LAFCO Resolution No. 3095

Attachment 1

LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO

215 North "D" Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-mail: lafco@lafco.sbcounty.gov
www.sbclafco.org

PROPOSAL NO.: **LAFCO 3149**

HEARING DATE: **July 21, 2010**

RESOLUTION NO. 3095

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3149 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE RIM OF THE WORLD RECREATION AND PARK DISTRICT (affirmation of the existing sphere of influence as shown on the attached map, subject to conditions).

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

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

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

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

WHEREAS, a public hearing by this Commission was called for July 21, 2010 at the time and place specified in the notice of public hearing; and,

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

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on July 21, 2010.

The Executive Officer was directed to file a Notice of Exemption within five working days of its adoption;

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the existing sphere of influence for the Rim of the World Recreation and Park District (hereafter shown as the "District" or "ROWRPD") shall be affirmed as depicted on the map attached hereto as Exhibit "A", subject to the following conditions:

1. For the next five years the District is required to provide the Commission annually with a copy of its adopted proposed and final budget, its mid-year budget review and financial reports, and copies of the audits presented to the District;

2. The District is required to provide the Commission with an outline for completion of its outstanding audits within the next two fiscal years;

3. The District is required to provide the County Auditor with copies of all audits and current budgets and the State Controller with copies of all audits as required by law; and

4. The District is to provide an outline of how it anticipates providing for management of the District according to the requirements of State and Park and Recreation District Law,

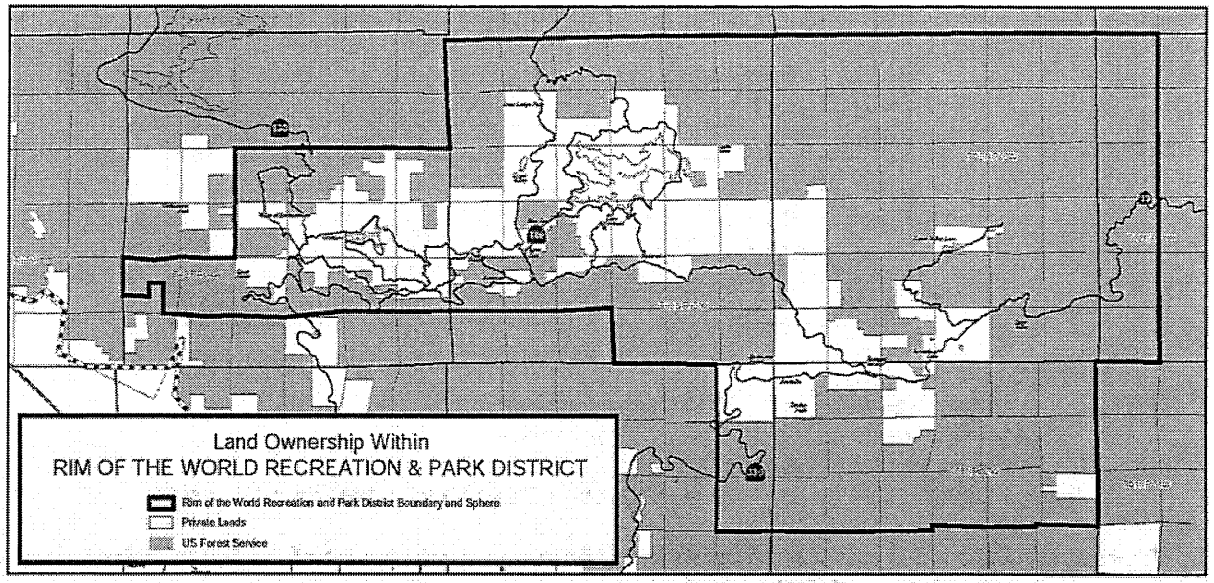
WHEREAS, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated July 13, 2010 and received and filed by the Commission on July 21, 2010, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

1. Growth and population projections for the affected area:

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. The land ownership distribution and breakdown within the District's boundary are identified in the table and map below. Most of the District's area is within the San Bernardino National Forest (owned by the federal government), which is devoted primarily to resource protection and recreational use. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay.

