

PROPOSAL NO.: LAFCO 3122

HEARING DATE: December 8, 2010

RESOLUTION NO. 3120

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3120 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 69 (designation of a zero sphere of influence).

On motion of Commissioner _____, duly seconded by Commissioner _____, and carried, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, a service review mandated by Government Code 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (hereinafter referred to as “the Commission”) in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and,

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, a public hearing by this Commission was called for December 8, 2010 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing; and,

WHEREAS, at this hearing, this Commission certified that the sphere of influence update is statutorily exempt from environmental review pursuant to the provisions of the California Environmental Quality Act (CEQA) and such exemption was adopted by this Commission on December 8, 2010. The

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Commission directed its Executive Officer to file a Notice of Exemption within five working days of its adoption; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for County Service Area 69 (hereafter shown as the "CSA 69") shall be designated as a zero sphere of influence, as shown on the map attached as Exhibit "A" to this resolution: and,

WHEREAS, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated November 30, 2010 and received and filed by the Commission on December 8, 2010, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

1. Growth and population projections for the affected area:

Development in the San Bernardino Mountains is naturally constrained by public land ownership, rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay. All of the lands are privately owned. The majority of the lands have County General Plan residential land use designation, although about one-third of the parcels were considered to be vacant in 2008. CSA 68 has one commercial parcel and one industrial parcel.

Projections identify a 6.5% increase at five year increments, or approximately 1.5% per year. Given that one-third of the residential parcels were vacant in 2008, the areas are not anticipated to reach their build-out population by the 2030 horizon of this report.

2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies:

CSA 69 provides road maintenance and snow removal to 5.0 miles within its boundaries. According to County Special Districts staff, roads are resurfaced as needed and as funding is available per the "road improvement plan" approximately every three years. No information was provided outlining the development of the road improvement plan, its funding needs or the status of review with the governing body. Asphalt repairs are completed annually each summer as needed. According to Special Districts Management, the road conditions within the District were very good until after the 2007 fire. The fire did not damage the roads; however, equipment used for clearing of fire debris caused significant damage. The FY 2010-11 Budget includes \$500,000 in federal funds for disaster debris management, to be used for paving to repair the damage from the fire debris removal.

3. Financial ability of agencies to provide services:

The two main sources of revenue for CSA 69 are its share of the general ad-valorem property tax levy and \$100 annual per parcel service charge. CSA 69 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department. To pay for these functions, the FY 2010-11 Budget indicates a transfer to CSA 70 Countywide of \$25,081 for salaries and benefits and services and supplies support. Funds within the "Fund Balance" category are maintained for emergencies such as road failures, culvert failures, and excessive snow storms. Operating Transfers In shown on the chart below includes \$500,000 into the CSA 69 operational

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fund from the 2007 disaster debris management program funds with a corresponding transfer to the Capital Improvement Program fund of \$557,988 to be used for a paving project. This transfer includes local funds of \$57,988. As shown on the chart, for the past few years has CSA 69 enjoyed excess revenue, which increases fund balance. For FY 2010-11, removing Contingencies from the calculation, which has historically never been utilized, CSA 69 is budgeted to have \$7,643 at the end of the fiscal year, which is not the minimum of 10% reserve needed for sustainability.

CSA 69 Financial Activity

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
	Actual	Actual	Actual	Estimate	Budget
REVENUES					
Property taxes	\$70,727	\$39,075	\$18,574	\$22,406	\$22,406
Interest	3,186	5,985	3,594	2,046	2,200
Current Services	(288)	26,254	40,363	38,948	38,948
Other	183	8,805	2,259	-	-
Operating Transfers In	21,576	-	-	-	500,000
Total Revenues	95,384	80,119	64,790	63,400	563,554
EXPENDITURES					
Services & Supplies	15,742	77,439	51,760	65,910	75,504
Transfers Out	10,693	11,318	18,475	20,655	25,081
Contingencies	-	-	-	-	7,643
Operating Transfers Out	-	-	-	-	557,988
Total Expenditures	26,435	88,757	70,235	86,565	666,216
Net Change in Fund Balance	68,949	(8,638)	(5,445)	(23,165)	(102,662)
Fund Balance Ending	\$139,910	\$131,272	\$125,827	\$102,662	\$0

source: FY 2010-11 Proposed Budget

Appropriation Limits

An appropriation limit is required by Article XIII B of the State Constitution and limits the expenditure of the proceeds of taxes. Action taken on June 28, 2010 by the Board of Supervisors of the County of San Bernardino established the FY 2010-11 Preliminary appropriation limits CSA 69 at \$2,244,840. A review of the financial records indicates that the agencies have not exceeded their limit.

4. Status of, and opportunities for, shared facilities:

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70. When needed, equipment owned in the name of CSA 70, CSA 70 Zone D-1 and CSA 18 is used for road maintenance or snow removal in other service areas.

5. Accountability for community service needs, including governmental structure and operational efficiencies:

Local Government Structure and Community Service Needs

County Service Areas are governed by the County Board of Supervisors and administered by the County Special Districts Department. CSA 69 is within the Third District. Budgets are prepared as a part of the County Special Districts Department's annual budgeting process and presented to the

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County Administrative Office and Board of Supervisors for review and approval. It is not clear whether a presentation of the Road Improvement Plans CSA 69 is made to the districts governing body or to its constituents.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage board-governed special district services under County Service Area 70. Therefore, these agencies have no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional share of the cost for the administrative functions of the County Special Districts Department. One regional manager oversees all the road districts and the services of road maintenance and snow removal.

