

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

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DATE: FEBRUARY 12, 2007

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #4 – LAFCO 3067 – REORGANIZATION TO INCLUDE CITY OF SAN BERNARDINO ANNEXATION NO. 361 (SIX ISLANDS)

RECOMMENDATION:

If the Commission determines to expand Islands #1, #4 and #5, direct staff to take the followings actions:

1. Conduct outreach meetings with the residents and landowners within the expanded areas to review the issues of service delivery, costs, etc. as required by Commission policy;
2. Direct staff to place consideration of the modified proposal on the Commission's agenda for consideration on April 18, 2007, identifying each area as an individual island for further consideration; and,
3. Direct staff to provide for new legal advertising and environmental assessment of the modified proposals.

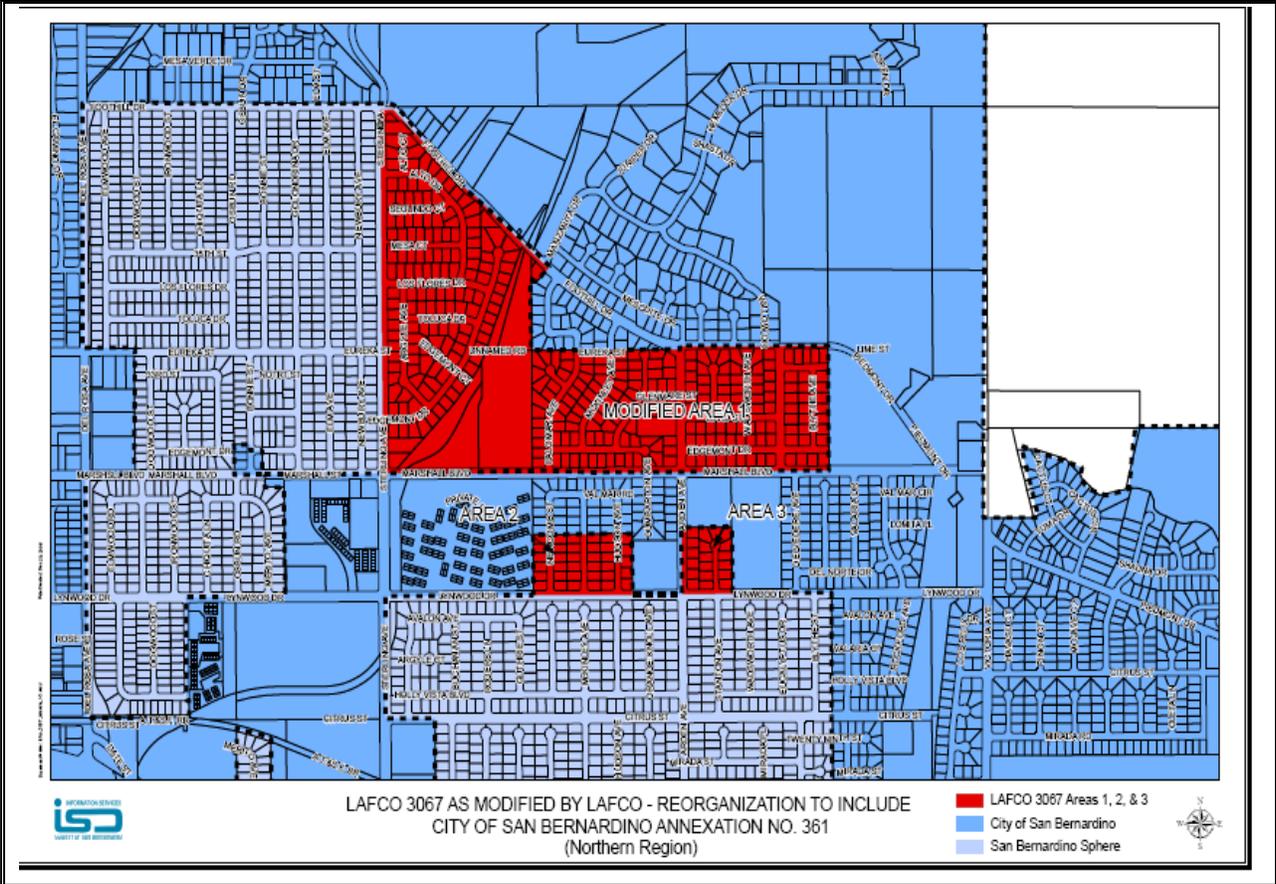
If the Commission determines to move forward with the islands as originally submitted, staff recommends that the Commission take the actions outlined in the staff report presented for the November 15, 2006 hearing included as Attachment #4 to this report.

