

Exhibit 1

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

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PROPOSAL NO.: LAFCO 3070

RESOLUTION NO. 2994

A RESOLUTION OF THE EXECUTIVE OFFICER OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO CONFIRMING THE ORDER OF REORGANIZATION WHICH INCLUDES THE FORMATION OF THE PHELAN PIÑON HILLS COMMUNITY SERVICES DISTRICT, DETACHMENT FROM COUNTY SERVICE AREA 56, AND DISSOLUTION OF COUNTY SERVICE AREA 9, COUNTY SERVICE AREA 56 IMPROVEMENT ZONE F-1, AND COUNTY SERVICE AREA 70 IMPROVEMENT ZONES L AND P-4

SECTION 1. The Executive Officer, on behalf of the Local Agency Formation Commission for San Bernardino County (Commission), conducting authority for the Reorganization to Include Formation of the Phelan Piñon Hills Community Services District, Detachment from County Service Area 56, and Dissolution of County Service Area 9, County Service Area 56 Improvement Zone F-1, and County Service Area 70 Improvement Zones L and P-4, hereby finds and determines:

(a) This action is being taken pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.);

(b) That on Tuesday, October 23, 2007, the Board of Supervisors of the County of San Bernardino, at the request of the Commission, called for an election to be held on February 5, 2008, for the purpose of determining whether or not the reorganization, identified as LAFCO 3070, should be approved in accordance with the terms and conditions set forth in Local Agency Formation Commission Resolution No. 2969;

(c) That an election was held on February 5, 2008, and the results thereof have been certified to the Executive Officer by the San Bernardino County Registrar of Voters;

(d) That the total number of votes cast on the reorganization was 4,506; that 3,636 votes were cast for the reorganization and 870 votes were cast against the reorganization;

(e) That the type of change being acted upon was a reorganization which includes the formation of a community services district, to be known as the Phelan Piñon Hills Community Services District, detachment from County Service Area 56, and dissolution of County Service Area 9, County Service Area 56 Improvement Zone F-1, and County Service Area 70 Improvement Zones L and P-4;

(f) That the reason for the reorganization is to establish a local government that is responsive to the needs of the people within the boundaries of the Phelan Piñon Hills Community Services District and provide local control and accountability for the delivery of services and management of revenues;

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(g) That the five candidates for the office of Director of the Phelan Piñon Hills Community Services District who received the most votes are:

- Mark Roberts
- Ken Anderson
- Charlie Johnson
- Mike Adams
- Al Morrissette

SECTION 2. The Executive Officer of the Local Agency Formation Commission therefore hereby resolves and orders:

(a) That the territory described in the attached Exhibits "A" and "A-1" is formed as a community services district, the name of which shall be the Phelan Piñon Hills Community Services District, that the territory described in the attached Exhibits "B," and "B-1" is detached from County Service Area 56, and that the territory described in the attached Exhibits "C," "D," and "E" are dissolved;

(b) The following persons are elected to the office of Director of said District:

- Mark Roberts
- Ken Anderson
- Charlie Johnson
- Mike Adams
- Al Morrissette

(c) The territory described in Exhibits "A" and "A-1" shall utilize the regular County assessment roll and that the reorganized area will be taxed for any existing general bonded indebtedness and contractual obligations of the predecessor agencies;

(d) The provisional appropriation limit under Article XIII B of the Constitution of the State of California shall be \$1,203,876; and,

(e) That LAFCO Resolution No. 2969 contains the following pertinent conditions:

Condition No. 1. The boundaries of this change or organization are approved as set forth in Exhibits "A", "A-1", "B", "B-1", "C", "D", and "E" attached;

Condition No. 2. The following distinctive short-form designation shall be used through this proceeding: LAFCO 3070;

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

Condition No. 4. The Phelan Piñon Hills 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 9, County Service Area 56 Improvement Zone F-1, County Service Area 70 Improvement Zone L and County Service Area 70 Improvement Zone P-4 shall cease to exist, except

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as otherwise required by law, and the Phelan Piñon Hills 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 agencies;

Condition No. 5. The Board of Directors of the Phelan Piñon Hills CSD shall consist of five (5) members, elected at-large, pursuant to the provisions of Government Code Section 61020;

Condition No. 6. The Phelan Piñon Hills CSD shall be authorized 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 (commencing with Section 71000) of the Water Code (§61100(a)).

Streetlighting -- Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements (§61100(g)).

Recreation and Parks -- Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code (§61100f)).

Condition No. 7. If this proposal is approved by the electorate at the February 5, 2008 presidential primary election, the County Board of Supervisors, through its County Special District Department, shall continue to provide for the administration of services and functions performed by the dissolving and detaching entities for a transition period identified as commencing upon the effective date of the reorganization until June 30, 2008. Nothing in this condition precludes a future Board of Directors of the Phelan Piñon Hills CSD from contracting for an extended period of time for the provision of administration, maintenance, operation, billing, and etc. services through the County Special Districts Department.

