

**Phelan Piñon Hills Community Service  
District Application**

**Attachment 2**

**RESOLUTION NO. 2011-02**

**A RESOLUTION OF APPLICATION  
BY THE BOARD OF DIRECTORS OF THE  
PHELAN PINON HILLS COMMUNITY SERVICES DISTRICT  
REQUESTING THE LOCAL AGENCY FORMATION COMMISSION  
TO TAKE PROCEEDINGS FOR EXPANSION OF THE FUNCTIONS  
AND SERVICES AUTHORIZED THE DISTRICT TO INCLUDE  
COLLECTION, TRANSFER, AND DISPOSAL OF SOLID WASTE  
AND PROVISION OF SOLID WASTE HANDLING SERVICES  
AS MORE SPECIFICALLY DESCRIBED BELOW**

**BE IT RESOLVED**, by the Board of Directors of the Phelan Pinon Hills Community Services District that:

**WHEREAS**, the Board of Directors of the Phelan Pinon Hills Community Services District desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code for:

1. Expansion of authorized function and service to include collection, transfer, and disposal of solid waste as defined in Government Code Section 61100(c); and,
2. Expansion of authorized function and service to include providing solid waste handling services, including but not limited to source reduction, recycling, and composting activities, as defined in Government Code Section 61100(c).

**WHEREAS**, the territory proposed for this change of organization is legally inhabited and a map showing the area of service provision is set forth in the Application attached hereto as Exhibit "A" and incorporated herein by this reference.

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**WHEREAS**, the proposed expansion of functions and services does not conflict with any sphere of influence.

**WHEREAS**, it is desired that the proposed expansion of functions and services be subject to the following terms and conditions:

1. All standard conditions required by the Local Agency Formation Commission; and
2. All applicable legal requirements concerning the District's generation of revenues to fund the costs of providing the additional services sought herein.

**WHEREAS**, the reason for the request for expansion of function and service is to respond to constituent demands that the District furnish solid waste collection, transfer, disposal, and handling service within its jurisdictional boundaries, as more particularly described in the Application attached hereto as Exhibit "A" and incorporated herein by this reference.

**NOW, THEREFORE, BE IT RESOLVED**, that this Resolution of Application is hereby approved and adopted by the Board of Directors of the Phelan Pinon Hills Community Services District, and the Local Agency Formation Commission for San Bernardino County is hereby requested to take proceedings for the expansions of functions and services as described in the Application attached hereto and Exhibit "A" and incorporated herein by this reference, in the manner provided by the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

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**BE IT FURTHER RESOLVED**, that the Secretary of the Phelan Pinon Hills Community Services District is hereby authorized and directed to transmit to the Executive Officer of the Local Agency Formation Commission a certified copy of this Resolution.

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**PASSED AND ADOPTED** by the Board of Directors of the Phelan Pinon Hills Community Services District at a special meeting held on the 28<sup>th</sup> day of February, 2011, by the following vote:

AYES: Fahrlender, Roberts + Morrissette.  
NOES:  
ABSTAIN:  
ABSENT: Johnson + Anderson

  
\_\_\_\_\_  
President, Board of Directors

ATTEST:

Debbie Bishop  
Secretary, Board of Directors

**SUPPLEMENT  
ACTIVATION OF NEW OR DIFFERENT SERVICES  
SPECIAL DISTRICT**

**INTRODUCTION:** The questions on this form are designed to obtain data about the specific service(s) requested to be authorized for the district. The purpose is to allow the Commission, staff and others to adequately assess the project. You may also include any additional information which you believe is pertinent, using additional sheets, where necessary, and including any relevant documents to support the project.

**APPLICATION FOR Phelan Piñon Hills Community Services District (PPHCSD):**

1. Please identify the function(s)/service(s) proposed for activation:

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

2. Provide a statement of the reason(s) for the proposal which shall include, but not be limited to, a description of any existing service deficiency, general plan determinations (existing or anticipated change necessitating service), anticipated growth rate (please identify source of data), topography, etc.

Phelan Piñon Hills Community Services District, as shown in Figure 1, is proposing to activate its powers as provided by California Government Code Section 61100(c), to:

Collect, transfer, and dispose of solid waste, and provide solid waste handling services, 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.

San Bernardino County now provides solid waste handling services within PPHCSD boundaries, through a portion of County Franchise Area 20. Those services include refuse and recycling collection, transfer, processing and disposal. CR&R is the current franchisee for residential and commercial services, including roll-off service. The County owns, and contracts the operation of, the Sheep Creek Transfer Station (SCTS) located in Phelan Piñon Hills. The County also owns and maintains a closed landfill, on the same parcel as the SCTS.

The County collects franchise fees from CR&R, based on 8% of gross revenue, for services provided under the franchise. Estimated franchise fee revenue from within PPHCSD (FY 09) is \$82,755.12, as shown in Table 1. This does not include the franchise fees related to the commercial hauling which would add additional revenues although relatively small compared with the residential franchise revenues. Additionally, with estimated billing fees of \$36,456.00, the estimated total received by CR&R is \$119,211.12, as shown in Table 1. Billing fees are dependent on PPHCSD negotiation with CR&R, and are not existing revenues received by the County.

The County levies Equivalent Single Family Residence (ESFR) fees, applied to property tax bills for developed residential units of 4 or less units per parcel. This fee is used for solid waste purposes, including disposal charges of PPHCSD residential refuse delivered to the Sheep Creek Transfer Station by CR&R. The County issues land use passes to owners of property covered by the ESFR fees. These passes allow weekly deliveries to SCTS or to a County landfill, where user charges otherwise would be incurred.

CR&R bills their commercial customers for collection and disposal, and residential customers for collection. At the Sheep Creek Transfer Station, CR&R incurs handling, transfer and disposal charges for delivered materials. Those charges are offset for residential customers against ESFR revenues.

During FY 2010, out of a total of 15,564 parcels within the PPHCSD, the County levied ESFR fees against 7,436 developed parcels with PPHCSD, as shown in Table 2. The single-family of \$85.14 is prorated for 2, 3 or 4 units and for recreational cabins (50% of the single-family rate). Total fees of \$658,898.46 were levied with PPHCSD according to the County of San Bernardino, Department of Public Works, Solid Waste Management Division (SWMD), as shown in Table 3.

County Land Use Pass records show 48,281 trips to Sheep Creek Transfer Station from parcels within the Phelan Piñon Hills CSD, during a 12-month period. Those customers delivered 10,730 tons, which would be charged at the gate rate of \$55.89. These costs incurred are estimated at \$599,699.70, as shown in Table 4. Also, shown in Table 4 are the relatively small costs incurred from some disposal at the Victorville Landfill from the PPHCSD and estimated at \$2,783.32.

CR&R reports delivering 8,748 tons to SCTS from its PPHCSD residential customer base. The tipping fee for this material is \$43.89, incurring a total cost of \$383,949.72, as shown in Table 4.

As shown Table 4, the combined charges of \$986,432.74, exceed ESFR fee revenues by \$327,534.28, and even exceed the combined revenues by \$208,323.16, when franchise fee revenues and estimated billing revenues are included. However, Franchise Fees and Billing Fees are typically not used to offset tipping fees that are direct service charges.

Table 5 shows the cost to operate Sheep Creek Transfer Station, including direct operating costs and disposal charges, is approximately \$2.1 million. Direct operating costs are estimated at nearly \$900,000, as summarized in Table 6. Associated revenue, from gate charges and District ESFR application, is \$835,000, as shown in Table 5. This assumes that non-PPHCSD ESFR revenues are excluded as suggested by County staff. Consequently there is a substantial estimated shortfall of revenues to support SCTS operation as a stand-alone facility. As shown in Table 5, the estimated shortfall is about \$1.3 million annually. The Transfer Station is now part of the countywide system, which spreads costs over a much larger base of landfills and transfer stations.

The closed landfill requires annual maintenance costs of approximately \$65,000, which are paid from countywide system revenues. Unknown environmental risk is associated with landfill ownership, for both active and closed sites.

As part of its Solid Waste and Recycling Powers, the District is prepared to assume responsibility for CR&R's franchise within PPHCSD boundaries. Public Resources Code Section 49520 provides that:

"If a local agency has authorized, by franchise, contract, license, or permit, a solid waste enterprise to provide solid waste handling services and those services have been lawfully provided for more than three previous years, the solid waste enterprise may continue to provide those services up to five years after mailed notification to the solid waste enterprise by the local agency having jurisdiction that exclusive solid waste handling services are to be provided or authorized, unless the solid waste enterprise has an exclusive franchise or contract.

"If the solid waste enterprise has an exclusive franchise or contract, the solid waste enterprise shall continue to provide those services and shall be limited to the unexpired term of the contract or franchise or five years, whichever is less."

CR&R therefore would continue providing solid waste handling services within PPHCSD for at least five years. The District would begin receiving franchise fee revenues now paid to the County. Since PPHCSD now provides water billing within most of its territory, the District could assume responsibility for billing CR&R's residential customers. Savings from residential billings, combined with franchise fee revenues, would allow the District to improve the current franchise system.

County data for self-haul deliveries to SCTS show that PPHCSD residents are delivering an estimated 2.5 tons per parcel annually. CR&R's residential customers are delivering an estimated 3 tons per customer

annually. The ESFR basis (\$85.14 per single family residence) only covers the cost of 1.52 tons of material delivered to the transfer station. Since the County system covers a much broader territory, high costs in areas like PPHCSD are offset by lower costs in other communities that do not have readily available access to a landfill or transfer station or otherwise generate less waste.

PPHCSD would be able to work with CR&R, the County, local residents and businesses, and others to begin reducing the amount of material delivered to SCTS.

The District would implement Public Resource Code Section 40059, by determining "Aspects of solid waste handling which are of local concern, including, but not limited to, frequency of collection, means of collection and transportation, level of services, charges and fees, and nature, location, and extent of providing solid waste handling services."

The District also would assure that its programs and activities comply with PRC Section 41821.2:

(a) For the purposes of this section, "district" means a community services district, public utility district, or sanitary district that provides solid waste handling services or implements source reduction and recycling programs.

(b) Notwithstanding any other law, each district shall do all of the following:

(1) Comply with the source reduction and recycling element and the household hazardous waste element of the city, county, or regional agency in which the district is located, as required by the city, county, or regional agency. The city, county, or regional agency shall notify a district of any program that it is implementing or modifying when it annually submits a report to the board pursuant to Section 41821.

(2) Provide each city, county, or regional agency in which it is located, information on the programs implemented by the district, the amount of waste disposed and reported to the disposal tracking system pursuant to Section 41821.5 for each city, county, or regional agency, and the amount of waste diverted by the district for each city, county, or regional agency.

The District also may implement PRC Section 40061 (a):

Notwithstanding Section 40059, every local agency which does not directly charge residential households a fee for the collection, transportation, and disposal of solid waste and every local agency which directly charges residential customers a fee *which represents less than 90 percent of the average cost of collecting, transporting, and disposing of residential solid waste* shall, at least once every three months, arrange to inform all residential households of all of the following:

(1) The average monthly volume of solid waste produced by each residential household.

(2) The total estimated monthly cost to the local agency to collect, transport, and dispose of all solid waste produced by residential households.

(3) The average monthly cost to the local agency to collect, transport, and dispose of solid waste produced by each residential household.

(b) For the purposes of this section, "residential household" means those single and multifamily residential units which are not charged a periodic fee for the collection, transportation, and disposal of solid waste or which are assessed a periodic fee which represents less than 90 percent of the local agency's total cost of providing these services.

(c) The notification provided under subdivision (a) may not more than twice in any calendar year, be made by publication in a newspaper of general circulation in the county in which the local agency is located.

(d) Unless notification is made by publication, when possible, the notification provided under subdivision (a) shall be distributed by each local agency to residential households in a manner that results in no distribution costs to the local agency in excess of distribution costs otherwise incurred for other purposes.

The District is not proposing to assume ESFR fee responsibility at this time. As discussed earlier, and shown in Table 4, there is a substantial shortfall estimated at about \$208,323, even when including franchise fees and billing revenues. Franchise fee and billing revenues are general District revenues, and are typically not used to offset tipping fees that are direct service charges. The annual service fee shortfall is then about \$327,530, for about 19,530 tons – requiring an increase of approximately \$16.77 per ton just to cover the existing shortfall.

In the future, the PPHCSD may wish to reconsider this option and chose to assume ESFR fee responsibility. The option could become viable if the tipping fees were lower, or if District residents generated less material delivered to the transfer station.

The District also is not prepared to assume ownership of the Sheep Creek Transfer Station because of the large estimated shortfall, as shown in Table 5. Taking responsibility for associated SCTS and landfill charges would require an immediate and substantial rate increase to PPHCSD residents. Improvements to the franchise system and other District initiatives may reduce the disproportionately large amounts of material now delivered to SCTS by PPHCSD residents.

The current SCTS rate structure is sustainable only as part of the larger County landfill and transfer station system. Further rate increases would be required for the District just to maintain current service. Such rate increases likely would drive traffic to another location, such as the Victorville Landfill, American Organics Composting Facility, or the Hesperia or Victor Valley Materials Recovery Facilities.

Inclusion of the closed landfill further deters the District from assuming SCTS ownership. The landfill is on the same parcel as the Transfer Station, and so cannot be handled as a separate asset. Landfill impacts may affect the Transfer Station property, due to methane and leachate migration. The closed landfill does not generate revenue, and maintenance and monitoring obligations are only maintained through the countywide system. Furthermore, the District has no incentive to assume landfill ownership and attendant unknown environmental and financial risk.

3. What service(s) was the District authorized to provide at the time of its formation? (Would be identified in final resolution approving formation or included in election decision - a copy of this document may be attached to fulfill this requirement.)

When the PPHCSD was established on February 5, 2008, voters approved the formation of the district as a consolidation of 3 Special Districts: Zone-L70 Water, CSA-9 Phelan Parks and Street Lighting and CSA 56-F1 Pifion Hillis Parks (see enclosed resolution).

4. Provide an identification of any multiple purpose districts within the area authorized to provide the identified function/service activation. Include a description as to why the preferred choice has been made.

No other multiple purpose districts have been identified in the PPHCSD that provide Solid Waste and Recycling Management services. The PPHCSD feel that localized control would result in a more effective waste recycling and collection system. The District would better provide local information and achieve better district-wide participation from households and businesses, thus improving the local environment with less illegal dumping and better collection and recycling practices. For these reasons, Alternative 1, as shown in Table 1 is proposed, whereby the PPHCSD administers collection and billing and uses these revenues to finance their local administrative, operations and maintenance costs. Alternatives 2 and 3 were rejected at this time due to the estimated financial deficits, as discussed earlier. Alternative 2, as shown in Table 4, is where the PPHCSD administers collection and the ESFR fees. Alternative 3, as shown in Table 5, is where the PPHCSD administers the collection, ESFR fees and would own and operate the Sheep Creek Transfer Station.