Land Owner	Boundary & Sphere	%
US Forest Service	80.7	73.0%
Private	29.7	26.9%
Total	**110.4**	**100.0%**

Units in square miles
Source: County of San Bernardino Information Services Department



In general, the San Bernardino Mountains is one of the most densely populated mountain areas within the country and is the most densely populated urban forest west of the Mississippi River. The District's service area includes commercial uses oriented to tourists and seasonal residents as well as year-round residents. However, development in the District is primarily single-family residential with roughly 93 percent of all homes being single-family dwellings, many of which are second or vacation homes. The District currently has an estimated permanent population of approximately 34,000 (with 15,874 registered voters as of April 2010). However, there is a large seasonal population component as well as a substantial influx of visitors to the mountain resort areas. The seasonal population and visitors are not reflected in available demographic statistics, which count only year-round residents. It is estimated that the seasonal factors can approximately double the peak population to an estimated 69,000.

The District's boundary generally encompasses the Crest Forest, Hilltop, and Lake Arrowhead Community Plan areas, excluding the Cedarpines Park area. The population projections for all three Community Plan areas excluding Cedarpines Park are utilized. By 2030, the overall permanent population is estimated to reach over 47,000. This figure does not take into account seasonal population and tourism. Even with the large increase in population, the area is not anticipated to reach its build-out population by the 2030 horizon of this service review.

Community Plan	2000	2005	2010	2015	2020	2025	2030	2000 to 2030 growth rate
Crest Forest[a]	9,834	10,473	11,154	11,879	12,651	13,473	14,349	45.9%
Hilltop	6,026	6,508	7,029	7,591	8,198	8,854	9,683	60.7%
Lake Arrowhead								
Lake Arrowhead Community Services District	12,040	13,364	14,834	16,466	18,278	20,288	22,334	85.5%
Remainder of Comm. Plan	633	703	780	866	961	1,067	1,174	85.5%
TOTAL	**28,533**	**31,048**	**33,797**	**36,802**	**40,088**	**43,682**	**47,540**	**66.6%**

Community Plan	Build-out	2030 as % of Build-out
Crest Forest[a]	*23,857*	60%
Hilltop	27,376	35%
Lake Arrowhead		
Lake Arrowhead Community Services District	*61,871*	36%
Remainder of Comm. Plan	*3,256*	36%
TOTAL	**51,233**	**93%**

[a] Excluding Cedarpines Park
Source: County of San Bernardino 2007 Community Plans; LAFCO
Notes: Does not include seasonal population or visitors
Italicized figures are calculated by LAFCO staff
Hilltop Community Plan represents Arrowbear/Green Valley Lake/Running Springs

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

The District does not have a current master plan or other studies to reference. The District in 1989 adopted a Park and Recreation Master Plan, on file at the LAFCO staff office, but no update or further review has occurred.

The District is authorized by LAFCO to perform Park and Recreation services within its boundaries. The District operates over 20 acres of park space which includes ball fields, roughly 7,200 square feet for two senior/community centers, and over 4,100 square feet of child care facilities. The District offers the full range of recreation programs which include swimming, teen and senior programs, CPR classes, dance, martial arts, etc. A listing of the facilities and services is shown on the chart below.