BACKGROUND:

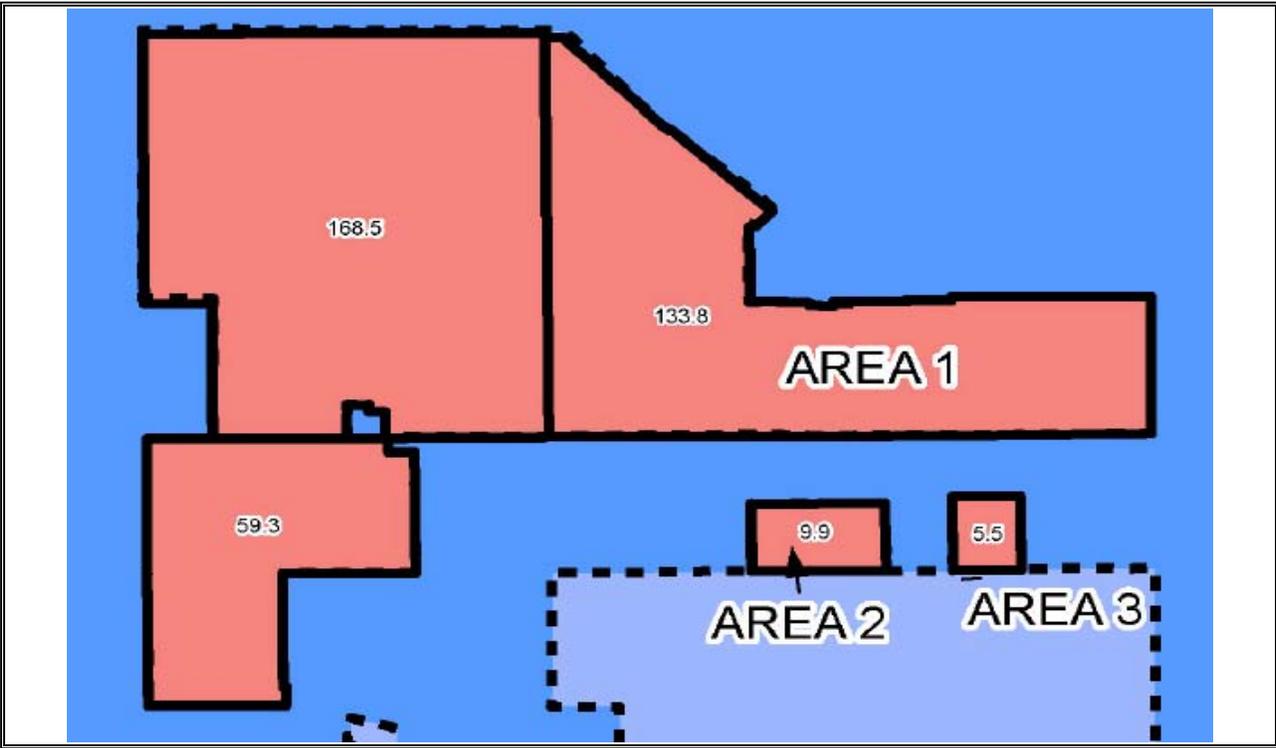
At the November 15, 2006, hearing the Commission directed staff to review expansion of three of the six islands included in LAFCO 3067 initiated by the City of San Bernardino. Staff was directed to determine the acreage, revenues attributable and the costs for service provision in each of the expanded areas. Below is the information gathered by staff for presentation:

Island #1

As originally expanded by staff, the proposed island included approximately 84 acres and its western boundary was placed at the San Bernardino Flood Control Channel. At the November hearing, the Commission directed staff to evaluate the expansion of the area to the centerline of Sterling Avenue. The map below shows the area evaluated:



This modified area encompasses 133.8 acres, below the 150 acre threshold outlined in Government Code Section 56375.3. The area remains substantially surrounded at approximately 80%. In addition, the Commission requested a determination regarding the size of the remainder area, taking into account the City’s follow-up island annexation. The map below identifies that the remainder area, generally west of Sterling Avenue, north of Marshall Blvd., east of parcel lines, and south of Foothill Drive, as being 168.5 acres, not within the allowable parameters of Government Code Section 56375.3. However, a future modification of the follow-up proposal shown on the map below as “59.3” to be submitted by the City could address this concern.



The Commission requested that staff provide a fiscal analysis for the modified area. In complying with this information request, staff prepared an analysis of the standard revenues to be received by the City from within the proposed modified boundary. Below is an outline of the ad valorem property tax transfer from the affected Tax Rate Area (TRA):

Agencies Within the TRA	Percentage Share of Property Tax	Original Area Property Tax	Expansion Area Property Tax	Total of Modified Area
County General Fund	14.4485110	\$45,073	\$31,768	\$76,840
Flood Control Zone 2	2.5649220	\$8,001	\$5,639	\$13,641
Flood Control Admin	0.1803590	\$563	\$397	\$959
County Free Library	1.3991000	\$4,365	\$3,076	\$7,441
CSA 38	11.7434400	\$36,634	\$25,820	\$62,454
CSA 70	2.5932260	\$8,090	\$5,702	\$13,791
CSA SL-1	1.5029470	\$4,689	\$3,304	\$7,993
East Valley Resource	0.0442510	\$138	\$97	\$235
San Bdn Valley Water Cons	0.0390350	\$122	\$86	\$208
San Bdn Valley Muni	2.613060	\$8,152	\$5,745	\$13,897
Modified Transfer to City would be		\$53,777	\$37,902	\$91,679

The amounts to be transferred to the City through the annexation process are bolded and include only the detaching County Service Areas as outlined in the adopted resolutions by the City and County. Pursuant to the existing County-City policy for

island annexations, the transfers shall equal the full share of the City’s historic rate; and if the detaching agencies exceed that amount, the full revenues from the detaching agencies shall be transferred to the annexing City. The amount transferred to the City of San Bernardino from this island exceeds the City’s existing 16.9% share of the ad valorem property tax, representing 17.2%.