5. PLAN FOR SERVICES:

The requirements for the Plan for Service are outlined in Government Code Section 56824.12 and are summarized below:

1. The total estimated cost to provide the new or different function or class of service within the District's boundaries.

As shown in Table 1, under the proposed Alternative 1 where the PPHCSD administers collection and receives both the existing Franchise Fees and projected Billing Fees, the estimated total revenues are \$119,211.12. Assuming that the billing fees cover the District's billing and other administrative costs, this leaves estimated annual revenues of at least \$82,755.12. The District has not yet defined a program for disseminating information about

better waste management and recycling practices, working to achieve wider local participation, and providing locally-responsive programs, so costs have not been estimated, but it is assumed that these operations will be funded, not-to-exceed the estimated franchise revenues. Also, a small amount of additional franchise revenues, that were not estimated, would be received from the commercial disposal operations by CR&R. As wider participation occurs, it is also assumed that franchise fees will increase.

2. The estimated cost of the new or different function or service to existing customers within the district's jurisdictional boundaries. (The cost can be identified by customer class).

While conditions in the future might necessitate a change, the existing cost structure to customers is not expected to change at this time.

3. An identification of existing providers, if any, of the function(s)/service(s) and the potential fiscal impact of this activation to the customers of those providers.

San Bernardino County Solid Waste Management Division would experience the loss of the franchise fee revenues and would not administer the local waste and recycling collection program. However, their basic operations at the SCTS would not be anticipated to change and it is assumed that Burrtec, their contract operator of the facility, would continue under their current arrangement with the County of San Bernardino.

Likewise, it is anticipated that CR&R would continue to provide the local collection and delivery to SCTS for its existing residential and commercial customers. CR&R would continue paying the same franchise fee, however, in the proposed case, it would be paid to the PPHCSD. If the District takes over billing services from CR&R, it is assumed that the billing related revenues that are potentially lost by CR&R would be offset on a one-to-one basis by a reduction in their respective costs and possibly improved collections and payments.

4. A plan for financing the establishment of the new or different function/service within the district's jurisdictional boundaries. A discussion about the sufficiency of revenues to fund the anticipated ongoing maintenance and operation of the service is also required. This plan should include:

- a. An indication of whether territory is or will be proposed for inclusion within a proposed improvement zone/district, assessment district, or community facilities district to fund the service.

The existing boundaries of the PPHCSD are anticipated to remain unchanged and no new territory, improvement zones/districts, assessment districts or community facilities districts are to be added.

- b. If retail water service is proposed to be activated through this action, provide a description of the timely availability of water for projected needs within the area. (The response should be patterned after the factors identified in Government Code Section 65352.5 related to an Urban Water Management Plan.)

There will be no change in retail water service provided under this proposal.

- c. A discussion about the sufficiency of revenues to fund the anticipated ongoing maintenance and operation of the service is also required.

As shown in Table 1, under the proposed Alternative 1 where the PPHCSD administers collection and receives both the existing Franchise Fees and projected Billing Fees, the estimated total revenues are \$119,211.12. Assuming that the billing fees cover the District's billing and other administrative costs, this leaves estimated annual revenues of at least \$82,755.12. The District has not yet defined a program for disseminating information about better waste management and recycling practices, working to achieve wider local participation, and providing locally-responsive programs, so costs have not been estimated, but it is assumed that these operations will be funded, not-to-exceed

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the estimated franchise revenues. Also, a small amount of additional franchise revenues, that were not estimated, would be received from the commercial disposal operations by CR&R. As wider participation occurs, it is also assumed that franchise fees will increase.

5. A discussion of the alternatives to the establishment of the new or different service within the District's boundaries/service area.

Alternative 1, as shown in Table 1 is proposed, where the PPHCSD administers collection and billing and uses these revenues to finance their local administrative, operations and maintenance costs. Alternatives 2 and 3 were rejected at this time due to the estimated financial deficits, as discussed earlier. Alternative 2, as shown in Table 4, is where the PPHCSD administers collection and the ESFR fees. Alternative 3, as shown in Table 5, is where the PPHCSD administers the collection, ESFR fees and would own and operate the Sheep Creek Transfer Station.

This plan shall, at a minimum, respond to each of the items identified above and shall be signed and certified as to its completeness and accuracy by an official of the requesting agency.

**CERTIFICATION**

I hereby certify that the statements furnished above and in any attachments and exhibits hereto present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief. I understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

DATE \_\_\_\_\_

\_\_\_\_\_  
SIGNATURE OF APPLICANT

\_\_\_\_\_  
PRINTED NAME

\_\_\_\_\_  
TITLE

/krm 3/20/2002

SUPPORTING FIGURE AND TABLES

Figure 1  
Phelan Piñon Hills CSD

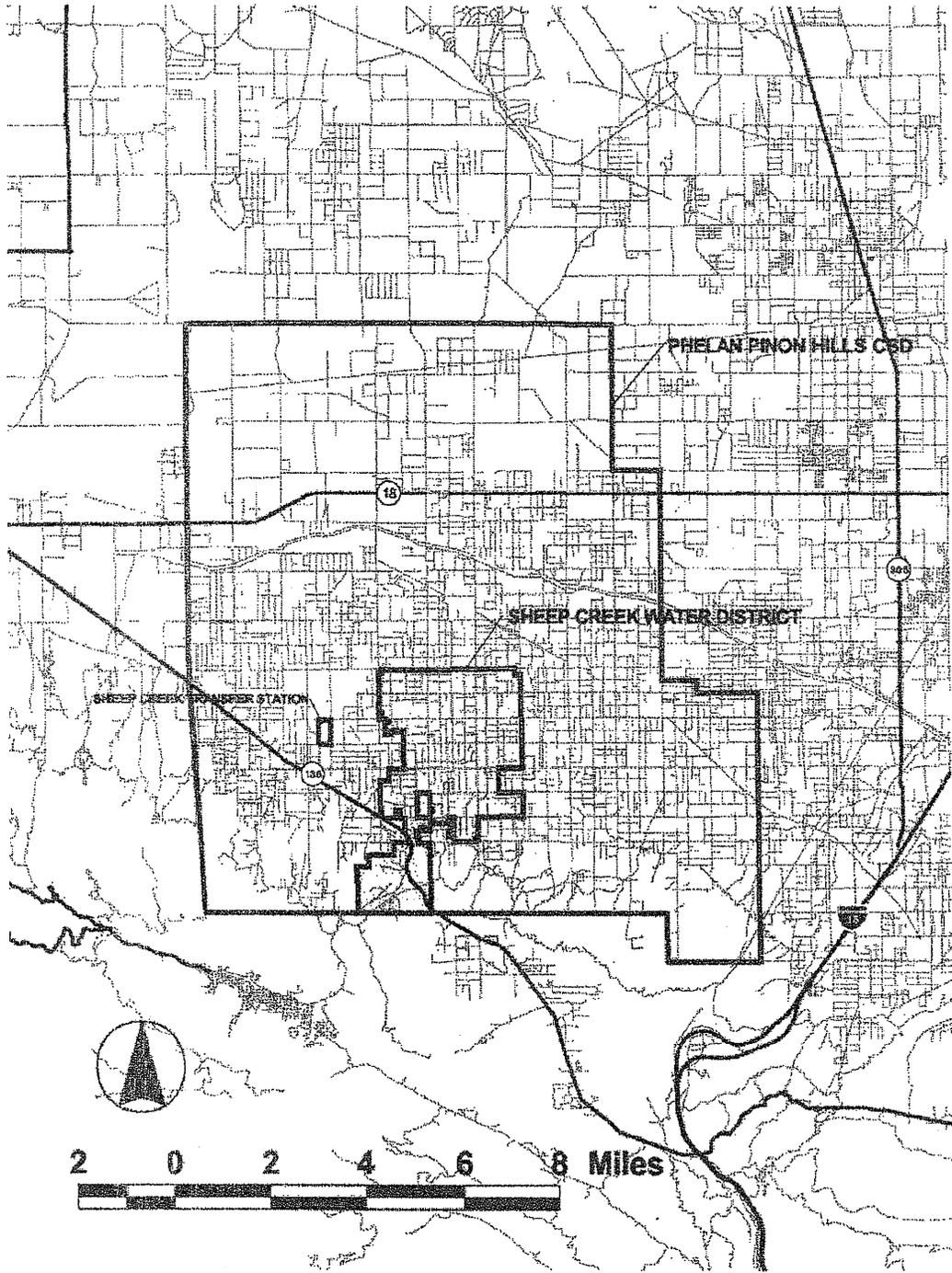


Table 1  
Alternative 1: PPHCSD Administers Collection  
Phelan Piñon Hills CSD

	Franchise Fees	Billing Fees
Customers	3,038	3,038
Fee/Month <sup>1</sup>	\$2.27	\$1.00
Estimated Revenues	\$82,755.12	\$36,456.00
<b>Net Amount<sup>2</sup></b>		<b>\$119,211.12</b>

1. Revenue estimate is for residential customers only; commercial customer revenues are not considered substantial.

2. Under this alternative there would be no disposal charges or costs.

Source: John Davis, Recycling Consultant

Table 2  
Number of Parcels Paying ESFR Fees  
Phelan Piñon Hills CSD

Parcels Paying ESFR Fees	No	Yes	Grand Total	Percent
Inside Sheep Creek Water District	778	1,081	1,859	12%
Outside Sheep Creek Water District	<u>7,350</u>	<u>6,355</u>	<u>13,705</u>	<u>88%</u>
<b>Grand Total</b>	<b>8,128</b>	<b>7,436</b>	<b>15,564</b>	<b>100%</b>
Percent of Total	52%	48%	100%	

Source: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Solid Waste Management Division.

Table 3  
Estimated ESFR Fees from PPHCSD  
Phelan Piñon Hills CSD

Count of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Grand Total
Inside Sheep Creek Water District	778	10	1,008	59	3	1		1,859
Outside Sheep Creek Water District	7,350	82	6,013	245	7	1	7	13,705
<b>Grand Total</b>	<b>8,128</b>	<b>92</b>	<b>7,021</b>	<b>304</b>	<b>10</b>	<b>2</b>	<b>7</b>	<b>15,564</b>

Average of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Average
Inside Sheep Creek Water District		\$42.57	\$85.14	\$170.28	\$255.42	\$255.42		\$90.02
Outside Sheep Creek Water District		\$42.57	\$85.14	\$170.28	\$255.42	\$255.42	\$340.56	\$88.37
<b>Average</b>		<b>\$42.57</b>	<b>\$85.14</b>	<b>\$170.28</b>	<b>\$255.42</b>	<b>\$255.42</b>	<b>\$340.56</b>	<b>\$88.61</b>

Sum of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Grand Total
Inside Sheep Creek Water District	\$0.00	\$425.70	\$85,821.12	\$10,046.52	\$766.26	\$255.42		\$97,315.02
Outside Sheep Creek Water District	\$0.00	\$3,490.74	\$511,946.82	\$41,718.60	\$1,787.94	\$255.42	\$2,383.92	\$561,583.44
<b>Grand Total</b>	<b>\$0.00</b>	<b>\$3,916.44</b>	<b>\$597,767.94</b>	<b>\$51,765.12</b>	<b>\$2,554.20</b>	<b>\$510.84</b>	<b>\$2,383.92</b>	<b>\$658,898.46</b>

Source: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Solid Waste Management Division.

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Table 4  
Alternative 2: PPHCSD Administers Collection and ESRF Fees  
Phelan Piñon Hills CSD

	CR&R Residential Customers	SCTS <sup>1</sup> Land Use Pass	VVLF <sup>2</sup> Land Use Pass	Total All Charges
Tons/Year	8,748	10,730	49.8	
Rate/Ton	(\$43.89)	(\$55.89)	(\$55.89)	
Estimated Costs	(\$383,949.72)	(\$599,699.70)	(\$2,783.32)	(\$986,432.74)

	Franchise Fees	Billing Fees <sup>3</sup>	ESFR <sup>4</sup> Land Use Levy	Total All Revenues
Customers	3,038	3,038		
Fee/Month <sup>5</sup>	\$2.27	\$1.00		
Estimated Revenues	\$82,755.12	\$36,456.00	\$658,898.46	\$778,109.58
<b>Net Amount<sup>6</sup></b>				<b>(\$208,323.16)</b>
<b>Net Amount (without Franchise and Billing Fees)<sup>7</sup></b>				<b>(\$327,534.28)</b>

1. SCTS: Sheep Creek Transfer Station

2. VVLF: Victorville Landfill

3. Estimated net billing costs

4. ESRF: Equivalent Single Family Residence

5. Revenue estimate is for residential customers only; commercial customer revenues are not considered substantial.

6. Under this alternative, the Net Revenue calculation includes the Franchise Fees and Billing Fees.

7. Under this Net Revenue calculation, the Franchise Fees and Billing Fees, which are typically not used to offset tipping fees that are direct service charges, are excluded.

Source: John Davis, Recycling Consultant

County of San Bernardino, Solid Waste Management Division

Table 5  
Alternative 3: PPHCSD Administers Collection, ESFR Fees & Owns and Operates the SCTS  
Phelan Piñon Hills CSD

Fiscal Year 09/10 - Phelan Transfer Station Operating Costs	
57	Scalehouse Staff Hours Per Week (7:30a - 5:00p @ 6 days/week)
\$20.43	Per Hour Rate
\$30.65	Per Hour Rate w/Benefits
\$90,831.78	Total Annual Salaries and Benefits
\$8,841.11	Utilities
\$7,216.69	Maintenance
\$65,756.20	Other Expenses
\$809,204.31	Contractor Operations Payment
\$102,375.00	Contractor Diversion Payment
\$1,231,597.29	Landfill Operator Disposal Cost (\$43.89/ton)
\$2,024,990.60	Total Site Costs
\$2,115,822.38	Total Operating Costs (no insurance premiums included in costs)
Fiscal Year 09/10 - Phelan Transfer Station Operating Revenues	
93.00%	Actual Collection Rate (Countywide)
\$652,896.00	Applied LU Assessments
\$607,193.28	Actual Land Use Revenue Received in 09/10
(\$45,702.72)	Potential Cash Deficit
\$607,193.28	Actual Land Use Revenue Received in 09/10
\$227,947.92	Actual Gate Revenue Generated (Non-Land Use)
\$835,141.20	Total Transfer Station Revenue
\$1,282,839.12	Total Deficit From Transfer Station at Standard County Disposal Rate

Note: Tonnage Estimates For Victorville Landfill and Tonnage Diverted to the Victor Valley  
Waste Materials Recovery Facility

32,092.00	Total Gate In Tons
3,250.00	Total Tons Diverted
28,061.00	Total Tons Sent to Landfill

Source: San Bernardino County Solid Waste Management Department

Table 6  
Sheep Creek Transfer Station Maintenance and Operational Costs  
Phelan Piñon Hills CSD

<u>Cost Category</u>	<u>Annual Cost</u>	<u>Percent</u>
Scalehouse Staff Wages & Benefits	\$90,831.78	10%
Utilities	\$8,841.11	1%
Maintenance	\$7,216.69	1%
Other Expenses	\$65,756.20	7%
Contractor Diversion Payment	\$609,204.31	69%
Contractor Operations Payment	<u>\$102,375.00</u>	<u>12%</u>
<b>Annual Total</b>	<b>\$884,225.09</b>	<b>100%</b>

Source: Stanley R. Hoffman Associates, Inc.