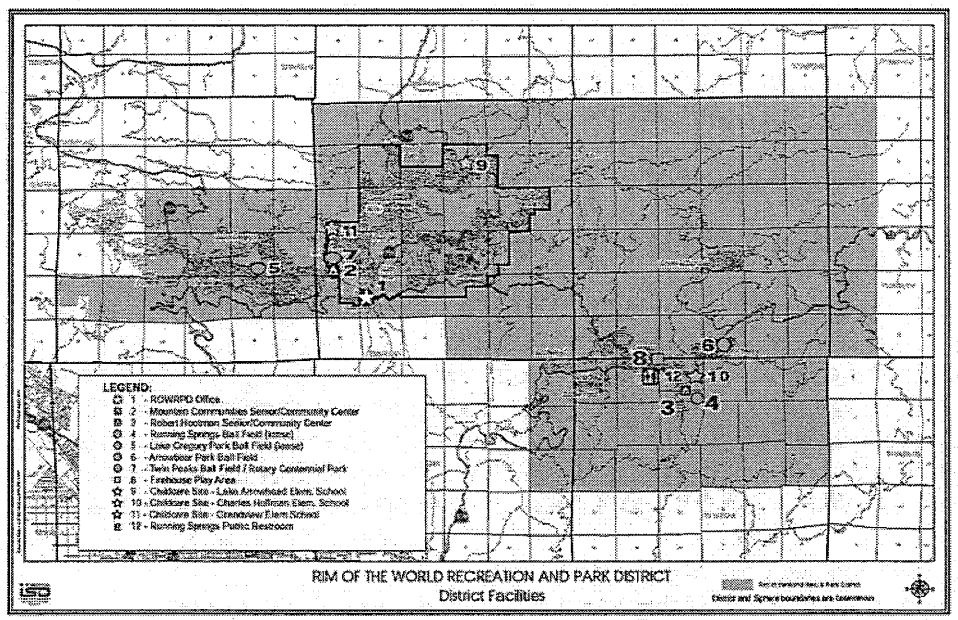
Facility	Area	Size	Own/Lease
Crest Forest Community			
Lake Gregory Park & Ball Field	Crestline	2.76 acre	Lease
Lake Arrowhead Community			
District Office	Rim Forest	7800 sq ft	Own
Senior/Community Center - Mtn Communities	Twin Peaks	3250 sq ft	Own
Twin Peaks Ball Field/Rotary Centennial Park	Twin Peaks	11.57 acre	Own
Childcare – Grandview Elementary	Twin Peaks	N/A	Own
Childcare – Lake Arrowhead Elementary	Lake Arrowhead	2190 sq ft	Own
Arrowbear/Green Valley Lake/ Running Springs Community			
Arrowbear Park & Ball Field	Arrowbear	1.05 acre	Own
Senior/Community Center – Hootman	Running Springs	3960 sq ft	Own
Running Springs Ball Field	Running Springs	4.32 acre	Lease
Firehouse Play Area	Running Springs	0.99 acre	Own
Public Restroom	Running Springs	N/A	Own
Childcare – Hoffman Elementary	Running Springs	960 sq ft	Own

The District does not own all of the facilities as shown on the chart above. The District has entered into a joint use agreement with the Rim of the World Unified School District for use of school owned areas and facilities for recreation programs and licensed before and after school child care. The childcare facilities are modular and are owned by the District but operated on school district property. The District has leased for $1 per year the San Moritz ball field at the Lake Gregory Park from County Regional Parks; the current amendment to the lease is scheduled to expire December 31, 2010. Additionally, the District maintains the Running Springs "Caplinger" ball field which is owned by the Rim of the World Unified School District.

The figure below shows the boundaries of the District and its owned and leased facilities. For the purposes of this section of the report and for ease of representation, the Lake Arrowhead community is that of the Lake Arrowhead Community Services District. At the beginning of the processing of this service review LAFCO was presented with concern that the Lake Arrowhead community received an inequitable share of facilities and services in comparison with assessment revenue generation. In looking at this issue, this area represents 54% of parcels and assessments levied within ROWRPD. As the figure below shows, the proportional breakdown is as follows:

- One park/ball field out of five total (20%),
- One park/ball field out of three that are owned by the District (33%),
- One community/senior center out of two (50%),
- Two childcare programs sites out of three (66%)
- Zero public restrooms that are not associated with a park out of one (0%), and
- The District office is also located in the Lake Arrowhead community

Removing the public restroom not associated with a park from the analysis, the Lake Arrowhead community receives proportional services from the District and has 50% of the community/senior centers and 66% of childcare program sites. However, the Lake Arrowhead community has an inequitable share of park facilities with only one park. The District has indicated that the proposed Lake Arrowhead Community Park (undeveloped property owned by County Service Area 70 Zone D-1) could be developed as a joint enterprise with the District; however, this option remains unclear due to the District's financial constraints. Should this occur, the District would operate and maintain two parks within the Lake Arrowhead community. The County Special Districts Department plans to operate and maintain the proposed park through CSA 70 Zone D-1.