Government Code Section 26909 allows a special district to conduct a biennial audit, conduct an audit covering a five-year period, or replace the annual audit with a financial review if certain conditions are met. CSA 69 meets the conditions for one if not all of the above. Therefore, CSA 69 has the potential to realize cost savings should they choose to undertake the necessary steps outlined in state law. This possibility would need to be discussed and decided between the County, Special Districts Department, Auditor, and the landowners and voters within the agency to maintain transparency.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts is not applicable in this review;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc. are outlined below.

Government Structure Options:

Special Districts Department staff in preparing the service review indicated that there were no consolidations or other structure options available for the operation of CSA 69. However, as outlined in the beginning of this report, LAFCO staff believes that there are options to streamline and provide for greater transparency of operations. These are identified as:

- Expansion of boundaries to serve adjacent territory. Should an area adjacent to CSA 69 require road service, one option would be to expand the boundaries. Theoretically, CSA 69 could receive a share of the general levy from a potential annexed area; however, existing County policy related to annexations does not provide for a transfer of a share of the general levy to annexing county service areas. Outside of a general levy transfer, any additional special tax or charge would be subject to a Prop 218 election.
- Consolidation with the other road districts within the unincorporated area of the Mountain region. Special Districts Department has indicated in the past a desire to consolidate the road districts in the South Desert region of the County. According to Special Districts Department management, they discussed this possibility with management at the County

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Administrative Office and County Auditor. The indication received was a regional road entity in the South Desert was not feasible and that maintenance of separate zones was appropriate.

County Special Districts Department was requested to provide its response to the option of creating a single road district for the Mountaintop. The response states that Special Districts Department staff has looked at this issue in the past. The response reasons that each county service area or zone provides a different level of service based on the desire of the property owners and have different per parcel charges or taxes; therefore should not be consolidated. Their position was that in order to comply with this request, Special Districts would need to conduct elections within all the county service areas and zones so there was a consistent per parcel tax or charge throughout. The elections and cost to form the new county service area would be cost prohibitive to the county service areas and zones as well.

However, it is the Commission's position that the different services and revenue mechanisms would remain within the respective zone boundaries. The change in structure would be service provision through CSA 68 and zones of CSA 68 rather than zones of CSA 70. In essence, road services would be removed from CSA 70 in the mountain region.

The Commission determines that this is a viable option for the Mountain region. In the Mountains, the levels of service are generally the same – road maintenance and snow removal. Therefore, economies of scale can be achieved by having a regional agency coordinate road maintenance and snow removal. For example, if the various zones maintain the same department code with the County Auditor, a single audit could be performed instead of 23 separate audits, which could result in a savings of over \$13,000 annually, based upon information provided by Special Districts Department.

- Assumption of road responsibility by Lake Arrowhead Community Services District. Lake Arrowhead CSD overlays CSA 69 and is a multi-function, independent, district with the statutory authority to provide road services (although activation of that function and service is subject to LAFCO authorization). In this scenario, Lake Arrowhead CSD would assume responsibility for providing the service within its boundaries along with a transfer of the property tax share and service charges of CSA 69.

LACSD was requested to provide its response to this option. This option was discussed by the LACSD board at its September 14 meeting and their written response to LAFCO states that the directors considered the request and determined that because the street lighting and road maintenance district were so small, it would not be economical for LACSD to attempt to operate the districts.

However, LAFCO staff returns to the Legislature's intent in LAFCO Law and Community Services District Law in that a single multi-function agency may be the best mechanism to coordinate and provide service within a community. It is evident that the current situation results in multiple governing bodies, administration, overhead, and financial reporting. As a means of addressing the community of Lake Arrowhead, it is the staff's position that an elected body representing the community at large would be best able to assess service needs and as well as provide for economies of contracting for service.

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- Maintenance of the status quo. At the present time, no other public agencies have expressed desire to provide this service.

As in past discussions of the single purpose streetlighting agencies administered by the County, LAFCO staff supports the consolidation of these entities into a single road CSA to provide for a more efficient and effective operation. However, as noted above, the Special District Department staff, while supporting the concept, has not identified support for moving forward with this type of reorganization.

WHEREAS, the following determinations are made in conformance with Government Code Section 56425 and local Commission policy:

1. Present and Planned Uses:

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, public land ownership, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay. All of the lands are privately owned, and the majority has County General Plan residential land use designations with about one-third of residential parcels having a vacant use in 2008.

2. Present and Probable Need for Public Facilities and Services:

CSA 69 currently provides road maintenance and snow removal within its boundaries. Currently, CSA 69 meets the service needs for road maintenance and snow removal of those within its boundaries. The future need for roads will increase with population growth, as additional development may require such service.

3. Present Capacity of Public Facilities and Adequacy of Public Services

CSA 69 provides road maintenance and snow removal within its boundaries and adequately serve the area. Revenues are generally adequate to support the current activities.

4. Social and Economic Communities of Interest:

The social community of interest is either the Crest Forest community or the Lake Arrowhead community, and regionally it is represented by the Rim of the World Unified School District. However, the economic community of interest for the services of road maintenance and snow removal would be the entirety of the Mountain region (Communities of Crest Forest, Lake Arrowhead, Hilltop (Running Springs/Arrowbear Park/Green Valley Lake), and Bear Valley, as defined by the Commission.

5. Additional Determinations

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, *The Sun*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.

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as the same appears in the Official Minutes of said Commission at its meeting of December 8, 2010

DATED:

KATHLEEN ROLLINGS-McDONALD
Executive Officer

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