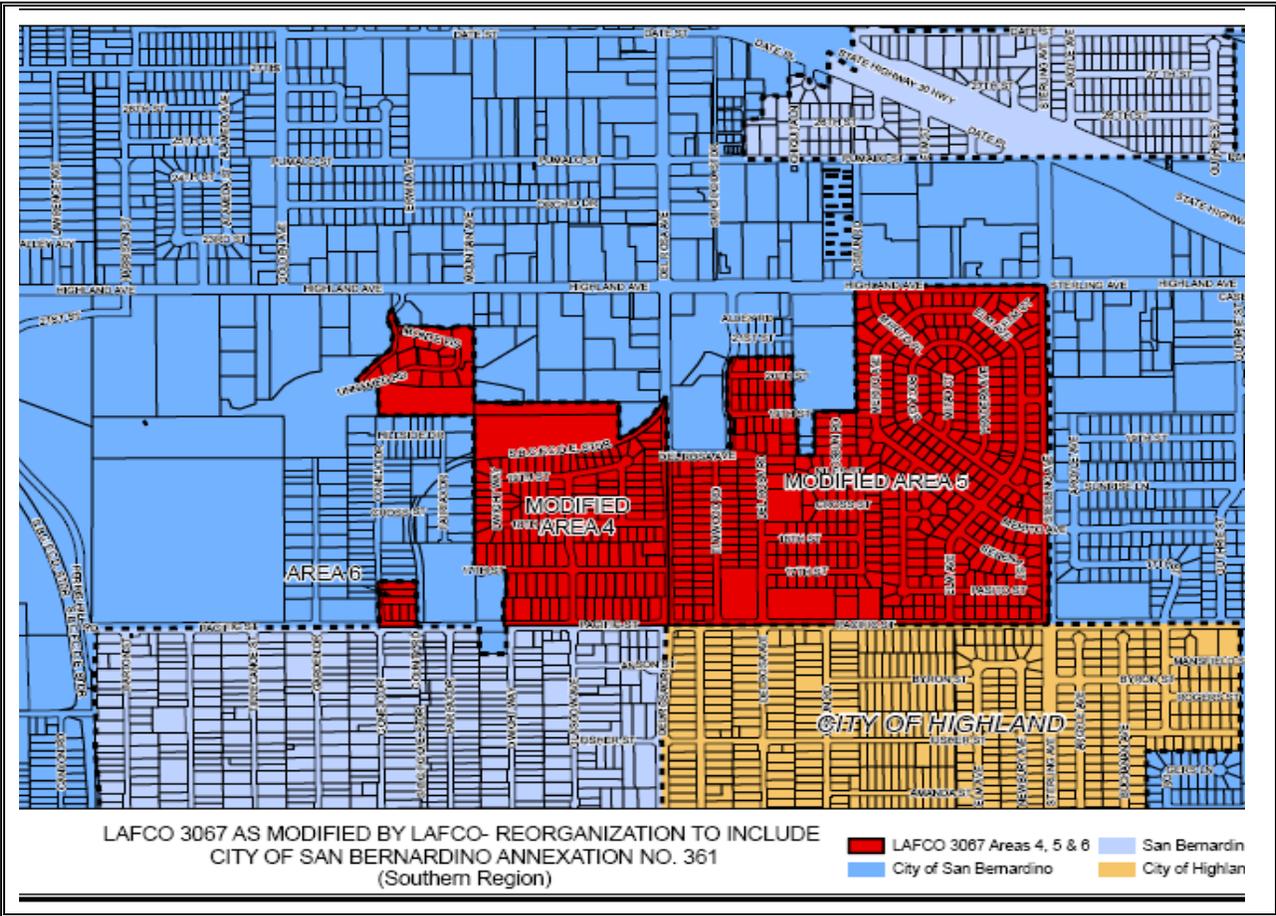
Subvention Revenues:

Cities receive different types of subvention revenues from the State based upon per capita amounts. The chart below identifies those revenues known to LAFCO staff to be applicable to this area, and includes the calculation of the AB 1602 subvention supplementing revenues lost during the Prop 1A recalculation of Motor-Vehicle-In-Lieu revenues (\$50 per capita). LAFCO staff shared these calculations with City staff during the month of January. In preparing the staff report, an oversight in the development of these revenues was determined by staff -- that the VLF revenues attributable to the area had been overlooked. Staff has adjusted the distributions outlined below to include the VLF calculation.