The District states that demand for the use of sports fields and indoor gyms exceeds the current facilities. Further, the District has noticed an increase in the utilization of the facilities and its recreational programs, especially the ball fields. This increase in demand correlates to the increase in population within the past ten years. Expanded shared facility opportunities exist with the School District and other local agencies.

As a cost savings measure, in fall 2009 the District closed the Valley of Enchantment childcare site due to low enrollment. Also, for summer 2010 the Grandview Elementary and Lake View Elementary childcare sites were consolidated. When the new school year begins, the District will determine if enrollment justifies reopening operation of the separate sites.

At its May 24, 2010 meeting, the ROWRPD Board accepted a $15,000 grant from the discretionary funds of Third District Supervisor Neil Derry for repairs to the Twin Peaks ball field, which included repairs to the infield, outfield, fence, and backstop.

3. Financial ability of agencies to provide services:

The District has provided LAFCO with financial statements from FY 1999-00 through FY 2005-06 (the most recently accepted audit conducted by the District), past and current budgets, and financial spreadsheets. LAFCO has also obtained financial data from California State Controller reports for special districts and assessment and foreclosure data from the San Bernardino Assessor's Office.

The Commission is concerned that audits for the District have not been conducted within 12 months after the end of the fiscal year as required by State Law. Each year the proposed budget is presented to the District board during a public hearing without benefit of audited information on its financial position. Therefore, a complete presentation of the District's current financial position cannot be provided in this report or to the Board of Directors during its budget considerations.

The base year used is FY 2005-06; and where materials are available, the information has with financial information for later years.

A. Overview

Since at least 1998-99, the District has been faced with severe financial constraints and governance challenges. The financial burden of the District stems from a combination of two factors. First, the continual lack of proper oversight by the board of directors regarding its finances and governance has contributed to questionable practices and a lack of adherence to financial regulations.

Second, the primary source of income is through the $10 per parcel annual assessment that was approved by the voters in 1983. However, the $10 assessment approved in 1983 did not include an inflation factor. If the measure in 1983 included an inflation factor, $10.00 in 1983 would have the same buying power as $21.85 in 2010. Unfortunately, the measure did not have an inflation factor and $10.00 in 2010 has the same buying power as $4.58 in 1983. Therefore, revenues have been stagnant while costs have increased. As a result, the District has operated with a continuing net loss since at least 1998-99.

These two factors combined have eliminated reserves, reduced the District's cash balance to near zero, decreased services, led to deferral of facility maintenance, deferral of the preparation of financial statements, as well as payments owed to the County Registrar of Voters for past elections. As a result of the lack of funding, the District took out short-term loans for operational funding utilizing a park facility as collateral and received advances from the County Auditor against anticipated assessment collections in order to cover salary and benefit operating costs. The total debt to the County at one point reached roughly 40% of its annual revenue.

Desiring a return to financial solvency and to keep park and recreation services in the control of an independent local district, ROWRPD board members and staff as well as a community group promoted the passage of a measure to increase the per parcel assessment from $10 to $22. In April 2010, the measure passed and the additional assessment revenue could generate up to $432,000 per year. As a cost savings measure, the District currently contracts with the County Special Districts Department for an interim/part-time general manager.

B. Statutory Requirements

Related to the governance of the District, the Commission has concerns which include the apparent lack of familiarity with and/or adherence to the provisions of the Government Code and to the changes that took place in 2001 through the rewrite of "Recreation and Park District Law" (Public Resources Code 5780 et seq.). The issues needing to be addressed include the following:

- Regular Audits - Government Code 26909 requires all districts to provide for regular audits, and this requirement is reinforced by "Recreation and Park District Law" [Public Resources Code 5788.25(a)]. Due to revenue constraints, the District deferred completion of independent financial audits with the most recent conducted audit for FY 2005-06, three years in arrears. The Commission is concerned that audits for the District have not been conducted within 12 months after the end of the fiscal year as required by State Law. Each year the proposed budget is presented to the District board during a public hearing without benefit of audited information on its financial position.