As outlined in the Transition Plan presented by the County Special Districts Department, set forth in Exhibit "F", the Phelan Piñon Hills CSD Board of Directors 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 June 30, 2008 shall be signed within ten (10) days following the first regular meeting of the Board of Directors of the Phelan Piñon Hills 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. 8. The Phelan Piñon Hills CSD shall succeed to all water and capacity rights and interests of CSA 70 Improvement Zone L, 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 70 Zone L is entitled to upon the effective date of this reorganization. The Successor District shall specifically succeed to all rights and interests

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held or claimed by CSA 70 Zone L under the Judgment entered (including all documents constituting the Physical Solution, as from time to time existing) 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 interests held or claimed by CSA 70 Zone L under all agreements and memoranda of understanding with the Department of the Interior, the Bureau of Land Management, the United States Geological Survey, the California Department of Fish and Game, the California Water Quality Control Board and the Regional Water Quality Control Board for the Lahontan Region, the California Department of Health Services, the Mojave Water Agency, the County of San Bernardino, the City of Adelanto, the City of Hesperia, the City of Victorville, the Town of Apple Valley, the Apple Valley Ranchos Water Company, the Southern California Logistics Airport Authority, the Victor Valley Wastewater Reclamation Authority, the Snowline Joint Unified School District, the High Desert Power Project (or any of its related entities), Southern California Edison, and any other public agency or private entity with which CSA 70 Zone L has an agreement or memorandum of understanding. The Successor District shall also assume all joint use flow agreements and maintenance agreements. [§56886(j) (r)];

Condition No. 9. The Phelan Piñon Hills CSD, as the successor district, shall accept all system facilities transferred from the dissolving or detaching agencies in "as is" condition without any payment or repair obligation from the assets of any of the dissolving or detaching agencies (Government Code Section 56886(h)). All material and incidental liabilities, including, but not limited to, accounts payables, contract obligations and customer deposits, held by the dissolving entities 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, buildings and other real property, water production equipment (pumps, storage tanks etc.), transmission lines and rights-of-way, rolling stock, tools, and office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the dissolving entities shall be transferred to the successor district upon the effective date of the reorganization (Government Code Section 56886(h)). Additional requirements for transfer are defined below:

1. The Phelan Piñon Hills CSD shall receive a share of the pooled equipment and equipment reserve funds for the County Special Districts Department, Water and Sanitation Division, representing 17.2% of the values assigned as of July 13, 2007, representing a total value of \$403,980. The Board of Directors is 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 payments shall be spread over a three- to five-year time period subject to negotiations between the County Board of Supervisors and Board of Directors for the Successor District;
 - 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

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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 60-days following the determination by the Board of Directors.
2. The property owned by County Service Area 56 Improvement Zone F-1, identified as APN 3067-051-06, is a joint use facility including a fire station, community center and park. Ownership of said property shall be transferred to the Phelan Piñon Hills CSD upon the effective date of the reorganization with the stipulation that the fire station occupying a portion of the property shall be leased back to the County Consolidated Fire Agency for the sum of \$1.00 per year subject to a fifteen (15) year lease agreement to be entered into between the successor district and the County for the benefit of the County Consolidated Fire Agency (or District);

Condition No. 10. The fire functions, contracts, equipment, assets and liabilities currently a part of County Service Area 56 Improvement Zone F-1 are intended to be transferred to the County Consolidated Fire Protection District through consideration of LAFCO 3000 (County Fire Reorganization). If LAFCO 3000 is not completed upon the effective date of this reorganization, the fire functions, including property tax revenues, as stipulated in Condition Nos. 12 and 13 below, associated with CSA 56 and CSA 56 Improvement Zone F-1 shall be transferred temporarily to County Service Area 70 (fire administration) to allow for continued operation and protection of identified revenues. A condition of approval shall also be included in LAFCO 3000 identifying this situation;

Condition No. 11. All property tax revenues attributable to County Service Area 9 and County Service Area 70 Improvement Zone L, prior to calculations required by Section 96.1 of the Revenue and Taxation Code, including delinquent taxes, and any and all other collections or assets of the Districts to be dissolved, shall accrue and be transferred to the successor District, the Phelan Piñon Hills CSD, pursuant to the provisions of Government Code Section 56810;

Condition No. 12. Property tax revenues attributable to the park and recreation functions of County Service Area 56 Improvement Zone F-1, including delinquent taxes and any and all other collections or assets, shall be transferred to the successor District, the Phelan Piñon Hills CSD, pursuant to the provisions of Government Code Section 56810 subject to the following terms:

1. Fire protection revenues currently a part of the property tax allocation for County Service Area 56 Improvement Zone F-1, determined to be \$191,749 for Fiscal Year 06-07 shall be transferred to the San Bernardino County Fire Protection District as a function of LAFCO 3000. However, if LAFCO 3000 is not completed upon the effective date of LAFCO 3070, the fire functions, including property tax revenues, associated with CSA 56 Improvement Zone F-1 shall be transferred temporarily to County Service Area 70 to allow for continued operation and protection of identified revenues. A condition of approval shall also be included in

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LAFCO 3000 identifying this situation.