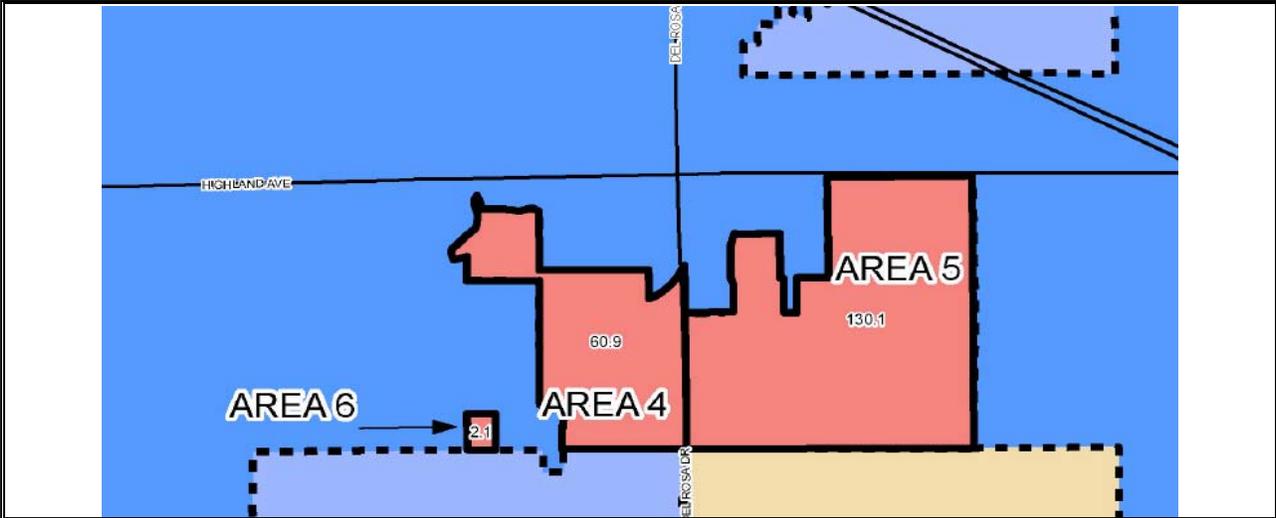
AB 1602 Payments (\$50 per capita)	VLF Revenues from Prop 1A	Code 2105 (\$6.12 per capita)	Code 2106 (\$3.72 per capita)	Code 2107 (\$7.91 per capita)	CSA 38L Assessment Transferred	TOTAL SUBVENTION REVENUE
Area 1 -- POPULATION 992 within entire island (2000 CENSUS)						
\$49,600	\$9,168	\$6,071	\$3,690	\$7,847	\$9,424	\$85,800

Island #4

Island #4 was originally expanded by staff to include approximately 21 acres and its southern boundary was placed at the San Bernardino Flood Control Channel to provide for an easily identifiable boundary. At the November hearing, the Commission directed staff to evaluate the expansion of the area to the centerline of Del Rosa Avenue and northerly of the centerline of Pacific Street. The map below shows the area evaluated:



This expanded area encompasses 60.9 acres, below the 150 acre threshold outlined in Government Code Section 56375.3, as identified on the map shown below. The area remains substantially surrounded by the Commission’s policy declarations.



The Commission requested that staff provide a fiscal analysis for this area. In complying with this information request, staff prepared an analysis of the standard revenues to be received from the modified area. Below is an outline of the ad valorem property tax transfer from the affected Tax Rate Area (TRA):

Agencies Within the TRA	Percentage Share of Property Tax	Original Area Property Tax	Expansion Area Property Tax	Total of Modified Area
County General Fund	14.4094300	\$3,049	\$23,750	\$26,799
Flood Control Zone 2	2.5579970	\$541	\$4,216	\$4,757
Flood Control Admin	0.1798730	\$38	\$296	\$335
County Free Library	1.3953220	\$295	\$2,300	\$2,595
CSA 38	11.7117500	\$2,478	\$19,304	\$21,782
CSA 70	2.5862250	\$547	\$4,263	\$4,810
CSA SL-1	1.4988910	\$317	\$2,471	\$2,788
East Valley Resource	0.1876390	\$40	\$309	\$349
San Bdn Valley Water Cons	0.1655190	\$35	\$273	\$308
San Bdn Valley Muni	2.6060570	\$551	\$4,295	\$4,847
Modified transfer to City would be		\$3,638	\$28,337	\$31,975

The amounts to be transferred to the City through the annexation process are bolded and include only the detaching County Service Areas as outlined in the adopted resolutions by the City and County. Pursuant to the existing County-City policy for island annexations, the transfers shall equal the full share of the City’s historic rate; and if the detaching agencies exceed that amount, the full revenues from the detaching agencies shall be transferred to the annexing City. The amount transferred to the City of San Bernardino from this island exceeds the City’s existing 16.9% share of the ad valorem property tax, representing 17.2%.