  During the processing of this service review, the interim general manager has indicated that the District intends to complete the FY 2006-07 and FY 2007-08 financial statements by June 2011

and complete the FY 2008-09 and FY 2009-10 financial statements by June 2012. This will still leave the District one year in arrears, with the projection that in June 2013 it would be current. Given the uncertainty of the District's true financial position and desire by the voters to continue park and recreation services under local control, the Commission recommends that the District accelerate its stated timeline for completion of past due audits to the end of June 2012. Absent the accelerated schedule, the Commission recommends that as a condition of the sphere update should the District deviate from this timeline that the County Auditor complete or contract with an independent auditor to complete the audits, pursuant to Section 26909, whereby any costs incurred by the County Auditor in completing the audit shall be borne by the District.

Section 26909 also requires districts to file a copy of the audit to the State Controller and county auditor within 12 months of the end of the fiscal year. According to records from the State Controller, there is no record of an audit being filed. According to records from the County Auditor, the last audit received was for FY 2004-05 on July 15, 2008. As a condition of approval of the sphere of influence update, the Commission is recommending that the District be required to provide the County Auditor with copies of all accepted audits.

- Regular Budgets - Public Resources Code Section 5788.5 requires the adoption of a final budget by August 30 and that the board of directors shall forward a copy to the county. A review of District records indicates that it has annually adopted a final budget each year. However, County Auditor staff has indicated that the last budget received was for FY 2002-03. As a condition of approval of the sphere of influence update, the Commission is recommending that the District be required to provide the County Auditor with copies of all approved budgets up to FY 2010-11.

- Finance Officer – The provision of Recreation and Park District Law require the District to have certain types of employees. Specifically, pursuant to Public Resources Code Section 5784.9(e),

> "The board of directors shall appoint a person who shall be known as the finance officer, who shall serve at the pleasure of the board of directors. The finance officer may be a member of the board of directors, the general manager, or the office of finance officer may be consolidated with the office of secretary. The board of directors shall fix the amount of and approve the finance officer's bond." Further, Section 5784.9(i) states that, "The finance officer shall install and maintain a system of auditing and accounting that shall completely and at all times show the financial condition of the district".

According to the District, there is no appointed finance officer at this time, or any record of one in the past. The lack of an appointed finance officer has contributed to the lack of regular financial audits and lends to the lack of a current financial picture of the District. The Commission recommends that the District be required to show that it is in compliance with "Recreation and Park District Law" with a bonded finance officer who shall maintain a system of auditing and accounting.

- County Treasurer and Depositary - Public Resources Code Section 5784.7(d) states that the county treasurer shall act as the district treasurer. The District has notified LAFCO that it holds funds and draws payments from a depositary outside of the county treasurer. Section 5784.9 et seq. allows for a park district by resolution to designate an alternative depositary (a bank or savings and loan) as the depository of any or all of its funds. Further, the district and the county board of supervisors shall determine the transfer date of the district's funds to the depositary. For any funds remaining in the county treasury, the county treasurer shall be the depositary for funds not designated at an alternative depositary.

No information could be provided that the District took action by resolution to designate an alternative depositary outside of the county treasurer or that the County and the District determined a mutually acceptable date for the transfer of the District's funds to an alternative depositary.

- County Treasurer and Payment of Claims - Public Resources Code Section 5788.23 requires all claims against a district to be paid by the board of directors by warrants drawn on the treasurer. The District pays for its services and supplies through an account with Bank of America where its funds from payments for childcare and/or recreation services are deposited. However, the District could not provide information that it took action by resolution to designate an alternative depositary outside of the county treasurer. Therefore, it remains unclear that the District is allowed to draw warrants on any other depositary than the county treasurer.

- Investment Policy – As stated in the last audit conducted, the District has not adopted an investment policy as required by the Government Code 53635 et seq. Therefore, the District has not addressed interest rate, credit, or custodial risk. Currently, the District has its cash in bank deposits.