County of San Bernardino, Solid Waste Management Division

## Justification for Proposal and Preliminary Environmental Description Form

**INTRODUCTION:** The questions on this form and its supplements are designed to obtain enough data about the proposed project site to allow the Commission, its staff and others to adequately assess the project. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, or attach any relevant documents.

### GENERAL INFORMATION

1. NAME OF PROPOSAL: Activation of Solid Waste Powers for Phelan Piñon Hills Community Services District
  
2. NAME OF APPLICANT: Phelan Piñon Hills Community Services District (PPHCSD)  
MAILING ADDRESS: Phelan Piñon Hills Community Services District  
P.O. Box 294049, Phelan, CA 92329-4049  
PHONE: (760) 868-1212  
FAX: (760) 868-2323  
E-MAIL ADDRESS: dbishop@pphcsd.org
  
3. GENERAL LOCATION OF PROPOSAL:  
The entire service area of PPHCSD. See accompanying map (legal description not required).
  
4. Does the application possess 100% written consent of each landowner in the subject territory?  
YES \_\_\_ NO X If YES, provide written authorization for change.
  
5. Indicate the reasons that the proposed action has been requested.  
The District would provide better local information and achieve better district-wide participation from households and businesses, thus improving the local environment with less illegal dumping and better collection and recycling practices.
  
6. Would the proposal create a totally or substantially surrounded island of unincorporated territory?  
YES \_\_\_ NO X If YES, please provide a written justification for the proposed boundary configuration.

**LAND USE AND DEVELOPMENT POTENTIAL**

1. Total land area (defined in acres):  
78,265.35 acres (122.29 square miles)  
(Land use population and dwelling unit statistics estimated based on the latest Community Plan information)

2. Current dwelling units in area:  
8,290

3. Approximate current population in area:  
19,200

4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s):  
Various County General Plan and Community Plan designations for residential, commercial, public service and open space uses.

San Bernardino County General Plan designation(s) and uses permitted by this designation(s):  
Not Applicable.

5. Describe any special land use concerns expressed in the above plans.  
Continuing to maintain the rural character of the Community.

6. Indicate the existing land use.  
A mix of Residential, Commercial, Industrial, Agriculture, Vacant and other miscellaneous uses.

7. For a city annexation, State law requires pre-zoning of the territory proposed for annexation.  
a. Has pre-zoning been completed? YES \_\_\_\_ NO X  
b. If the response to "A" is NO, is the area in the process of pre-zoning? YES \_\_\_\_ NO X

Identify below the pre-zoning classification, title, and densities permitted. If the pre-zoning process is underway, identify the timing for completion of the process.

Not Applicable.

8. On the following list, indicate if any portion of the territory contains the following by placing a checkmark next to the item:

- Agricultural Land Uses                       Agricultural Preserve Designation

- Williamson Act Contract       Area where Special Permits are Required
- Any other unusual features of the area or permits required:

9. If a Williamson Act Contract(s) exists within the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest to the contract filed with the County by the City. Please provide an outline of the City's anticipated actions with regard to this contract.

Not Applicable.

10. Will the proposal require public services from any agency or district which is currently operation at or near capacity (including sewer, water, police, fire, or schools)?

YES \_\_\_\_\_ NO X If YES, please explain.

**ENVIRONMENTAL INFORMATION**

1. Provide general description of topography.

Located along the desert foothills of the eastern San Gabriel Mountains, the Phelan/Piñon Hills area is located approximately 75 miles northeast of Los Angeles and 31 miles northwest of San Bernardino. The climate for the area consists of warm summers with daytime high temperatures exceeding 90°F and cold winters with low temperatures some months below 20°F. Because the area is located in the rain shadow area of the San Gabriel Mountains, annual precipitation varies widely over short distances, from 15 inches at the south boundary of the plan area to 8 inches at the north boundary. The elevation ranges, between over 5,000 feet above sea level in the south to approximately 3,000 feet above sea level in the north. Phelan is at an elevation of approximately 4,100 feet and Piñon Hills is at approximately 5,400 feet.

Elements of three biotic communities can be found in the Phelan/Piñon Hills area. The creosote Bush Scrub community occurs on well-drained soils of slopes, fans and valleys below 3,000-4,000 feet. The creosote bush is the dominant plant species and common animal species include rattlesnakes, horned lizards, eagles and red-tailed hawks. The Joshua Tree Woodland habitat is found at elevations between 4,000-6,000 feet. Plant species within this community are drought-deciduous and succulent, dominated by the characteristic Joshua Trees. Other common plant species include mormon tea, bladder sage, Mojave and banana yuccas, and antelope brush. Typical animals include antelope ground squirrels, pack rates, Merriam's kangaroo rats, canyon mice, deer mice, desert night lizards, ladder-back woodpeckers, and orioles. The Piñon-Juniper Woodland habitats occur at elevations above the Joshua Tree Woodlands. The dominant plant species are Piñon Pines and Utah Junipers. Pines are found in places where they can catch moisture, such as knolls and peaks while junipers are found in drier areas. Animal species that find refuge in Piñon-Juniper Woodlands, include mule deer, white-tailed deer, the desert cottontail and a variety of bird species.

2. Describe any existing improvements on the site as % of total area.

Residential	<u>23%</u>	Agricultural	<u>1%</u>
Commercial	<u>2%</u>	Vacant	<u>71%</u>
Industrial	<u>2%</u>	Other	<u>1%</u>

3. Describe the surrounding land uses:
- |       |   |
|-------|---|
| NORTH | Rural residential and high desert open space                            |
| EAST  | Rural residential and high desert open space                            |
| SOUTH | Foothills of Angeles National Forest                                    |
| WEST  | Rural residential, high desert open space and Mescal Wildlife Sanctuary |
4. Describe site alterations that will be produced by improvement projects associated with this proposed action (installation of water facilities, sewer facilities, grading, flow channelization, etc.).
- Not Applicable.
5. Will service extensions accomplished by this proposal induce growth on this site?  
YES \_\_\_ NO X  
Adjacent sites? YES \_\_\_ NO X Unincorporated \_\_\_ Incorporated \_\_\_
6. Is this project a part of a larger project or series of projects? YES \_\_\_ NO X If YES, please explain.

**NOTICES**

Please provide the names and addresses of persons who are to be furnished mailed notice of the hearing(s) and receive copies of the agenda and staff report.

NAME Don Bartz, General Manager TELEPHONE NO. (760) 868-1212  
ADDRESS: Phelan Piñon Hills Community Services District  
PO Box 294049, Phelan, CA 92329-4049

NAME Joe Fahlender, Board President TELEPHONE NO. (760) 868-1212  
ADDRESS: Phelan Piñon Hills Community Services District  
4037 Phelan Road, Suite C1, Phelan, CA 92371

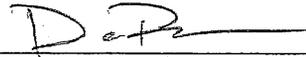
NAME Steven M Kennedy, Legal Counsel TELEPHONE NO. (909) 889-8301  
ADDRESS: Brunick, McElhaney, Beckett, Dolen & Kennedy  
1839 Commercenter West, San Bernardino, CA 92412

CERTIFICATION

I hereby certify that the statements furnished above and in the attached supplements and exhibits present the data and information required for this initial evaluation to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief. I understand that if this proposal is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

March 1, 2011

DATE



SIGNATURE OF APPLICANT

Don Bartz

PRINTED NAME

General Manager

TITLE

PLEASE CHECK SUPPLEMENTAL FORMS ATTACHED:

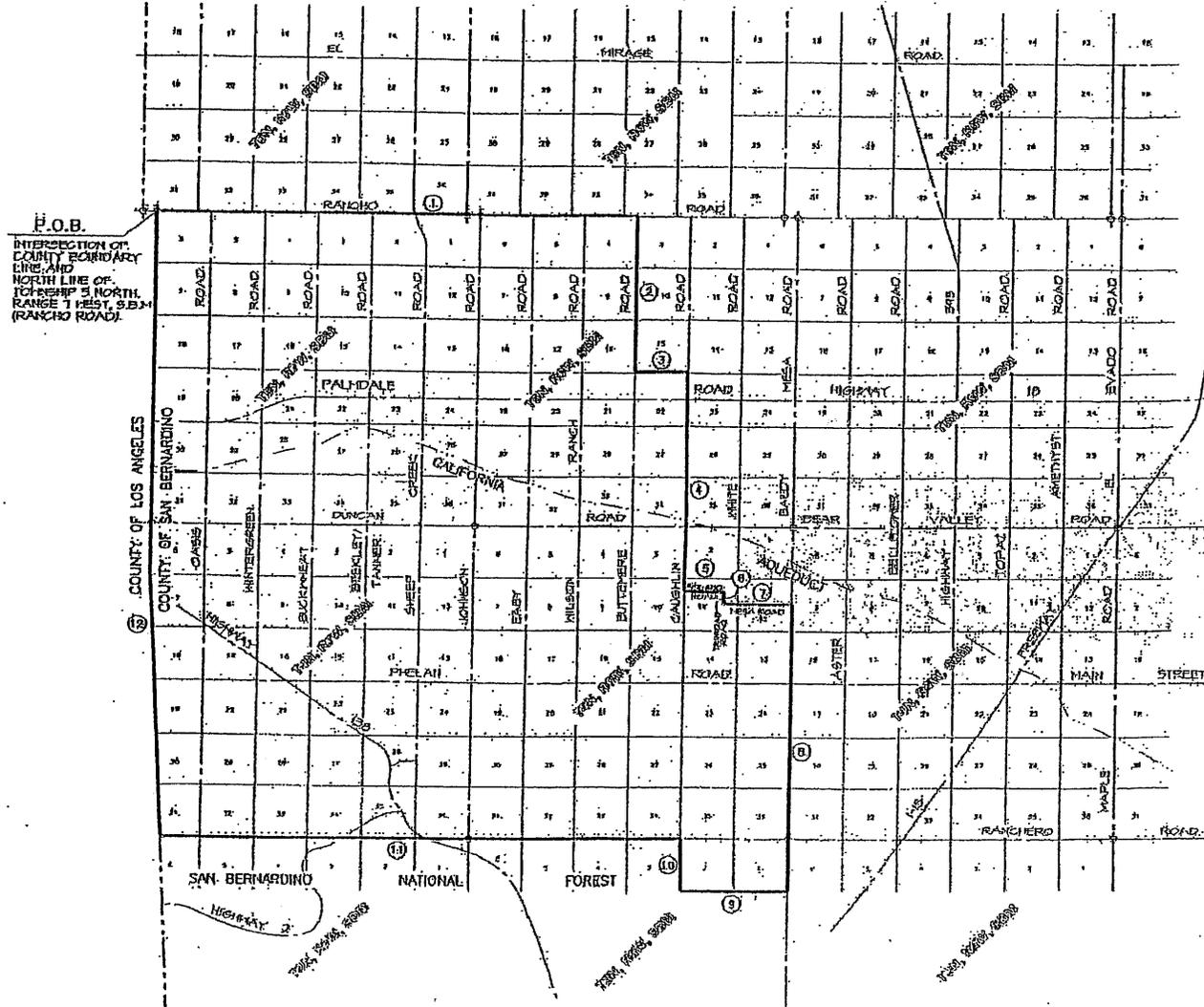
- ANNEXATION, DETACHMENT, REORGANIZATION SUPPLEMENT
- SPHERE OF INFLUENCE CHANGE SUPPLEMENT
- CITY INCORPORATION SUPPLEMENT
- FORMATION OF A SPECIAL DISTRICT SUPPLEMENT
- ACTIVATION OF LATENT POWERS SUPPLEMENT

APPLICATION TO BE SUBMITTED TO:

LOCAL AGENCY FORMATION COMMISSION  
215 NORTH D STREET, SUITE 204  
SAN BERNARDINO, CA 92415-0490  
PHONE: (909) 383-9900 • FAX: (909) 383-9901  
E-MAIL ADDRESS: lafco@lafco.sbcounty.gov

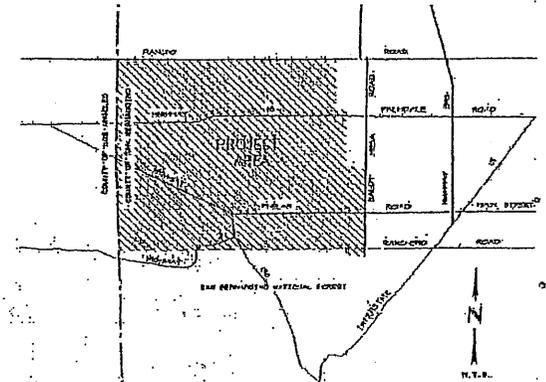
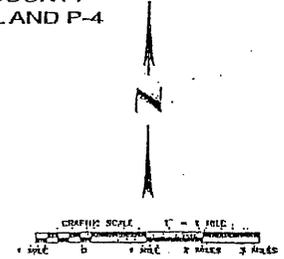
# LAFCO 3070

REORGANIZATION TO INCLUDE FORMATION OF PHELAN PINON 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



## GENERAL DESCRIPTION

THE AREA ENCOMPASSES THE COMMUNITIES KNOWN AS PHELAN AND PINON HILLS



## VICINITY MAP

### LEGEND:

- INDICATES THE COURSE NUMBER PER THE LEGAL DESCRIPTION
- INDICATES THE PROPOSED BOUNDARY
- INDICATES LOS ANGELES/ SAN BERNARDINO COUNTIES COMMON BOUNDARY LINE
- INDICATES TOWNSHIP CORNERS
- AREA: THIS FORMATION PROPOSAL CONTAINS 128 SQUARE MILES MORE OR LESS

SAN BERNARDINO COUNTY SURVEYOR  
825 E. Third Street San Bernardino, CA 92415-0035

DATE: FEB 1988	BY: DANISE C. FOTE
APPROVED BY: [Signature]	DATE: FEB 1988

**LAFCO 3070**  
PHELAN PINON HILLS  
COMMUNITY  
SERVICES DISTRICT

128 SQUARE MILES  
1" = 1 MILE



**SUPPLEMENT  
ACTIVATION OF NEW OR DIFFERENT SERVICES  
SPECIAL DISTRICT**

**INTRODUCTION:** The questions on this form are designed to obtain data about the specific service(s) requested to be authorized for the district. The purpose is to allow the Commission, staff and others to adequately assess the project. You may also include any additional information which you believe is pertinent, using additional sheets, where necessary, and including any relevant documents to support the project.