2. Park and recreation revenues currently a part of the property tax allocation of County Service Area 56 Improvement Zone F-1 estimated to be \$42,091 for Fiscal Year 06-07 shall be increased by \$33,314 through a transfer of property tax revenues from County Service Area 56 under the provision of Section 99.02 of the Revenue and Taxation Code. The total property tax transfer pursuant to Government Code Section 56810 shall be \$75,405;

Condition No. 13. The property tax revenues attributable to County Service Area 56 within the area proposed to be detached as a function of this reorganization shall be allocated, pursuant to Government Code Section 56810, as follows:

1. Fire protection revenues currently a part of the property tax allocation of County Service Area 56, determined to be \$575,482 for Fiscal Year 06-07, shall be increased by \$50,944 to a total of \$626,426, and shall be distributed to the San Bernardino County Fire Protection District as a function of the review of LAFCO 3000. However, if LAFCO 3000 is not completed upon the effective date of this reorganization, the fire functions, including property tax revenues, associated with CSA 56 within the reorganization shall be transferred temporarily to County Service Area 70 to allow for continued operation and protection of identified revenues. A condition of approval shall also be included in LAFCO 3000 identifying this situation.
2. The distribution of revenues for park functions within the Tax Rate Areas which comprise the CSA 56 territory within the Wrightwood community shall distribute their revenues identified for Fiscal Year 06-07 as \$740,631 for fire protection and \$101,889 for park purposes to secure the funding previously received from the Piñon Hills portion of CSA 56. This adjustment, associated with LAFCO 3000, shall fulfill the Mitigation Measure approved by the Commission on May 16, 2007, through adoption of the Mitigated Negative Declaration for LAFCO 3070.

Condition No. 14. All previously authorized charges, fees, assessments, and/or taxes of County Service Area 70 Improvement Zone L, County Service Area 9, and County Service Area 56 Improvement Zone F-1 in effect upon the effective date of this reorganization shall be continued and assumed by the Phelan Piñon Hills 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) and as may be modified by Condition Nos. 11, 12 and 13 above;

Condition No. 15. Until duly revised by the Phelan Piñon Hills CSD, and unless otherwise expressly provided herein or legally required, all ordinances, resolutions, rules and regulations, policies, procedures, and practices existing on the effective date of this reorganization shall govern the activities and affairs of the Successor District. The Board of Directors of the Phelan Piñon Hills CSD, 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. 16. Upon the effective date of this reorganization, any funds currently deposited for the benefit of County Service Area 70 Improvement Zone L, County Service

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Area 9, and County Service Area 56 Improvement Zone F-1 which have been impressed with a public trust, use or purpose shall be transferred to the Phelan Piñon Hills 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. 17. Pursuant to the provisions of Government Code Section 56811, the provisional appropriation limit of the Phelan Piñon Hills CSD shall be set at \$1,203,876. 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. 18. All streetlights currently the responsibility of County Service Area 9 shall be transferred to the Phelan Piñon Hills CSD upon successful formation of the District. The County Special Districts Department shall prepare the appropriate documentation to transfer the lights; LAFCO staff shall verify the date, and forward the signed authorization form requesting Southern California Edison to transfer the specific lights to the Phelan Piñon Hills CSD accounts upon successful completion of LAFCO 3070.

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 70 Improvement Zone L, County Service Area 9 and County Service Area 56 Improvement Zone F-1, 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 2007-08 adopted by the County Board of Supervisors on June 26, 2007;

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 protest period for the reorganization under LAFCO 3070 shall be the statutory minimum of fifteen (15) calendar days.

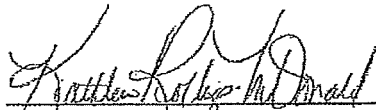
Condition No. 22. The County of San Bernardino, applicant, shall indemnify, defend, and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

- (f) That a Certificate of Completion, as required by Government Code Sections 57176 through 57203, and a Statement of Boundary Change, as required by Government Code

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Section 57204, shall be prepared and filed.

ADOPTED ON MARCH 18, 2008


KATHLEEN ROLLINGS-McDONALD
Executive Officer