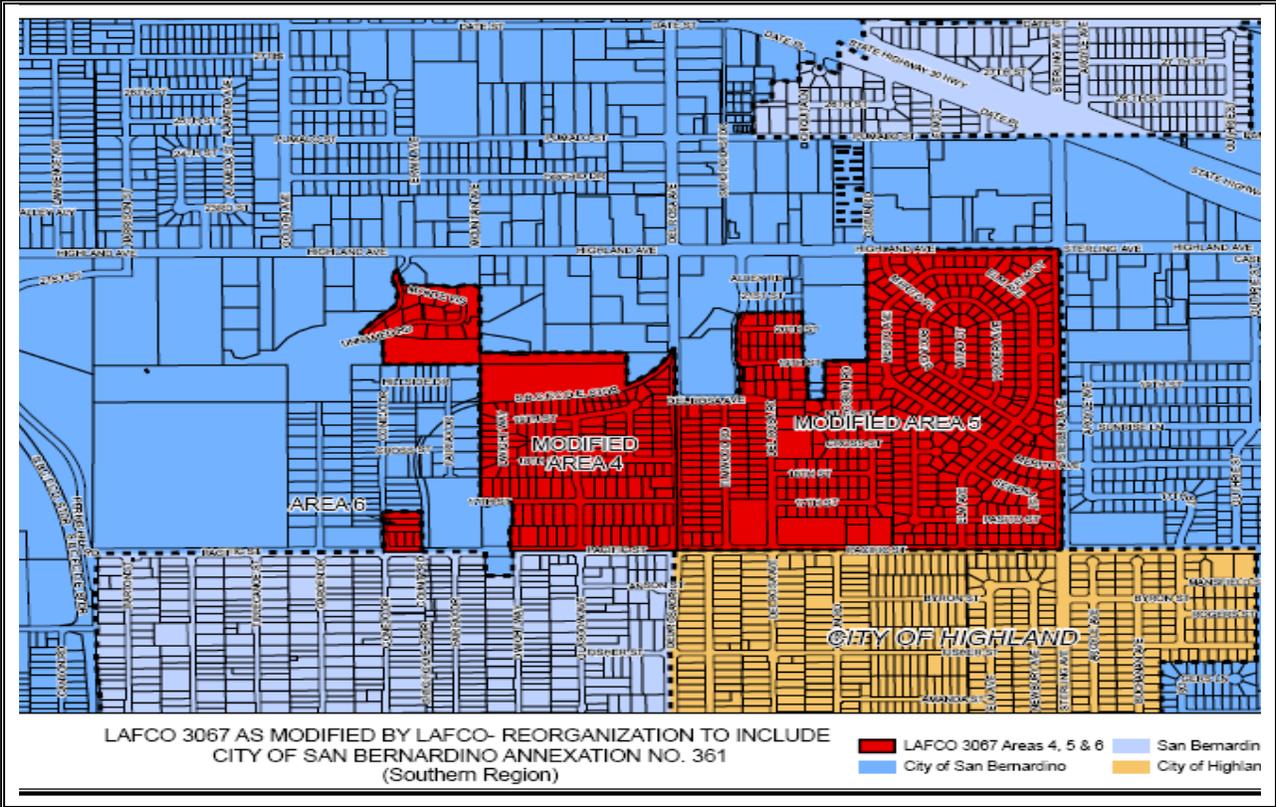
Subvention Revenues:

AB 1602 Payments (\$50 per capita)	VLF Revenues from Prop 1A	Code 2105 (\$6.12 per capita)	Code 2106 (\$3.72 per capita)	Code 2107 (\$7.91 per capita)	CSA 38L Assessment Transferred	TOTAL SUBVENTION REVENUE
Area 4 -- POPULATION 405 within entire island (2000 CENSUS)						
\$20,250	\$3,197	\$2,479	\$1,503	\$3,204	\$3,848	\$34,481

The description for the Subvention revenues is the same as provided for Island #1 outlined above.

Island #5

At the November hearing, the Commission directed staff to evaluate the expansion of the area to the centerline of Del Rosa Avenue, northerly of Pacific Street, easterly to the existing City of San Bernardino boundary. The map below shows the area evaluated:



The expanded area encompasses 130.1 acres, below the 150 acre threshold outlined in Government Code Section 56375.3, as shown on the map provided with Island #4 on page 5. The area remains substantially surrounded at approximately 85%.