**APPLICATION FOR Phelan Piñon Hills Community Services District (PPHCSD):**

1. Please identify the function(s)/service(s) proposed for activation:

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

2. Provide a statement of the reason(s) for the proposal which shall include, but not be limited to, a description of any existing service deficiency, general plan determinations (existing or anticipated change necessitating service), anticipated growth rate (please identify source of data), topography, etc.

Phelan Piñon Hills Community Services District, as shown in Figure 1, is proposing to activate its powers as provided by California Government Code Section 61100(c), to:

Collect, transfer, and dispose of solid waste, and provide solid waste handling services, 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.

San Bernardino County now provides solid waste handling services within PPHCSD boundaries, through a portion of County Franchise Area 20. Those services include refuse and recycling collection, transfer, processing and disposal. CR&R is the current franchisee for residential and commercial services, including roll-off service. The County owns, and contracts the operation of, the Sheep Creek Transfer Station (SCTS) located in Phelan Piñon Hills. The County also owns and maintains a closed landfill, on the same parcel as the SCTS.

The County collects franchise fees from CR&R, based on 8% of gross revenue, for services provided under the franchise. Estimated franchise fee revenue from within PPHCSD (FY 09) is \$82,755.12, as shown in Table 1. This does not include the franchise fees related to the commercial hauling which would add additional revenues although relatively small compared with the residential franchise revenues. Additionally, with estimated billing fees of \$36,456.00, the estimated total received by CR&R is \$119,211.12, as shown in Table 1. Billing fees are dependent on PPHCSD negotiation with CR&R, and are not existing revenues received by the County.

The County levies Equivalent Single Family Residence (ESFR) fees, applied to property tax bills for developed residential units of 4 or less units per parcel. This fee is used for solid waste purposes, including disposal charges of PPHCSD residential refuse delivered to the Sheep Creek Transfer Station by CR&R. The County issues land use passes to owners of property covered by the ESFR fees. These passes allow weekly deliveries to SCTS or to a County landfill, where user charges otherwise would be incurred.

CR&R bills their commercial customers for collection and disposal, and residential customers for collection. At the Sheep Creek Transfer Station, CR&R incurs handling, transfer and disposal charges for delivered materials. Those charges are offset for residential customers against ESFR revenues.

During FY 2010, out of a total of 15,564 parcels within the PPHCSD, the County levied ESFR fees against 7,436 developed parcels with PPHCSD, as shown in Table 2. The single-family of \$85.14 is prorated for 2, 3 or 4 units and for recreational cabins (50% of the single-family rate). Total fees of \$658,898.46 were levied with PPHCSD according to the County of San Bernardino, Department of Public Works, Solid Waste Management Division (SWMD), as shown in Table 3.

County Land Use Pass records show 48,281 trips to Sheep Creek Transfer Station from parcels within the Phelan Piñon Hills CSD, during a 12-month period. Those customers delivered 10,730 tons, which would be charged at the gate rate of \$55.89. These costs incurred are estimated at \$599,699.70, as shown in Table 4. Also, shown in Table 4 are the relatively small costs incurred from some disposal at the Victorville Landfill from the PPHCSD and estimated at \$2,783.32.

CR&R reports delivering 8,748 tons to SCTS from its PPHCSD residential customer base. The tipping fee for this material is \$43.89, incurring a total cost of \$383,949.72, as shown in Table 4.

As shown Table 4, the combined charges of \$986,432.74, exceed ESFR fee revenues by \$327,534.28, and even exceed the combined revenues by \$208,323.16, when franchise fee revenues and estimated billing revenues are included. However, Franchise Fees and Billing Fees are typically not used to offset tipping fees that are direct service charges.

Table 5 shows the cost to operate Sheep Creek Transfer Station, including direct operating costs and disposal charges, is approximately \$2.1 million. Direct operating costs are estimated at nearly \$900,000, as summarized in Table 6. Associated revenue, from gate charges and District ESFR application, is \$835,000, as shown in Table 5. This assumes that non-PPHCSD ESFR revenues are excluded as suggested by County staff. Consequently there is a substantial estimated shortfall of revenues to support SCTS operation as a stand-alone facility. As shown in Table 5, the estimated shortfall is about \$1.3 million annually. The Transfer Station is now part of the countywide system, which spreads costs over a much larger base of landfills and transfer stations.

The closed landfill requires annual maintenance costs of approximately \$65,000, which are paid from countywide system revenues. Unknown environmental risk is associated with landfill ownership, for both active and closed sites.

As part of its Solid Waste and Recycling Powers, the District is prepared to assume responsibility for CR&R's franchise within PPHCSD boundaries. Public Resources Code Section 49520 provides that:

"If a local agency has authorized, by franchise, contract, license, or permit, a solid waste enterprise to provide solid waste handling services and those services have been lawfully provided for more than three previous years, the solid waste enterprise may continue to provide those services up to five years after mailed notification to the solid waste enterprise by the local agency having jurisdiction that exclusive solid waste handling services are to be provided or authorized, unless the solid waste enterprise has an exclusive franchise or contract.

"If the solid waste enterprise has an exclusive franchise or contract, the solid waste enterprise shall continue to provide those services and shall be limited to the unexpired term of the contract or franchise or five years, whichever is less."

CR&R therefore would continue providing solid waste handling services within PPHCSD for at least five years. The District would begin receiving franchise fee revenues now paid to the County. Since PPHCSD now provides water billing within most of its territory, the District could assume responsibility for billing CR&R's residential customers. Savings from residential billings, combined with franchise fee revenues, would allow the District to improve the current franchise system.

County data for self-haul deliveries to SCTS show that PPHCSD residents are delivering an estimated 2.5 tons per parcel annually. CR&R's residential customers are delivering an estimated 3 tons per customer

annually. The ESFR basis (\$85.14 per single family residence) only covers the cost of 1.52 tons of material delivered to the transfer station. Since the County system covers a much broader territory, high costs in areas like PPHCSD are offset by lower costs in other communities that do not have readily available access to a landfill or transfer station or otherwise generate less waste.

PPHCSD would be able to work with CR&R, the County, local residents and businesses, and others to begin reducing the amount of material delivered to SCTS.

The District would implement Public Resource Code Section 40059, by determining "Aspects of solid waste handling which are of local concern, including, but not limited to, frequency of collection, means of collection and transportation, level of services, charges and fees, and nature, location, and extent of providing solid waste handling services."

The District also would assure that its programs and activities comply with PRC Section 41821.2:

(a) For the purposes of this section, "district" means a community services district, public utility district, or sanitary district that provides solid waste handling services or implements source reduction and recycling programs.

(b) Notwithstanding any other law, each district shall do all of the following:

(1) Comply with the source reduction and recycling element and the household hazardous waste element of the city, county, or regional agency in which the district is located, as required by the city, county, or regional agency. The city, county, or regional agency shall notify a district of any program that it is implementing or modifying when it annually submits a report to the board pursuant to Section 41821.

(2) Provide each city, county, or regional agency in which it is located, information on the programs implemented by the district, the amount of waste disposed and reported to the disposal tracking system pursuant to Section 41821.5 for each city, county, or regional agency, and the amount of waste diverted by the district for each city, county, or regional agency.

The District also may implement PRC Section 40061 (a):

Notwithstanding Section 40059, every local agency which does not directly charge residential households a fee for the collection, transportation, and disposal of solid waste and every local agency which directly charges residential customers a fee *which represents less than 90 percent of the average cost of collecting, transporting, and disposing of residential solid waste* shall, at least once every three months, arrange to inform all residential households of all of the following:

(1) The average monthly volume of solid waste produced by each residential household.

(2) The total estimated monthly cost to the local agency to collect, transport, and dispose of all solid waste produced by residential households.

(3) The average monthly cost to the local agency to collect, transport, and dispose of solid waste produced by each residential household.

(b) For the purposes of this section, "residential household" means those single and multifamily residential units which are not charged a periodic fee for the collection, transportation, and disposal of solid waste or which are assessed a periodic fee which represents less than 90 percent of the local agency's total cost of providing these services.

(c) The notification provided under subdivision (a) may not more than twice in any calendar year, be made by publication in a newspaper of general circulation in the county in which the local agency is located.

(d) Unless notification is made by publication, when possible, the notification provided under subdivision (a) shall be distributed by each local agency to residential households in a manner that results in no distribution costs to the local agency in excess of distribution costs otherwise incurred for other purposes.

The District is not proposing to assume ESFR fee responsibility at this time. As discussed earlier, and shown in Table 4, there is a substantial shortfall estimated at about \$208,323, even when including franchise fees and billing revenues. Franchise fee and billing revenues are general District revenues, and are typically not used to offset tipping fees that are direct service charges. The annual service fee shortfall is then about \$327,530, for about 19,530 tons – requiring an increase of approximately \$16.77 per ton just to cover the existing shortfall.

In the future, the PPHCSD may wish to reconsider this option and chose to assume ESFR fee responsibility. The option could become viable if the tipping fees were lower, or if District residents generated less material delivered to the transfer station.

The District also is not prepared to assume ownership of the Sheep Creek Transfer Station because of the large estimated shortfall, as shown in Table 5. Taking responsibility for associated SCTS and landfill charges would require an immediate and substantial rate increase to PPHCSD residents. Improvements to the franchise system and other District initiatives may reduce the disproportionately large amounts of material now delivered to SCTS by PPHCSD residents.

The current SCTS rate structure is sustainable only as part of the larger County landfill and transfer station system. Further rate increases would be required for the District just to maintain current service. Such rate increases likely would drive traffic to another location, such as the Victorville Landfill, American Organics Composting Facility, or the Hesperia or Victor Valley Materials Recovery Facilities.

Inclusion of the closed landfill further deters the District from assuming SCTS ownership. The landfill is on the same parcel as the Transfer Station, and so cannot be handled as a separate asset. Landfill impacts may affect the Transfer Station property, due to methane and leachate migration. The closed landfill does not generate revenue, and maintenance and monitoring obligations are only maintained through the countywide system. Furthermore, the District has no incentive to assume landfill ownership and attendant unknown environmental and financial risk.

3. What service(s) was the District authorized to provide at the time of its formation? (Would be identified in final resolution approving formation or included in election decision - a copy of this document may be attached to fulfill this requirement.)

When the PPHCSD was established on February 5, 2008, voters approved the formation of the district as a consolidation of 3 Special Districts: Zone-L70 Water, CSA-9 Phelan Parks and Street Lighting and CSA 56-F1 Piñon Hills Parks (see enclosed resolution).

4. Provide an identification of any multiple purpose districts within the area authorized to provide the identified function/service activation. Include a description as to why the preferred choice has been made.

No other multiple purpose districts have been identified in the PPHCSD that provide Solid Waste and Recycling Management services. The PPHCSD feel that localized control would result in a more effective waste recycling and collection system. The District would better provide local information and achieve better district-wide participation from households and businesses, thus improving the local environment with less illegal dumping and better collection and recycling practices. For these reasons, Alternative 1, as shown in Table 1 is proposed, whereby the PPHCSD administers collection and billing and uses these revenues to finance their local administrative, operations and maintenance costs. Alternatives 2 and 3 were rejected at this time due to the estimated financial deficits, as discussed earlier. Alternative 2, as shown in Table 4, is where the PPHCSD administers collection and the ESFR fees. Alternative 3, as shown in Table 5, is where the PPHCSD administers the collection, ESFR fees and would own and operate the Sheep Creek Transfer Station.

5. PLAN FOR SERVICES:

The requirements for the Plan for Service are outlined in Government Code Section 56824.12 and are summarized below:

1. The total estimated cost to provide the new or different function or class of service within the District's boundaries.

As shown in Table 1, under the proposed Alternative 1 where the PPHCSD administers collection and receives both the existing Franchise Fees and projected Billing Fees, the estimated total revenues are \$119,211.12. Assuming that the billing fees cover the District's billing and other administrative costs, this leaves estimated annual revenues of at least \$82,755.12. The District has not yet defined a program for disseminating information about

better waste management and recycling practices, working to achieve wider local participation, and providing locally-responsive programs, so costs have not been estimated, but it is assumed that these operations will be funded, not-to-exceed the estimated franchise revenues. Also, a small amount of additional franchise revenues, that were not estimated, would be received from the commercial disposal operations by CR&R. As wider participation occurs, it is also assumed that franchise fees will increase.

2. The estimated cost of the new or different function or service to existing customers within the district's jurisdictional boundaries. (The cost can be identified by customer class).

While conditions in the future might necessitate a change, the existing cost structure to customers is not expected to change at this time.

3. An identification of existing providers, if any, of the function(s)/service(s) and the potential fiscal impact of this activation to the customers of those providers.

San Bernardino County Solid Waste Management Division would experience the loss of the franchise fee revenues and would not administer the local waste and recycling collection program. However, their basic operations at the SCTS would not be anticipated to change and it is assumed that Burrtec, their contract operator of the facility, would continue under their current arrangement with the County of San Bernardino.

Likewise, it is anticipated that CR&R would continue to provide the local collection and delivery to SCTS for its existing residential and commercial customers. CR&R would continue paying the same franchise fee, however, in the proposed case, it would be paid to the PPHCSD. If the District takes over billing services from CR&R, it is assumed that the billing related revenues that are potentially lost by CR&R would be offset on a one-to-one basis by a reduction in their respective costs and possibly improved collections and payments.

4. A plan for financing the establishment of the new or different function/service within the district's jurisdictional boundaries. A discussion about the sufficiency of revenues to fund the anticipated ongoing maintenance and operation of the service is also required. This plan should include:

- a. An indication of whether territory is or will be proposed for inclusion within a proposed improvement zone/district, assessment district, or community facilities district to fund the service.

The existing boundaries of the PPHCSD are anticipated to remain unchanged and no new territory, improvement zones/districts, assessment districts or community facilities districts are to be added.

- b. If retail water service is proposed to be activated through this action, provide a description of the timely availability of water for projected needs within the area. (The response should be patterned after the factors identified in Government Code Section 65352.5 related to an Urban Water Management Plan.)

There will be no change in retail water service provided under this proposal.

- c. A discussion about the sufficiency of revenues to fund the anticipated ongoing maintenance and operation of the service is also required.

