for LAFCO 3233B](#)