The Commission requested that staff provide a fiscal impact analysis for this area. In complying with this information request, staff prepared an analysis of the standard revenues to be received from the modified area. Below is an outline of the ad valorem property tax transfer from the affected Tax Rate Area (TRA):

Agencies Within the TRA	Percentage Share of Property Tax	Original Area Property Tax	Expansion Area Property Tax	Total of Modified Area
County General Fund	14.4094300	\$5,513	\$77,637	\$83,150
Flood Control Zone 2	2.5579970	\$979	\$13,782	\$14,761
Flood Control Admin	0.1798730	\$69	\$969	\$1,038
County Free Library	1.3953220	\$534	\$7,518	\$8,052
CSA 38	11.7117500	\$4,481	\$63,102	\$67,583
CSA 70	2.5862250	\$989	\$13,934	\$14,924

CSA SL-1	1.4988910	\$573	\$8,076	\$8,649
East Valley Resource	0.1876390	\$72	\$1,011	\$1,083
San Bdn Valley Water Cons	0.1655190	\$63	\$892	\$955
San Bdn Valley Muni	2.6060570	\$997	\$14,041	\$15,038
Modified Transfer to City		\$6,577	\$92,631	\$99,208

The amounts to be transferred to the City through the annexation process are bolded and include only the detaching County Service Areas as outlined in the adopted resolutions by the City and County. Pursuant to the existing County-City policy for island annexations, the transfers shall equal the full share of the City’s historic rate; and if the detaching agencies exceed that amount, the full revenues from the detaching agencies shall be transferred to the annexing City. The amount transferred to the City of San Bernardino from this island exceeds the City’s existing 16.9% share of the ad valorem property tax, representing 17.2%.

Subvention Revenues:

AB 1602 Payments (\$50 per capita)	VLF Revenues from Prop 1A	Code 2105 (\$6.12 per capita)	Code 2106 (\$3.72 per capita)	Code 2107 (\$7.91 per capita)	CSA 38L Assessment Transferred	TOTAL SUBVENTION REVENUE
Area 5 -- POPULATION 1,731 within entire island (2000 CENSUS)						
\$86,550	\$9,921	\$10,594	\$6,439	\$13,692	\$16,445	\$143,641

The description of the subvention revenue distribution is consistent with that provided for Island #1 above.

ISLANDS #2, #3 AND #6

The revenues from Islands #2, #3, and #6 are unchanged. Property Tax and subvention revenues have been calculated as follows:

	PROPERTY TAX TRANSFER	AB 1602 (\$50 PER CAPITA)	VLF PROP 1A	CODE 2105	CODE 2106	CODE 2107	CSA 38 L SPECIAL TAX	TOTAL
ISLAND #2 – POPULATION 95 (2000 CENSUS)	\$10,478	\$4,750	\$1,048	\$581	\$353	\$751	\$903	
ISLAND #3 – POPULATION 79 (2000 CENSUS)	\$5,343	\$3,950	\$534	\$483	\$294	\$625	\$751	
ISLAND #6 – POPULATION 35 (2000 CENSUS)	\$1,969	\$1,750	\$196	\$214	\$130	\$277	\$333	
TOTAL	\$17,790	\$10,450	\$1,779	\$1,279	\$777	\$1653	\$1,986	\$65,732

In order to provide for an analysis of the costs for providing service to these areas, staff contacted the City of San Bernardino for an outline of the estimated per year service

costs. The chart which follows provides the outline of anticipated service costs. As shown, the City staff has provided a reduction in revenues due to the reduction in the contract payments for the provision of fire protection services to the unincorporated islands within the City’s sphere of influence. This contract is between the County of San Bernardino, County Service Area 38 (CSA 38) and the City. The terms of this agreement indicate that payments shall be made for 75% of the property tax revenues attributable to CSA 38 from within the areas; however, if annexed, the terms specify that the following year contract shall be reduced by the full value of CSA 38 attributable revenue. According to City staff, no mention is made in these documents to the revenues attributable to CSA 38 Improvement Zone L (paramedics) for transfer of the special tax being included in this calculation. LAFCO staff has adjusted the figures provided by the City to reflect the actual revenues from the islands under consideration.