As shown in Table 1, under the proposed Alternative 1 where the PPHCSD administers collection and receives both the existing Franchise Fees and projected Billing Fees, the estimated total revenues are \$119,211.12. Assuming that the billing fees cover the District's billing and other administrative costs, this leaves estimated annual revenues of at least \$82,755.12. The District has not yet defined a program for disseminating information about better waste management and recycling practices, working to achieve wider local participation, and providing locally-responsive programs, so costs have not been estimated, but it is assumed that these operations will be funded, not-to-exceed

the estimated franchise revenues. Also, a small amount of additional franchise revenues, that were not estimated, would be received from the commercial disposal operations by CR&R. As wider participation occurs, it is also assumed that franchise fees will increase.

5. A discussion of the alternatives to the establishment of the new or different service within the District's boundaries/service area.

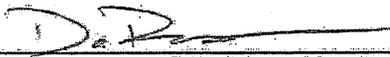
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This plan shall, at a minimum, respond to each of the items identified above and shall be signed and certified as to its completeness and accuracy by an official of the requesting agency.

CERTIFICATION

I hereby certify that the statements furnished above and in any attachments and exhibits hereto present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief. I understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

DATE March 1, 2011

  
\_\_\_\_\_  
SIGNATURE OF APPLICANT

Don Bartz  
\_\_\_\_\_  
PRINTED NAME

General Manager  
\_\_\_\_\_  
TITLE

SUPPORTING FIGURE AND TABLES

Figure 1  
Phelan Piñon Hills CSD

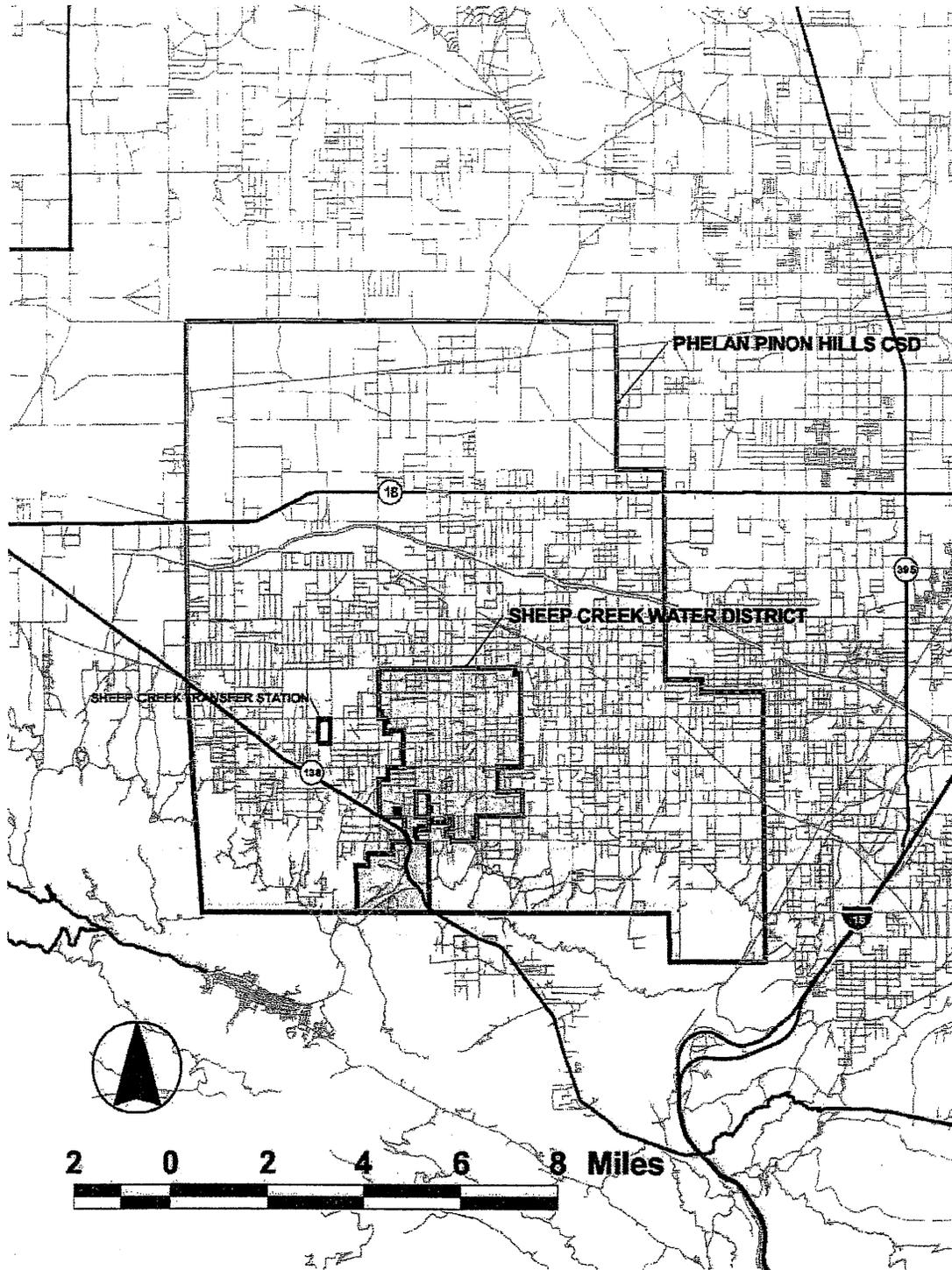


Table 1  
Alternative 1: PPHCSD Administers Collection  
Phelan Piñon Hills CSD

	Franchise Fees	Billing Fees
Customers	3,038	3,038
Fee/Month <sup>1</sup>	\$2.27	\$1.00
Estimated Revenues	\$82,755.12	\$36,456.00
<b>Net Amount<sup>2</sup></b>		<b>\$119,211.12</b>

1. Revenue estimate is for residential customers only;  
commercial customer revenues are not considered substantial.

2. Under this alternative there would be no disposal charges  
or costs.

Source: John Davis, Recycling Consultant

Table 2  
Number of Parcels Paying ESFR Fees  
Phelan Piñon Hills CSD

Parcels Paying ESFR Fees	No	Yes	Grand Total	Percent
Inside Sheep Creek Water District	778	1,081	1,859	12%
Outside Sheep Creek Water District	<u>7,350</u>	<u>6,355</u>	<u>13,705</u>	<u>88%</u>
<b>Grand Total</b>	<b>8,128</b>	<b>7,436</b>	<b>15,564</b>	<b>100%</b>
Percent of Total	52%	48%	100%	

Source: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Solid Waste Management Division.

**Table 3**  
**Estimated ESFR Fees from PPHCSD**  
**Phelan Piñon Hills CSD**

Count of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Grand Total
Inside Sheep Creek Water District	778	10	1,008	59	3	1		1,859
Outside Sheep Creek Water District	7,350	82	6,013	245	7	1	7	13,705
<b>Grand Total</b>	<b>8,128</b>	<b>92</b>	<b>7,021</b>	<b>304</b>	<b>10</b>	<b>2</b>	<b>7</b>	<b>15,564</b>

Average of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Average
Inside Sheep Creek Water District		\$42.57	\$85.14	\$170.28	\$255.42	\$255.42		\$90.02
Outside Sheep Creek Water District		\$42.57	\$85.14	\$170.28	\$255.42	\$255.42	\$340.56	\$88.37
<b>Average</b>		<b>\$42.57</b>	<b>\$85.14</b>	<b>\$170.28</b>	<b>\$255.42</b>	<b>\$255.42</b>	<b>\$340.56</b>	<b>\$88.61</b>

Sum of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Grand Total
Inside Sheep Creek Water District	\$0.00	\$425.70	\$85,821.12	\$10,046.52	\$766.26	\$255.42		\$97,315.02
Outside Sheep Creek Water District	\$0.00	\$3,490.74	\$511,946.82	\$41,718.60	\$1,787.94	\$255.42	\$2,383.92	\$561,583.44
<b>Grand Total</b>	<b>\$0.00</b>	<b>\$3,916.44</b>	<b>\$597,767.94</b>	<b>\$51,765.12</b>	<b>\$2,554.20</b>	<b>\$510.84</b>	<b>\$2,383.92</b>	<b>\$658,898.46</b>

Source: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Solid Waste Management Division.

**Table 4**  
**Alternative 2: PPHCSD Administers Collection and ESFR Fees**  
**Phelan Piñon Hills CSD**

	CR&R Residential Customers	SCTS <sup>1</sup> Land Use Pass	VVLF <sup>2</sup> Land Use Pass	Total All Charges
Tons/Year	8,748	10,730	49.8	
Rate/Ton	(\$43.89)	(\$55.89)	(\$55.89)	
Estimated Costs	(\$383,949.72)	(\$599,699.70)	(\$2,783.32)	(\$986,432.74)
	Franchise Fees	Billing Fees <sup>3</sup>	ESFR <sup>4</sup> Land Use Levy	Total All Revenues
Customers	3,038	3,038		
Fee/Month <sup>5</sup>	\$2.27	\$1.00		
Estimated Revenues	\$82,755.12	\$36,456.00	\$658,898.46	\$778,109.58
<b>Net Amount<sup>6</sup></b>				<b>(\$208,323.16)</b>
<b>Net Amount (without Franchise and Billing Fees)<sup>7</sup></b>				<b>(\$327,534.28)</b>

1. SCTS: Sheep Creek Transfer Station

2. VVLF: Victorville Landfill

3. Estimated net billing costs

4. ESFR: Equivalent Single Family Residence

5. Revenue estimate is for residential customers only; commercial customer revenues are not considered substantial.

6. Under this alternative, the Net Revenue calculation includes the Franchise Fees and Billing Fees.

7. Under this Net Revenue calculation, the Franchise Fees and Billing Fees, which are typically not used to offset tipping fees that are direct service charges, are excluded.

Source: John Davis, Recycling Consultant  
County of San Bernardino, Solid Waste Management Division

Table 5  
Alternative 3: PPHCSD Administers Collection, ESFR Fees & Owns and Operates the SCTS  
Phelan Piñon Hills CSD

<b>Fiscal Year 09/10 - Phelan Transfer Station Operating Costs</b>	
57	Scalehouse Staff Hours Per Week (7:30a - 5:00p @ 6 days/week)
\$20.43	Per Hour Rate
\$30.65	Per Hour Rate w/Benefits
<u>\$90,831.78</u>	Total Annual Salaries and Benefits
\$8,841.11	Utilities
\$7,216.69	Maintenance
\$65,756.20	Other Expenses
\$609,204.31	Contractor Operations Payment
\$102,375.00	Contractor Diversion Payment
<u>\$1,231,597.29</u>	Landfill Operator Disposal Cost (\$43.89/ton)
<u>\$2,024,990.60</u>	Total Site Costs
<u>\$2,115,822.38</u>	Total Operating Costs (no insurance premiums included in costs)
<b>Fiscal Year 09/10 - Phelan Transfer Station Operating Revenues</b>	
93.00%	Actual Collection Rate (Countywide)
\$652,896.00	Applied LU Assessments
<u>\$607,193.28</u>	Actual Land Use Revenue Received in 09/10
(\$45,702.72)	Potential Cash Deficit
\$607,193.28	Actual Land Use Revenue Received in 09/10
<u>\$227,947.92</u>	Actual Gate Revenue Generated (Non-Land Use)
<u>\$835,141.20</u>	Total Transfer Station Revenue
<u>(\$1,280,681.18)</u>	Total Deficit From Transfer Station at standard County Disposal Rate

Note: Tonnage Estimates For Victorville Landfill and Tonnage Diverted to the Victor Valley  
Waste Materials Recovery Facility

<u>32,092.00</u>	Total Gate In Tons
<u>3,250.00</u>	Total Tons Diverted
<u>28,061.00</u>	Total Tons Sent to Landfill

Source: San Bernardino County Solid Waste Management Department

**Table 6**  
**Sheep Creek Transfer Station Maintenance and Operational Costs**  
**Phelan Piñon Hills CSD**

<b>Cost Category</b>	<b>Annual Cost</b>	<b>Percent</b>
Scalehouse Staff Wages & Benefits	\$90,831.78	10%
Utilities	\$8,841.11	1%
Maintenance	\$7,216.69	1%
Other Expenses	\$65,756.20	7%
Contractor Diversion Payment	\$609,204.31	69%
Contractor Operations Payment	<u>\$102,375.00</u>	<u>12%</u>
<b>Annual Total</b>	<b>\$884,225.09</b>	<b>100%</b>

Source: Stanley R. Hoffman Associates, Inc.

County of San Bernardino, Solid Waste Management Division

## Memorandum

**Date:** February 22, 2011  
**To:** Don Bartz, General Manager, Phelan Piñon Hills CSD  
**From:** Stan Hoffman, Principal  
John Davis, Recycling Consultant  
**Subject:** Feasibility Analysis of Establishing Solid Waste Service  
**SRHA Job No.** 1214

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### INTRODUCTION

This report includes several revisions to the January 18, 2011, financial feasibility analysis for proposed solid waste management services for the Phelan Piñon Hills Community Services District (PPHCSD) based on additional information that was provided by the County of San Bernardino. The revisions include:

1. Under Alternative 2, where PPHCSD assumes ESFR responsibility, the County refined its data showing land use pass use from within the District. Earlier data was from scale house reported origin. The County now tracks data from assessor parcel numbers unique to each land use pass. The new system shows higher tonnage delivered from within the District.
2. Under Alternative 3, where the PPHCSD is assumed to take over the ownership and operation of the Sheep Creek Transfer Station (SCTS), the County has provided updated operations costs and revenues, as shown on Table 6.
3. County staff assumes that ESFR revenue from outside PPHCSD would not be available to the District to support SCTS operation as a non-County facility. Deliveries instead would be directed to Victorville Landfill.

The PPHCSD is located in unincorporated San Bernardino County's High Desert, bounded generally by Interstate 15, Highway 395, Highway 138, and Highway 18, as shown in Figure 1. The district currently provides water service to approximately 6,700 customers, parks and recreation services, and street light services mainly in the business district of Phelan. The district is considering exercising latent solid waste powers for its residents as provided by California Government Code Section 61100(c), to:

Collect, transfer, and dispose of solid waste, and provide solid waste handling services, 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.

Those powers are found generally in the California Public Resources Code, Division 30 (Waste Management), including PRC Section 40051 specifying that:

“In implementing this division, local agencies shall do both of the following:

(a) Promote the following waste management practices in order of priority:

(1) Source reduction.

(2) Recycling and composting.

(3) Environmentally safe transformation and environmentally safe land disposal, at the discretion of the city or county.