C. FY 1999-2000 through FY 2005-2006

For FY 1998-99 through FY 2005-06, the last audited year, a few trends stand out. First, when removing one-time cash infusions due to short-term loans, expenditures annually exceeded revenues. Second, since at least FY 2003-04 expenditures exceeded revenues for the childcare enterprise activity, which should be a self-supporting enterprise. Third, the balance in the County Treasury continued to dwindle, and went into negative territory.

Even with the additional revenue, it should be noted that the District deferred payments, delayed facility maintenance, reduced payroll, refinanced an interest only loan, and executed notes payable to pay for operating expenses.

Noteworthy is the $296,280 in FY 2005-06 identified as Capital Outlay. This figure is not related to capital expenses, rather, it is adjusting journal entries to the audit that primarily is comprised of additional accounts payable that were not recorded in previous audits. Therefore, the net gains prior to FY 2005-06 actually contain additional losses but the entries do not identify the year of occurrence. These issues have contributed to the lack of a clear picture of the District's finances over the years.

Throughout this time the District operated its funds by maintaining accounts in the County Treasury and at a private institution.

- For the County Treasury, the District annually requested the County to provide the District with a constitutional advance of its assessment collections, which were deposited into the District's fund at the County Treasury. Paid from the District's fund at the County Treasury were the District's salaries and benefits. In general, the assessment disbursements ($300,000) were about $200,000 less than the annual salaries and benefits ($500,000). However, the County Treasurer as the depositary was still required to pay salaries and benefits and principal payments on loans. These actions contributed to the growing deficit in the County fund. As an example, the District's identifies that on July 23, 2002, the County Board of Supervisors approved the annual constitutional advance of the anticipated revenues for FY 2002-03 for $301,791, of which

$98,847 would be advanced to the District in July and the remainder being restricted to payment for salaries and benefits and principal payments on the loans.

- With the private bank account, the District utilized receipts from rent, childcare, and recreation activities to pay for services and supplies.

Notes Payable

With declining revenues and increasing expenditures, the District annually sought approval each year to receive an advance of its assessment distribution from the County against anticipated assessment revenues. In June 2001, the County Auditor-Controller/Recorder notified the District of its inability to advance assessment revenues beyond the anticipated limit of $315,000. In response to this anticipated shortfall, the District secured loans to cover expected obligations, reduced expenditures, and sought additional revenue to assure future continuing operations. The loans that the District secured were two notes payable, as shown below:

- On November 20, 2001, the District executed a note payable for $151,270 for working capital purposes. The note was secured by the District's Twin Peaks property. The note required semi-annual payments of $25,000, with interest paid monthly. The final payment was made July 2004.

- On April 26, 2002, the District executed a note payable for $50,550 for working capital purposes. The note was also secured by the District's Twin Peaks property. The note required semi-annual payments of $10,110, with interest paid monthly. The final payment was made in July 2004.

On March 1, 2001, the District executed a note payable for $600,000 to purchase and secure the District office building. Given the revenue constraints of the District, the note payable was an "interest only loan" and the note required monthly interest payments set at 8.5%. The principal was due on March 3, 2006, and the District did not project the ability to have the required $600,000. In November 2005, the District refinanced its $600,000 note payable with Union Bank for $606,000. The note requires monthly payments of $4,037 (principal and interest based on a 25-year amortization schedule at an interest rate of 6.35%). At the end of the tenth year, a balloon payment of the remaining balance is due and payable. The annual schedule is shown below:

Fiscal Year Ending June 30,	Principal	Interest
2007	$ 10,696	$ 37,744
2008	11,396	37,044
2009	12,141	36,299
2010	12,934	35,506
2011	13,780	34,660
2012 - 2016	538,290	141,470
Totals	$ 599,237	$ 322,723

Source: FY 2005-06 Financial Statement

Of primary concern to the Commission is the final balloon payment due in 2016. From FY 2006-07 through FY 2014-15, the annual payment will be $48,440. However, the remaining balance of $486,000 is due and payable in 2016. In looking at "Recreation and Park District Law" regarding acquisition of real property and indebtedness, Public Resources Code Section 5788.21 allows a park district to acquire any necessary real property by borrowing money; however, it limits the time

frame for borrowing. Specifically it states that any indebtedness shall be repaid within 10 years from the date on which it is incurred.