While LAFCO is not a party to this contractual relationship, nor does it have jurisdiction since it is an ongoing out-of-agency contract, staff questions the reduction language. At some point, the language of this agreement would have the City providing fire protection and paramedic service for free. In the staff view, there should be no penalty for annexation of territory, especially an island annexation, so we have included a column which identifies the reduction as the actual contract payment.

	Year 1	Year 2	Year 2 Prepared by LAFCO staff – City Formula****	Year 2 Prepared by LAFCO staff – Reduction of Actual CSA 38 Contract*****
Revenue (from all sources)*	\$522,496	\$522,496	\$535,430	\$535,430
Reduction in county island contract (April of 2008)	\$ 0	\$(176,000)	\$(163,939)*	\$(122,954)
	\$522,496	\$322,431	\$371,491	*\$412,476
Costs				
Police (2 officers)	\$ 182,000	\$182,000	\$182,000	\$182,000
Code Compliance (one officer/1st yr. includes equipment costs)	\$ 65,000	\$ 60,000	\$60,000	\$60,000
Animal Control (1 officer, 1st yr. equipment)	\$82,000	\$48,000	\$48,000	\$48,000
***Public Services (infrastructure)	\$125,000	\$125,000	\$125,000	\$125,000

maintenance & improvements)				
Total Costs	\$454,000	\$415,000	\$415,000	\$415,000
Difference	\$ 44,431	\$(92,569)	\$(43,509)	\$(2,524)
*Revenue figures have been adjusted to include VLF Funding not included in original LAFCO staff projection provided to the City.				
**Pursuant to the City/County contract for county island fire protection, as these areas are annexed the contract will be reduced by the amount of CSA 38 revenues for these areas.				
*** Public Services has identified approximately \$400,000 in infrastructure needs that will have to be identified in the CIP. The amount listed reflects \$75,000 in annual maintenance and \$50,000 in infrastructure improvements.				
**** LAFCO staff has added a 2% inflation for property tax-related revenues and a reduction in county island contract based upon 100% of property tax value for CSA 38 within modified island reorganization.				
*****LAFCO staff has included a column which shows the effect of reducing the fire protection contract between the City and County Fire by the actual contract payment amount.				

The cost information provided by the City for this consideration is different than that provided for the October 2006 update meeting held on the Arrowhead Springs annexation/Six Islands, as well as the November hearing conducted for LAFCO 3067 (copies of these staff reports are included as attachments to this report.) If the Commission directs staff to move forward with the expanded island annexation proposals, it is recommended that further considerations divide the islands into individual areas, and that the City be requested to provide a Plan for Service for each area that provides an analysis of revenues and costs upon annexation.

CONCLUSION:

Staff has provided the information requested by the Commission at the November 15th hearing. If the Commission chooses to move forward with the expanded proposals, the recommendation is that:

1. Staff be directed to conduct community meetings for the expanded island areas, in keeping with existing Commission policy;
2. LAFCO 3067 be separated into individual island areas for further consideration and that the City of San Bernardino be requested to provide a Plan for Service for each individual area. The Plan for Service to be provided shall identify revenues to be received and expenses for service provision for a minimum three-year projection;
3. The Commission’s Environmental Consultant, Tom Dodson of Tom Dodson and Associates, be directed to conduct further environmental analysis for the expanded considerations; and,

4. Staff place the matters on the April 18, 2007 hearing for further consideration.

If the Commission determines not to proceed with the modification of Islands #1, #4 and #5 as outlined in this report, staff's position remains that LAFCO 3067 is a ministerial action, one which the Commission is required to approve as outlined in the November 15, 2006 hearing staff report.

KRM

Attachments:

- 1 -- Maps – Vicinity and Location:
 - a. Proposed Expansion Areas and
 - b. Original Proposals
- 2 -- Excerpt of the Minutes from the November 15, 2006 Hearing Related to LAFCO 3067
- 3 -- E-mail Correspondence Related to Cost Estimates by the City
- 4 -- November 3, 2006 Staff Report
- 5 -- October 10, 2006 Staff Report for LAFCO 3053/3050