(b) Maximize the use of all feasible source reduction, recycling, and composting options in order to reduce the amount of solid waste that must be disposed of by transformation and land disposal. For wastes that cannot feasibly be reduced at their source, recycled, or composted, the local agency may use environmentally safe transformation or environmentally safe land disposal, or both of those practices.”

Division 30 also authorizes local solid waste handling services provision:

40057. Each county, city, district, or other local governmental agency which provides solid waste handling services shall provide for those services, including, but not limited to, source reduction, recycling, composting activities, and the collection, transfer, and disposal of solid waste within or without the territory subject to its solid waste handling jurisdiction.

40058. The solid waste handling services shall be provided for by one or any combination of the following:

(a) The furnishing of the services by the local agency itself.

(b) The furnishing of the services by another local agency.

(c) The furnishing of the services by a solid waste enterprise.

40059. (a) Notwithstanding any other provision of law, each county, city, district, or other local governmental agency may determine all of the following:

(1) Aspects of solid waste handling which are of local concern, including, but not limited to, frequency of collection, means of collection and transportation, level of services, charges and fees, and nature, location, and extent of providing solid waste handling services.

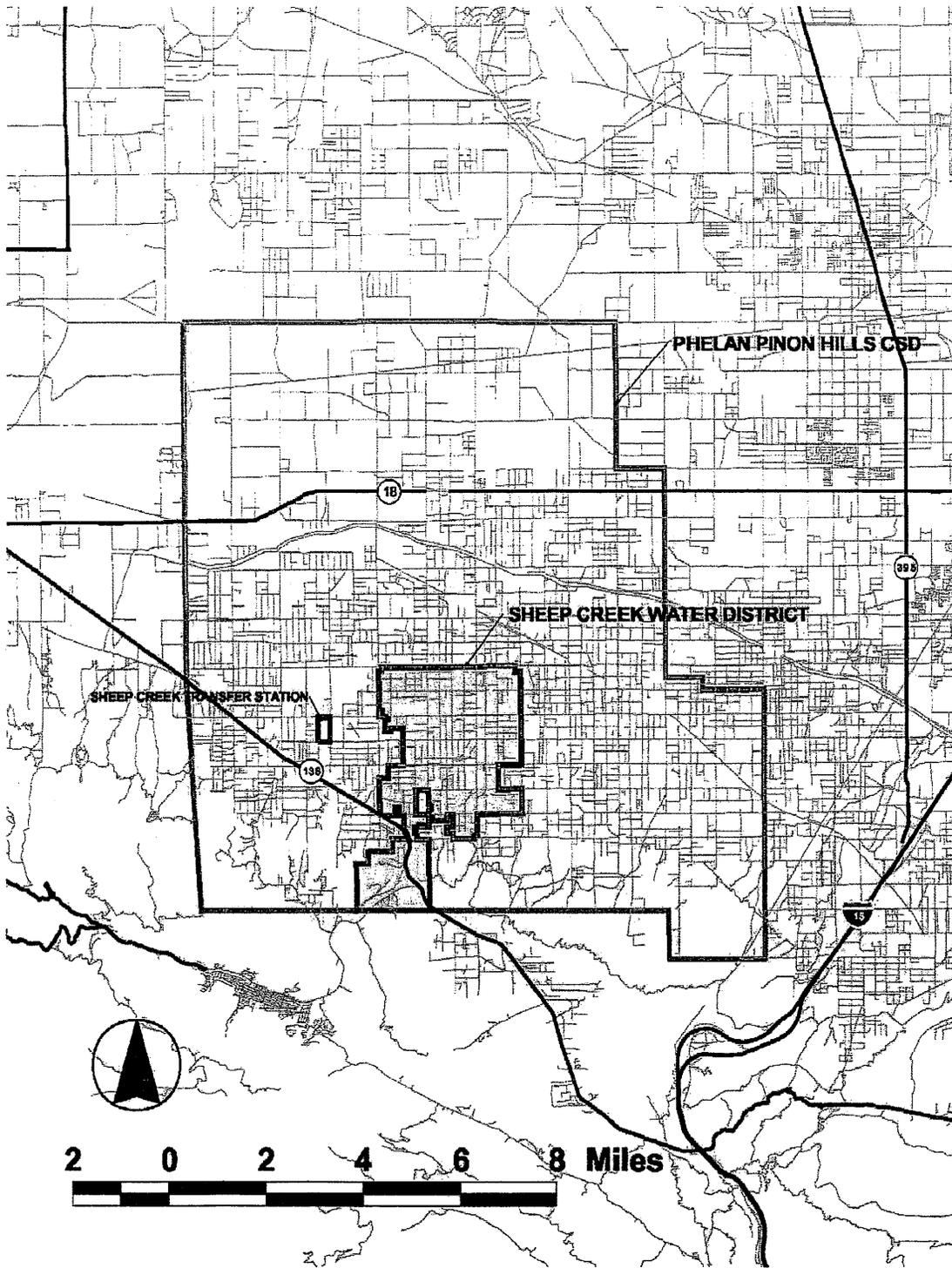
(2) Whether the services are to be provided by means of nonexclusive franchise, contract, license, permit, or otherwise, either with or without competitive bidding, or if, in the opinion of its governing body, the public health, safety, and well-being so require, by partially exclusive or wholly exclusive franchise, contract, license, permit, or otherwise, either with or without competitive bidding. The authority to provide solid waste handling services may be granted under terms and conditions prescribed by the governing body of the local governmental agency by resolution or ordinance.

(b) Nothing in this division modifies or abrogates in any manner either of the following:

(1) Any franchise previously granted or extended by any county or other local governmental agency.

(2) Any contract, license, or any permit to collect solid waste previously granted or extended by a city, county, or a city and county.

Figure 1  
Regional Context Map  
Phelan Piñon Hills CSD



Source: Stanley R. Hoffman Associates, Inc.

## OVERVIEW OF MEMORANDUM

The financial feasibility analysis will consider three different options for solid waste management. The options are as follows and are summarized in detail along with the Existing Conditions in Appendix Tables A-1 through A-4. The first option is that the PPHCSD assumes solid waste handling services through PPHCSD collection franchise administration; the second is that the PPHCSD administers collection and Equivalent Single Family Residence (ESFR) Fees; and the third is that the PPHCSD administers collection, ESFR Fees, and the Sheep Creek Transfer Station. In the next section, the Project is described followed by the Financial Feasibility Analysis. The recommended approach is then presented in the Findings and Conclusions section.

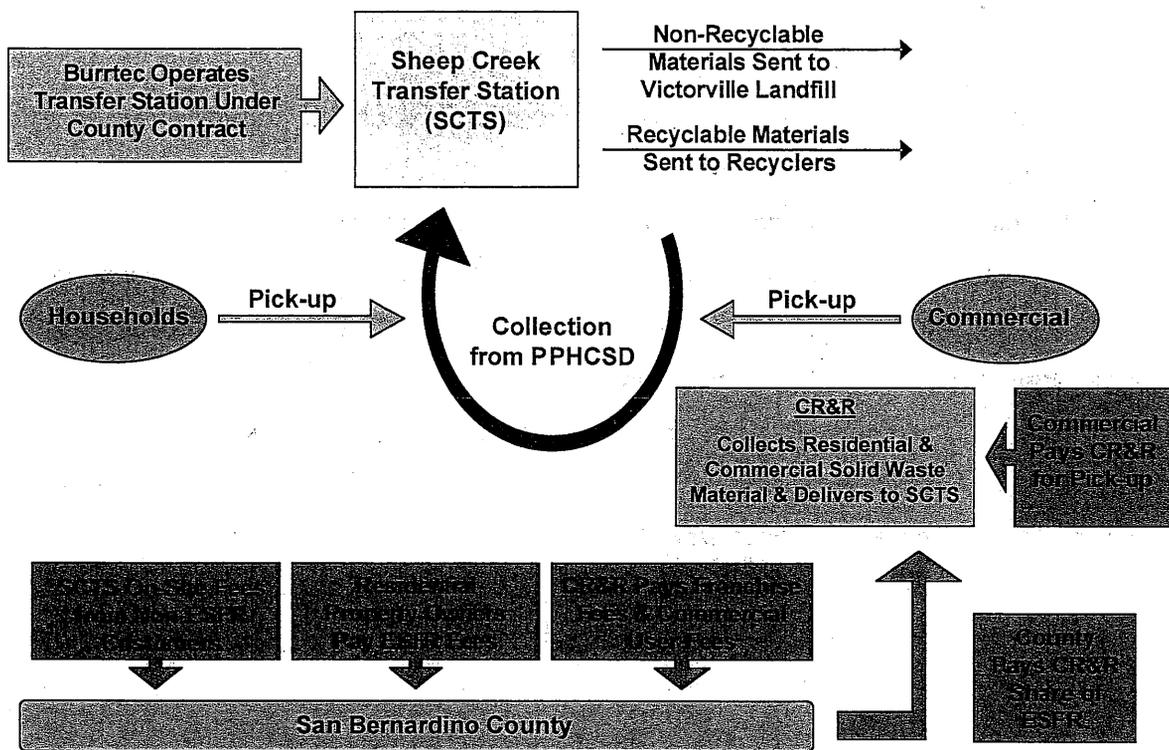
## PROJECT DESCRIPTION

Figure 2 illustrates the existing conditions and revenue flows of solid waste management in Phelan Piñon Hills Community Services District (PPHCSD). Solid waste collection is provided by CR&R, under its San Bernardino County residential and commercial waste handling franchise (County Franchise Area 20). CR&R delivers solid waste directly to Sheep Creek Transfer Station (SCTS). As shown on Figure 3, SCTS is located on the northwest corner of Buckwheat and Yucca Terrace and is part of the larger parcel (#306737101) that includes the closed County landfill. As shown in Figure 4, the SCTS is shown on the larger parcel that includes the closed County landfill. This Figure also shows an aerial close-up of the Sheep Creek Transfer Station. From the SCTS, the solid waste is sent to the Victorville Landfill for disposal, as shown on Figure 5. CR&R hauls its collected recyclable materials directly to the Victor Valley Materials Recovery Facility, as shown in Figure 6. Currently, Burrtec Waste Industries operates the Sheep Creek Transfer Station under County contract.

Flow of Revenues. As shown in Figure 2, the County administers the CR&R franchise contract and collects the franchise fees. The County also collects the Equivalent Single Family Residence (ESFR) fees, applied to property tax bills for residential units of 4 or less units per parcel. This fee is used for solid waste purposes, including disposal charges of PPHCSD residential refuse delivered to the SCTS by CR&R. The County issues land use passes to owners of property covered by the ESFR fees. These passes allow weekly deliveries to SCTS or to a County landfill, where user charges otherwise would be incurred. The County also collects SCTS on-site fees from non-ESFR customers, cash payments for land use pass customers delivering more than 500 pounds at one time, and fees for materials delivered from CR&R's commercial customers. The County offsets CR&R's residential SCTS charges against ESFR revenues.

Also shown in Figure 2, CR&R is the current franchisee collecting residential and commercial solid waste materials. They bill their commercial customers for collection and disposal, and residential customers for collection. At the SCTS, CR&R incurs charges for delivered materials. Those charges are offset for residential customers.