D. FY 2006-07 through FY 2010-11

As shown in the figure below, Assessment Income declined from $472,499 in FY 2006-07 to $361,494 in FY 2009-10, a 23% decline. Additionally, during the same time period Fees and Charges declined from $350,234 to $296,926, a 15% decline. A reduction of 23% and 15% of the top two revenue sources would at the least challenge any agency's ability to continue to provide services and debt repayment. In the case of ROWRPD, this reduction, coupled with its running negative equity in the County Treasury, hindered its ability to continue adequate service provision, as explained in detail below.

Rim of the World Recreation & Park District - FY 2006-07 through FY 2010-11

	FY 2006-07 Actual		FY 2007-08 Actual		FY 2008-09 Actual		FY 2009-10 Estimated		FY 2010-11 Prelim Budget	
REVENUES:	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Fees & Charges	$350,234	39%	$356,174	41%	$332,082	43%	$296,926	40%	$305,000	26%
Rental Income	58,751	7%	72,912	8%	65,740	8%	54,610	7%	86,223	7%
Assessment Income	472,499	53%	406,886	46%	363,722	47%	361,494	48%	755,000	65%
Donations	5,110	1%	10,289	1%	13,229	2%	32,157	4%	20,000	2%
Interest	20	0%	4	0%	0	0%	0	0%	0	0%
Other	3,847	0%	29,210	3%	3,069	0%	649	0%	0	0%
TOTAL REVENUE	$890,461	100%	$875,475	100%	$777,842	100%	$745,836	100%	$1,166,223	100%
EXPENSES:										
Salaries & Benefits	$469,960	52%	$552,364	60%	$488,345	61%	$401,294	52%	$461,530	51%
Professional Services	26,059	3%	35,887	4%	21,184	3%	90,624	12%	110,900	12%
Structural Maintenance	95,975	11%	30,859	3%	26,726	3%	13,188	2%	40,400	4%
Other Services & Supplies	261,195	29%	251,531	27%	210,021	26%	210,973	28%	241,435	27%
Loan Payments - building	48,440	5%	48,440	5%	48,440	6%	48,440	6%	48,440	5%
TOTAL EXPENDITURE	$901,629	100%	$919,081	100%	$794,716	100%	$764,519	100%	$902,705	100%
NET GAIN (LOSS)	($11,168)		($43,606)		($16,874)		($18,683)		$263,518	
County Treasury Balance	($135,591)		($128,067)		($165,720)		($153,700)		($136,742)	

source: ROWRPD FY 2008-09 thorugh FY 2010-11 Budgets; District Interim General Manager; County Financial Accounting System
notes:
Percentages calculated by LAFCO staff
FY 2010-11: Net Gain does not include probable debt repayments to the County; County Treasury Balance obtained from County

As for expenditures, this dire situation required the District to consider drastic cuts in order to maintain viability, including a reduction in payroll and a sharp drop in Structural Maintenance (as shown on the figure). Even with these cuts, the District needed to take draconian measures to stay alive. It considered one option calling for terminating the lease with the County for the Lake Gregory ball field, thus eliminating future maintenance expenses paid by the District – it was not chose. A second option, and the one chosen, eliminated the general manager position in order to help pay off the debt to the County. Since July 2009, the District has contracted with the County of San Bernardino Special Districts Department for the services of an interim/part-time general manager. The current amended contract is scheduled to expire December 2010.

Additionally, as a cost savings measure, in fall 2009 the District closed the Valley of Enchantment childcare site due to low enrollment. Also, for the summer 2010 the Grandview Elementary and Lake View Elementary childcare sites were consolidated. When the new school year begins, the District will determine if enrollment justifies the operation of separate sites.

