

INTEROFFICE MEMO



DATE: December 7, 2005

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TO: KATHLEEN ROLLINGS-MCDONALD
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LAFCO
San Bernardino County

SUBJECT: DEPARTMENTAL REVIEW COMMITTEE (DRC) FINDINGS
LAFCO 3014 – SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE,
COUNTY SERVICE AREA (CSA) 17

The following is in response to LAFCO 3014; findings resulting from the DRC Review held October 13, 2005:

1. District's existing sphere of influence—The existing sphere is the same as the district boundaries. Staff agrees that it would be beneficial to look at expanding the sphere to include the unincorporated areas within the sphere of the Town of Apple Valley. This would allow for future annexations to CSA 17 as needed.
2. Clarification of the number of streetlights in CSA 17—There are 48 streetlights in the district. The FY 2005/2006 budget book is in error and will be corrected in FY 2006/08.
3. Schedule of Appropriation Limits—At the current time, the Auditor/Controller-Recorder has not established an appropriations limit for CSA 17. It is staff's understanding that a meeting with the Auditor/Controller, LAFCO and SDD staff will be arranged by LAFCO to discuss this matter.
4. SDD Administrative charge (Indirect Cost Distribution)—Prior to 1997/98 the Special Districts policy for allocating charges for the Department's costs related to the administration of the Board-governed Special Districts was based on a percentage charge to each district against the total expenditures budgeted and/or spent in any given year, dependent on the appropriation category. For instance, the percentage charge to each district was 3% against all Salaries & Benefits and Services & Supplies against the budgeted/appropriated amount. The charge against Fixed Asset purchases was based on the 3% charge against actual fixed assets expenditures. Historically, the Department had no set aside or "reserves" budgeted in the streetlight districts because the district does not own or maintain the streetlights. Therefore, in the streetlight districts, all available revenues in any given year were appropriated in Services & Supplies and the percentage allocated was applied against that amount. The method applied by the policy was applied to all districts in the same fashion.

In 1994 the Board took an action that split what was formerly the Special Districts Department into two separate departments, SDD and the County Fire Department, formally under a single structure. The SDD was directed to continue to provide support functions to the County Fire Department. Due to this change, in 1996/97 the Department commissioned a study to

determine the percentages of time staff was spending on SDD and Fire business to develop a method to more fairly allocated costs. The application of a flat percentage against total budget and/or actual expenditures was resulting in some districts paying less than their fair share and others being overburdened based on budget size and staffing/support needs.

In 1997/98 SDD implemented a new method of charging for administrative costs according to an indirect cost distribution. The charge is now based on the ratio of the districts operating expenditures only to the total of all districts. The costs are budgeted in cost centers that allocate staffing costs to only the districts served by that staffing compliment, e.g., regional managers who provide direct support to parks, roads and streetlight districts—those districts pay proportionately for those personnel.

Prior to implementing this change, the indirect cost methodology was reviewed by the County's Administrative Office and the affected Supervisory Districts. In 1992 this methodology was audited by an external auditor (KPMG) commissioned by the County's Auditor/Controller—Recorder to perform a management and performance audit on SDD. The indirect cost methodology was found to be sound and in compliance with indirect cost distributions used by governmental entities.

Cc: Tom Sutton, Director, SDD
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