**Figure 2**  
**Existing Conditions Flowchart**  
**Phelan Piñon Hills CSD**



**Figure 3**  
**Sheep Creek Transfer Station Parcel Map**  
**Phelan Piñon Hills CSD**

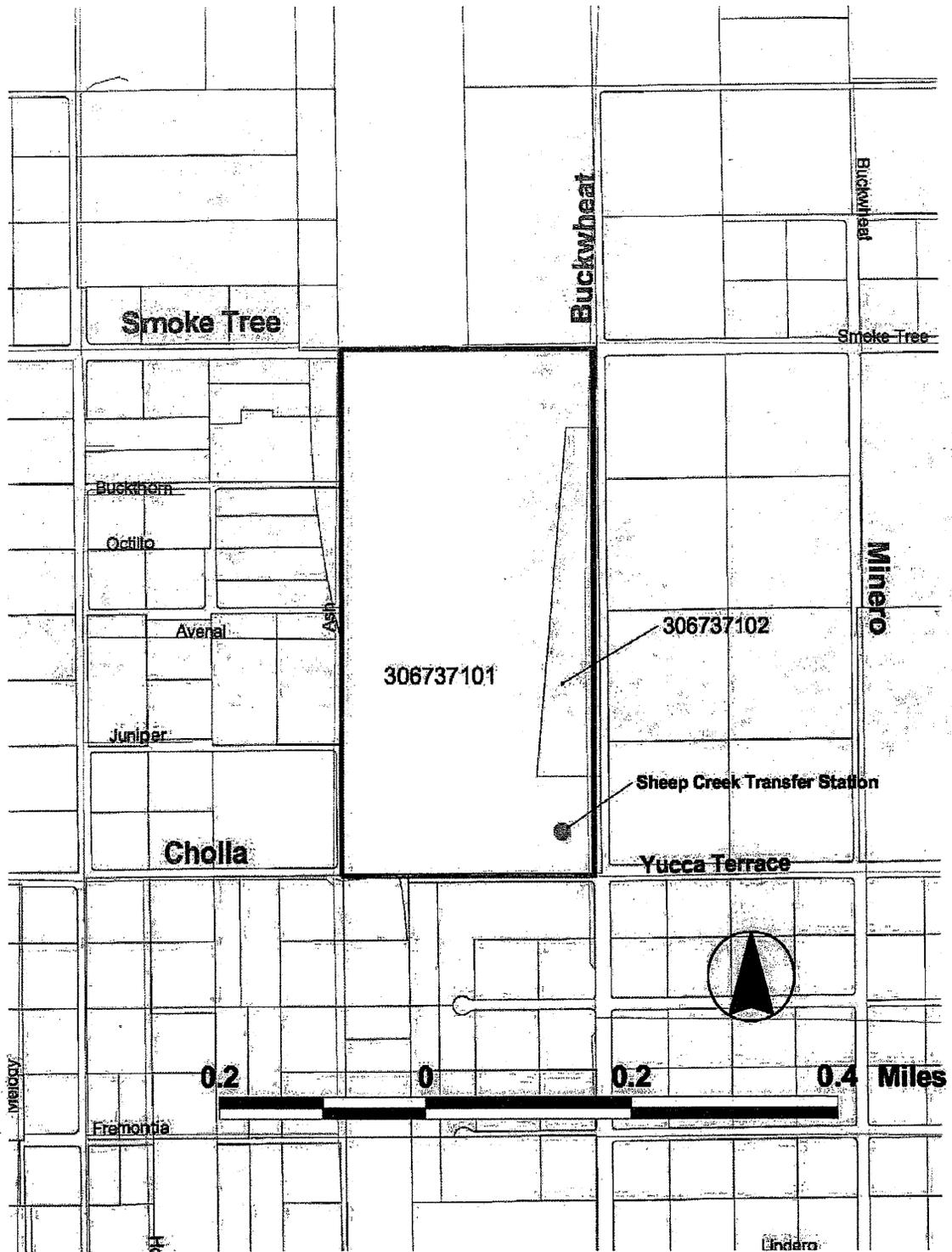


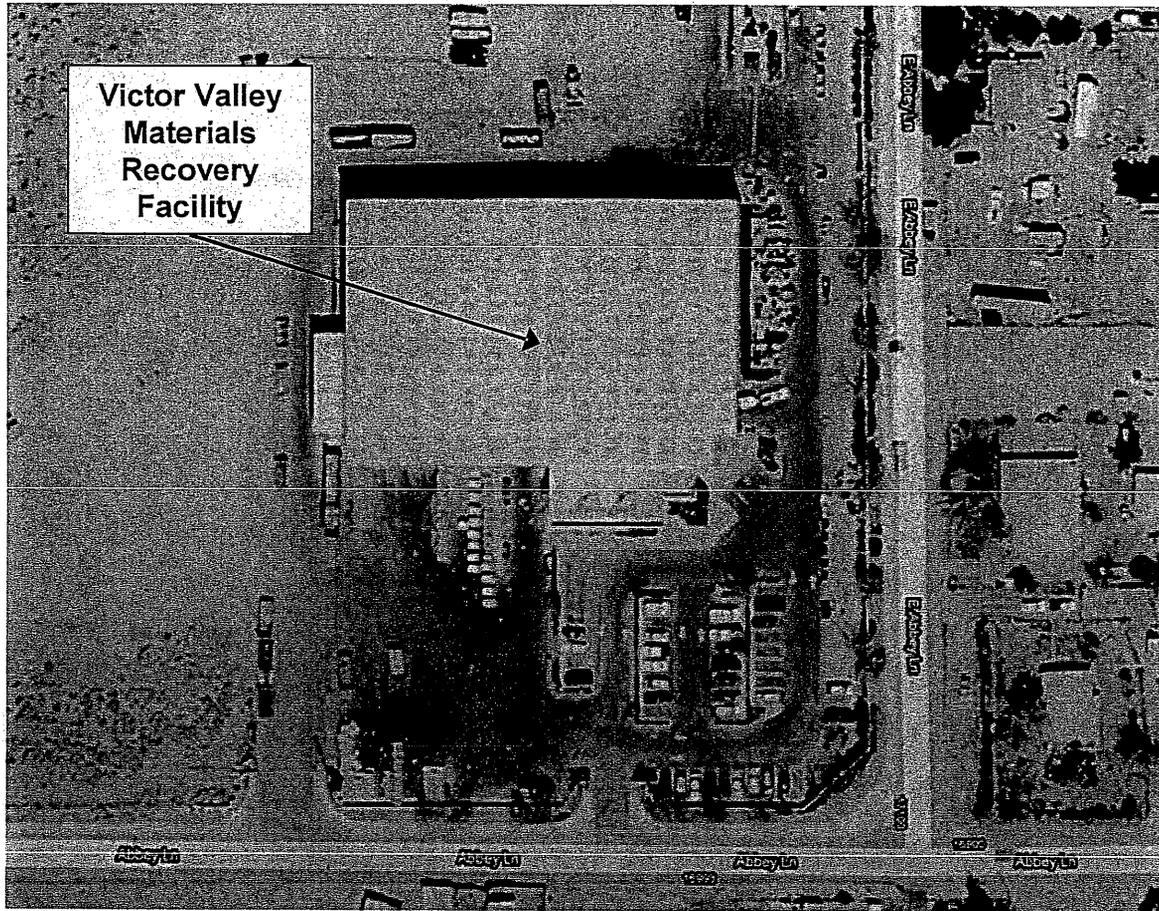
Figure 4  
Aerial Map of Sheep Creek Transfer Station  
Phelan Piñon Hills CSD



Figure 5  
Aerial Map of Victorville Landfill  
Phelan Piñon Hills CSD



Figure 6  
Aerial Map of Victor Valley Material Recovery Facility  
Phelan Piñon Hills CSD



## **FINANCIAL FEASIBILITY ANALYSIS**

Financial feasibility considered three alternatives – collection services, equivalent single family residential (ESFR) fees, and Sheep Creek Transfer Station operation. A description of existing conditions preceded the three alternatives. Again, a detailed description of Existing Conditions and Alternatives 1, 2, and 3 are provided in Appendix Tables A-1 through A-4.

### **Financial Feasibility Scenarios**

Based on the key assumptions discussed above, the following tables present three different alternatives for PPHCSD to provide solid waste management and recycling services to its residents. The three alternatives are summarized below:

#### Alternative 1: PPHCSD Administers Collection

- San Bernardino County (SBC) Owns & Operates SCTS & Closed Landfill
- CR&R Operates the Collection Franchise
- PPHCSD Administers the CR&R Contract
- PPHCSD May Provide Residential Customer Billing

#### Alternative 2: PPHCSD Administers Collection & ESFR Fees

- SBC Owns & Operates SCTS & Closed Landfill
- CR&R Operates the Collection Franchise
- PPHCSD Administers the CR&R Contract
- PPHCSD May Provide Residential Customer Billing
- PPHCSD Administers the ESFR Fees

#### Alternative 3: PPHCSD Administers Collection, ESFR Fees & Owns and Operates Sheep Creek Transfer Station (SCTS)

- PPHCSD Owns & Operates SCTS & Closed Landfill
- CR&R Operates the Collection Franchise
- PPHCSD Administers the CR&R Contract
- PPHCSD May Provide Residential Customer Billing
- PPHCSD Administers the ESFR Fees

Alternative 1: PPHCSD Administers Collection. Table 1 shows revenue impacts from franchise and billing options available to PPHCSD if it assumes franchise responsibilities (Alternative 1). PPHCSD would administer the CR&R Franchise Contract and collect the franchise fees. PPHCSD may assume residential billing. They would set terms and conditions for solid waste collection service, including recycling and composting options. San Bernardino County would continue to own and operate the SCTS and transfer materials to the Victorville Landfill.

This alternative would allow the PPHCSD to collect revenues for franchise and billing fees. The number of customers is estimated at 3,038, which covers residential customers only. Commercial franchise revenues were not independently available for this report, but are significantly less than residential revenues. Billing fees are estimated conservatively at \$1 per month, but would vary depending on negotiations with CR&R over terms (including payment basis and customer service responsibilities). The estimated annual franchise revenues are \$82,755.12 and \$36,456.00 for billing revenues, totaling \$119,211.12.

**Table 1**  
**Alternative 1: PPHCSD Administers Collection**  
**Phelan Piñon Hills CSD**

	Franchise Fees	Billing Fees
Customers	3,038	3,038
Fee/Month <sup>1</sup>	\$2.27	\$1.00
Estimated Revenues	\$82,755.12	\$36,456.00
<b>Net Amount<sup>2</sup></b>		<b>\$119,211.12</b>

1. Revenue estimate is for residential customers only; commercial customer revenues are not considered substantial.
2. Under this alternative there would be no disposal charges or costs.

Source: John Davis, Recycling Consultant

Table 2 presents Equivalent Single Family Residence (ESFR) data. There are 15,564 parcels in the Phelan Piñon Hills Community Services District (PPHCSD). Of the total, 7,436 parcels or about 48 percent pay ESFR fees to the County.

**Table 2**  
**Number of Parcels Paying ESFR Fees**  
**Phelan Piñon Hills CSD**

Parcels Paying ESFR Fees	No	Yes	Grand Total	Percent
Inside Sheep Creek Water District	778	1,081	1,859	12%
Outside Sheep Creek Water District	<u>7,350</u>	<u>6,355</u>	<u>13,705</u>	<u>88%</u>
<b>Grand Total</b>	<b>8,128</b>	<b>7,436</b>	<b>15,564</b>	<b>100%</b>
Percent of Total	52%	48%	100%	

Source: Stanley R. Hoffman Associates, Inc.  
 County of San Bernardino, Solid Waste Management Division.

Table 3 shows the sources of ESFR fees, paid for single, two-, three-, and four-unit residences; and for recreational cabins within PPHCSD. Properties are shown within and outside Sheep Creek Water District. The estimated total of Equivalent Single Family Residence (ESFR) fees collected by the County from PPHCSD is about \$659,000 based on the County of San Bernardino, Solid Waste Management Division. About 15 percent of the ESFR fees are collected from inside the Sheep Creek Water District while 85 percent of the fees are collected from outside the water District but within the PPHCSD. The average fee amount differs based on the type of residence ranging from \$42.57 for a recreational cabin to \$340.56 for a quad-plex. The average ESFR fee amount for all residences both inside and outside the Sheep Creek Water District is an estimated \$88.61.

**Table 3**  
**Estimated ESFR Fees from PPHCSD**  
**Phelan Piñon Hills CSD**

Count of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Grand Total
Inside Sheep Creek Water District	778	10	1,008	59	3	1		1,859
Outside Sheep Creek Water District	7,350	82	6,013	245	7	1	7	13,705
<b>Grand Total</b>	<b>8,128</b>	<b>92</b>	<b>7,021</b>	<b>304</b>	<b>10</b>	<b>2</b>	<b>7</b>	<b>15,564</b>

Average of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Average
Inside Sheep Creek Water District		\$42.57	\$85.14	\$170.28	\$255.42	\$255.42		\$90.02
Outside Sheep Creek Water District		\$42.57	\$85.14	\$170.28	\$255.42	\$255.42	\$340.56	\$88.37
<b>Average</b>		<b>\$42.57</b>	<b>\$85.14</b>	<b>\$170.28</b>	<b>\$255.42</b>	<b>\$255.42</b>	<b>\$340.56</b>	<b>\$88.61</b>

Sum of Fee Amount	NONE	REC CABIN	SFR	SFR 2	SFR 3	TRIPLEX	QUAD	Grand Total
Inside Sheep Creek Water District	\$0.00	\$425.70	\$85,821.12	\$10,046.52	\$766.26	\$255.42		\$97,315.02
Outside Sheep Creek Water District	\$0.00	\$3,490.74	\$511,946.82	\$41,718.60	\$1,787.94	\$255.42	\$2,383.92	\$561,583.44
<b>Grand Total</b>	<b>\$0.00</b>	<b>\$3,916.44</b>	<b>\$597,767.94</b>	<b>\$51,765.12</b>	<b>\$2,554.20</b>	<b>\$510.84</b>	<b>\$2,383.92</b>	<b>\$658,898.46</b>

Source: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Solid Waste Management Division.

Alternative 2: PPHCSD Administers Collection and ESFR Fees. Table 4 demonstrates the impact of PPHCSD assuming responsibility for ESFR fees, including payment of associated waste disposal charges (Alternative 2). San Bernardino County would transition ESFR collection to PPHCSD. The County would bill PPHCSD for deliveries from covered CSD residents to SCTS and the County landfill system. PPHCSD would arrange for and receive the ESFR fees (on the property tax bill). This fee would be used to pay for solid waste purposes, including disposal charges of PPHCSD residential refuse delivered to the SCTS, and for covered PPHCSD residents' County landfill deliveries. At the SCTS, CR&R incurs charges for delivered materials. However CR&R receives credit from the District's ESFR fees for covered PPHCSD households. Table 4 shows the total estimated costs for the second alternative at about \$986,433 and the total revenues at about \$778,110, netting an estimated deficit of about \$208,323. However, Franchise fees and Billing fees are typically not used to offset tipping fees that are direct service charges. When these revenues are excluded, this results in an estimated deficit of about \$327,534, as shown in Table 4.

**Table 4**  
**Alternative 2: PPHCSD Administers Collection and ESFR Fees**  
**Phelan Piñon Hills CSD**

	CR&R Residential Customers	SCTS <sup>1</sup> Land Use Pass	VVLF <sup>2</sup> Land Use Pass	Total All Charges
Tons/Year	8,748	10,730	49.8	
Rate/Ton	(\$43.89)	(\$55.89)	(\$55.89)	
Estimated Costs	(\$383,949.72)	(\$599,699.70)	(\$2,783.32)	(\$986,432.74)
	Franchise Fees	Billing Fees <sup>3</sup>	ESFR <sup>4</sup> Land Use Levy	Total All Revenues
Customers	3,038	3,038		
Fee/Month <sup>5</sup>	\$2.27	\$1.00		
Estimated Revenues	\$82,755.12	\$36,456.00	\$658,898.46	\$778,109.58
<b>Net Amount<sup>6</sup></b>				<b>(\$208,323.16)</b>
<b>Net Amount (without Franchise and Billing Fees)<sup>7</sup></b>				<b>(\$327,534.28)</b>

1. SCTS: Sheep Creek Transfer Station
2. VVLF: Victorville Landfill
3. Estimated net billing costs
4. ESFR: Equivalent Single Family Residence
5. Revenue estimate is for residential customers only; commercial customer revenues are not considered substantial.
6. Under this alternative, the Net Revenue calculation includes the Franchise Fees and Billing Fees.
7. Under this Net Revenue calculation, the Franchise Fees and Billing Fees, which are typically not used to offset tipping fees that are direct service charges, are excluded.

Source: John Davis, Recycling Consultant  
County of San Bernardino, Solid Waste Management Division

Alternative 3: PPHCSD Administers Collection, ESFR Fees and Owns and Operates the SCTS.

Table 5 illustrates Alternative 3, with PPHCSD taking ownership and operation of the Sheep Creek Transfer Station. The County would transfer SCTS ownership to PPHCSD, including certain equipment. PPHCSD would own and operate SCTS. The operation may be contracted and PPHCSD would collect user fees at SCTS.

The County indicates that it would not pay the PPHCSD for ESFR covered material that might be delivered to the SCTS from outside PPHCSD. Therefore, since material delivered to the SCTS would not be able to use their County Land Use Pass and they would likely take their waste material to other County facilities, such as the Victorville Landfill.

The District would be responsible for paying landfill charges incurred by delivering material from SCTS for disposal at the County landfill. This alternative is estimated to be negative even before having to take over the responsibility of the closed landfill and its ongoing environmental mitigation costs.

The cost to operate Sheep Creek Transfer Station, including disposal charges, is approximately \$2.1 million as shown in Table 5. Direct operating costs are estimated at nearly \$900,000, as summarized in Table 6. Associated revenue, from gate charges and District ESFR application, is about \$835,000, as shown in Table 5. This assumes that non-PPHCSD ESFR revenues are excluded, as suggested by County staff. Consequently, in this scenario, there is substantial shortfall of revenues to support SCTS operation as a stand-alone facility by the PPHCSD. As shown in Table 5, the estimated shortfall is about \$1.3 million annually. The Transfer Station is now part of the countywide system, which spreads costs over a much larger base of landfills and transfer stations.

Additionally, the closed landfill also requires annual maintenance and monitoring costs of approximately \$65,000, which are paid from countywide system revenues. Under this alternative, the PPHCSD would not have a revenue source for this cost. Unknown environmental risk is also associated with landfill ownership for both active and closed sites.

**Table 5**  
**Alternative 3: PPHCSD Administers Collection, ESFR Fees & Owns and Operates the SCTS**  
**Phelan Piñon Hills CSD**

<b>Fiscal Year 09/10 - Phelan Transfer Station Operating Costs</b>	
57	Scalehouse Staff Hours Per Week (7:30a - 5:00p @ 6 days/week)
\$20.43	Per Hour Rate
\$30.65	Per Hour Rate w/Benefits
<u>\$90,831.78</u>	Total Annual Salaries and Benefits
\$8,841.11	Utilities
\$7,216.69	Maintenance
\$65,756.20	Other Expenses
\$609,204.31	Contractor Operations Payment
\$102,375.00	Contractor Diversion Payment
<u>\$1,231,597.29</u>	Landfill Operator Disposal Cost (\$43.89/ton)
<u>\$2,024,990.60</u>	Total Site Costs
<u>\$2,115,822.38</u>	Total Operating Costs (no insurance premiums included in costs)
<b>Fiscal Year 09/10 - Phelan Transfer Station Operating Revenues</b>	
93.00%	Actual Collection Rate (Countywide)
\$652,896.00	Applied LU Assessments
<u>\$607,193.28</u>	Actual Land Use Revenue Received in 09/10
(\$45,702.72)	Potential Cash Deficit
\$607,193.28	Actual Land Use Revenue Received in 09/10
<u>\$227,947.92</u>	Actual Gate Revenue Generated (Non-Land Use)
\$835,141.20	Total Transfer Station Revenue
<u>(\$1,280,681.18) Total Deficit From Transfer Station at standard County Disposal Rate</u>	

Note: Tonnage Estimates For Victorville Landfill and Tonnage Diverted to the Victor Valley Waste Materials Recovery Facility

<u>32,092.00</u>	Total Gate In Tons
<u>3,250.00</u>	Total Tons Diverted
28,061.00	Total Tons Sent to Landfill

Source: San Bernardino County Solid Waste Management Department

**Table 6**  
**Sheep Creek Transfer Station Maintenance and Operational Costs**  
**Phelan Piñon Hills CSD**

<b>Cost Category</b>	<b>Annual Cost</b>	<b>Percent</b>
Scalehouse Staff Wages & Benefits	\$90,831.78	10%
Utilities	\$8,841.11	1%
Maintenance	\$7,216.69	1%
Other Expenses	\$65,756.20	7%
Contractor Diversion Payment	\$609,204.31	69%
Contractor Operations Payment	<u>\$102,375.00</u>	<u>12%</u>
<b>Annual Total</b>	<b>\$884,225.09</b>	<b>100%</b>

Source: Stanley R. Hoffman Associates, Inc.

County of San Bernardino, Solid Waste Management Division

## FINDINGS AND CONCLUSIONS

The recommendations of this report are based on best estimates available and are to proceed with the establishment of Alternative 1: *PPHCSD Administers Collection*. Eventually, Alternative 2: *PPHCSD Administer Collection and ESFR Fees* may become feasible, while Alternative 3: *PPHCSD Administers Collection, ESFR Fees & Owns and Operates the SCTS*, is not recommended. The rationale for these recommendations is as follow:

Alternative 1: PPHCSD Administers Collection. This alternative is recommended for implementation. This alternative would allow the PPHCSD to collect revenues for franchise and billing fees. The number of residential customers is estimated at 3,038. CR&R also serves commercial and roll-off customers. The estimated annual franchise revenues are \$82,755 and \$36,456 for billing revenues, totaling \$119,211. Billing services would be subject to negotiation with CR&R. Administration costs are considered minimum since the PPHCSD already has a billing system for its other services. However assumption of customer service responsibilities could increase the District's cost.

Alternative 2: PPHCSD Administers Collection and ESFR Fees. This alternative shows total estimated costs at \$986,433 and total revenues at \$778,110, resulting in a deficit of about \$208,323. However, Franchise fees and Billing fees are not intended to offset disposal costs, which are a direct cost of service. Excluding those revenues results in a deficit of \$327,534. In the future, the PPHCSD may be able to negotiate for a lower disposal cost, similar to that paid by High Desert incorporated cities. The District also could improve CR&R's efficiency by helping to increase service participation; institute programs to reduce disposal by increased recycling and composting; and modify pricing to capture disposal costs for large waste generators. Per capita residential disposal within PPHCSD appears to be higher than surrounding areas, by as much as 300%. If the District is able to reduce residential disposal through its efforts, then, Alternative 2 may become feasible. This should be a long-range goal of the PPHCSD.

Alternative 3: PPHCSD Administers Collection, ESFR Fees & Owns and Operates the SCTS. This alternative is already estimated to be negative even before having to take over the responsibility of the closed landfill and its ongoing environmental mitigation costs. Sheep Creek Transfer Station benefits from economies of scale since it is part of the larger Countywide solid waste system, which is supported by a uniform fee structure. There is no effective way to charge transfer station user fees equivalent to disposal charges, and then transfer the same material for disposal and incur the disposal charges. Therefore, Alternative 3 is not considered feasible.

## APPENDICES

**Table A-1  
Existing Conditions  
Phelan Piñon Hills CSD**

	Collection	ESFR	Transfer Station
County	County administers the CR&R Franchise Contract and collects the franchise fees.	County collects the ESFR fees (on the property tax bill) for residential units of 4 or less units per parcel. This fee is used for solid waste purposes, including disposal charges of PPHCSD residential refuse delivered to the SCTS, and for covered PPHCSD residents' County landfill deliveries.	Currently, County of San Bernardino owns and operates the SCTS. Burrtec now operates SCTS under contract, and transfers material to the Victorville Landfill.
PPHCSD	Not currently involved	Not currently involved	Not currently involved
CR&R	CR&R is the current franchisee, collecting residential and commercial materials. Refuse is delivered to the SCTS, and recyclables to the Victor Valley MRF. CR&R pays a franchise fee to the County. They bill their commercial customers for collection and disposal, and residential customers for collection.	At the SCTS, CR&R incurs charges for delivered materials. However CR&R receives credit from the County's ESFR fees for covered PPHCSD households.	Not currently involved

### **LEGEND**

PPHCSD: Phelan Piñon Hills Community Services District

ESFR: Equivalent Single Family Residence

SCTS: Sheep Creek Transfer Station

MRF: Materials Recycling Facility

CR&R: Current franchisee that collects solid waste materials from residential and commercial customers

**Table A-2**  
**Alternative 1: PPHCSD Administers Collection**  
**Phelan Piñon Hills CSD**

	Collection	ESFR	Transfer Station
County	Not involved	County collects the ESFR fees (on the property tax bill) for residential units of 4 or less units per parcel. This fee is used for solid waste purposes, including disposal charges of PPHCSD residential refuse delivered to the SCTS, and for covered PPHCSD residents' County landfill deliveries.	County of San Bernardino continues to own and operates the SCTS. Burrtec now operates SCTS under contract, and transfers material to the Victorville Landfill.
PPHCSD	PPHCSD administers the CR&R Franchise Contract and collects the franchise fees. PPHCSD may assume residential billing. They set terms and conditions for service.	Not involved	Not involved
CR&R	CR&R is the current franchisee, collecting residential and commercial materials. CR&R is guaranteed 5 years franchise continuation per the Public Resources Code. CR&R pays a franchise fee to the PPHCSD. They bill their commercial customers for collection and disposal. Residential customers pay for collection only.	At the SCTS, CR&R incurs charges for delivered materials. However CR&R receives credit from the County's ESFR fees for covered PPHCSD households.	Not involved

**Table A-3**  
**Alternative 2: CSD Administers Collection & ESFR Fees**  
**Phelan Piñon Hills CSD**

	Collection	ESFR	Transfer Station
County	Not involved	County transitions ESFR collection to PPHCSD. County bills PPHCSD for deliveries from covered CSD residents to SCTS and County landfill system.	County of San Bernardino continues to own and operates the SCTS. Burrtec now operates SCTS under contract, and transfers material to the Victorville Landfill.
PPHCSD	PPHCSD administers the CR&R Franchise Contract and collects the franchise fees. PPHCSD may assume residential billing. They set terms and conditions for service.	PPHCSD arranges for and receives the ESFR fees (on the property tax bill) for residential units of 4 or less units per parcel. This fee is used to pay for solid waste purposes, including disposal charges of PPHCSD residential refuse delivered to the SCTS, and for covered PPHCSD residents' County landfill deliveries.	Not involved
CR&R	CR&R is the current franchisee, collecting residential and commercial materials. CR&R is guaranteed 5 years franchise continuation per the Public Resources Code. CR&R pays a franchise fee to the PPHCSD. They bill their commercial customers for collection and disposal. Residential customers pay for collection only.	At the SCTS, CR&R incurs charges for delivered materials. However CR&R receives credit from the District's ESFR fees for covered PPHCSD households.	Not involved

**Table A-4**  
**Alternative 3: PPHCSD Administers Collection, ESFR Fees & Owns & Operates the SCTS**  
**Phelan Piñon Hills CSD**

	Collection	ESFR	Transfer Station
County	Not involved	County transitions ESFR collection to PPHCSD. County bills PPHCSD for deliveries from covered CSD residents to SCTS and County landfill system.	County transfers SCTS ownership to PPHCSD; include certain equipment. County arranges to pay PPHCSD for ESFR covered material delivered to the SCTS from outside PPHCSD.
PPHCSD	PPHCSD administers the CR&R Franchise Contract and collects the franchise fees. PPHCSD may assume residential billing. They set terms and conditions for service.	PPHCSD arranges for and receives the ESFR fees (on the property tax bill) for residential units of 4 or less units per parcel. This fee is used for solid waste purposes, including disposal charges of PPHCSD residential refuse delivered to the SCTS, and for covered PPHCSD residents' County landfill deliveries.	PPHCSD owns and operates SCTS. Operation may be contracted. PPHCSD collects user fees at SCTS, and ESFR payments for covered material delivered from outside PPHCSD.
CR&R	CR&R is the current franchisee, collecting residential and commercial materials. CR&R is guaranteed 5 years franchise continuation per the Public Resources Code. CR&R pays a franchise fee to the PPHCSD. They bill their commercial customers for collection and disposal. Residential customers pay for collection only.	At the SCTS, CR&R incurs charges for delivered materials. However CR&R receives credit from the District's ESFR fees for covered PPHCSD households. CR&R also would receive credit from County ESFR fees for covered material delivered from outside PPHCSD.	Not involved

## PROJECT REFERENCES

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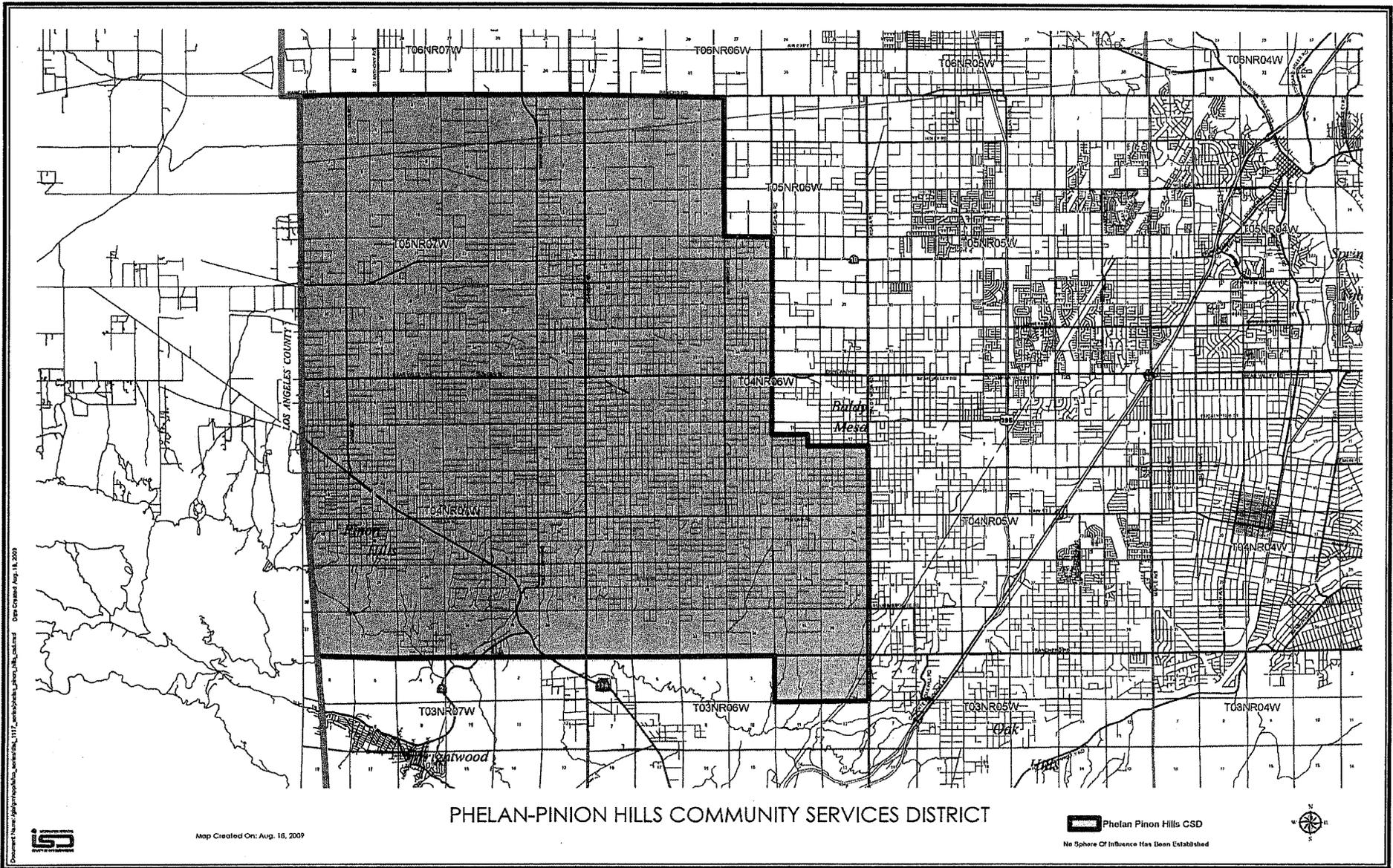
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### PHELAN-PINON HILLS COMMUNITY SERVICES DISTRICT

 Phelan Pinon Hills CSD  
No Sphere of Influence Has Been Established