The District has received advances from the County Auditor against anticipated assessment collections in order to cover salary and benefit operating costs. The District estimates that by June 30, 2010 the remaining balance owed to the County will be $273,700. Below is an outline of the costs which make up this amount:

- Registrar of Voters - $104,807 owed for previously conducted but unpaid elections.
    - $35,549 remaining for the 2005 election for a seat on the board. The District agrees by letter to pay the ROV $8,000 by June 30, 2008 and the balance of $31,549 by June 30, 2009. The District paid $4,000 of the $8,000 promised in March 2008.
    - $65,701 for the 2007 failed assessment increase ballot measure.
    - The District was required by the ROV to pre-pay $55,000 for the April 2010 assessment increase ballot measure. The actual cost of the election was $3,557 over the ROV estimate.
- Auditor/Controller-Recorder - $275,454 owed since October 2008. The District anticipates to have paid $121,754 by June 30, 2010, which would leave a balance of $153,700.
- Special District Department - $18,750 in outstanding payments for contracting for an interim general manager.

E. Beyond FY 2010-11

On April 6, 2010, the voters within the District approved Measure N (69% in favor) which increased the existing $10 special tax by $12, to a total amount of $22 per parcel. The much needed additional revenue will increase assessment revenues by up to $432,000. As a part of the campaign for Measure N, the District, in March 2010, adopted a tentative schedule for use of the additional revenue. As the chart shows, the first three years focuses on repayment of the County debt and deferred maintenance. With the County debt anticipated to be repaid by the end of FY 2012-13, those revenues were to be shifted to capital improvements. Additionally, the District has stated that it would like to reserve 10% of the annual budget amount, although no reserves currently exist. By the end of FY 2013-14, the District should have obtained a 10% reserve.

Activity	FY 10-11	FY 11-12	FY 12-13	FY 13-14	FY 14-15	Total
Additional funds @$12 x 36,000	**$ 432,000**	**$ 432,000**	**$432,000**	**$ 432,000**	**$ 432,000**	**$ 2,160,000**
Proposed Debt Repayment	$ 101,115	$ 101,115	$101,115	$ -	$ -	$ 303,345
Deferred Maintenance	$ 140,300	$ 135,500	$138,800	$ -	$ -	$ 414,600
Capital Improvements	$ 63,440	$ 53,140	$ 60,140	$ 281,240	$ 211,240	$ 669,200
Operations	$ 107,145	$ 107,145	$107,145	$ 115,760	$ 185,760	$ 622,955
Reserves/Emergency Funds	$ 20,000	$ 35,100	$ 24,800	$ 35,000	$ 35,000	$ 149,900
Total Expenses	**$ 432,000**	**$ 432,000**	**$432,000**	**$ 432,000**	**$ 432,000**	**$ 2,160,000**

source: Rim of the World Recreation & Park District - 5 Year Projection for Additional Assessment Revenue

However, LAFCO has learned that this schedule is no longer viable in that the County will not agree to a three year payment schedule for the District's debts to the County. Therefore, the adopted budget for FY 2010-11 anticipates repaying the County in full, which leaves no funding for

operations or capital improvements, and a much smaller amount for deferred maintenance during FY 2010-11.

This figure above assumes a full collection rate of $432,000 annually. However, according to information provided by the County Auditor-Controller/Recorder/Treasurer/Tax Collector, 89.29% of the District's assessments were collected in FY 2008-09 (10.71% delinquency rate). Applying this collection rate would yield the District a more likely figure of $385,733 in additional revenue rather than $432,000. The District's FY 2010-11 Budget accounts for a similar reduced collection amount.

Additionally, the figure above identifies a total debt repayment of $303,345. Absent from the figure above is payment for the note payable for purchase of the District's office building. According to the schedule, there would be $486,000 remaining in 2016, when the balloon payment is due.

F. Financial Summary and Conclusion

The financial documents provided by the District and data obtained from the State Controller, in addition to interviews with the District, indicate that the District has had and continues to experience financial and governance challenges. This is evidenced by the deferral of debt payment, excess of expenditures over revenues, lack of adherence to statutes governing financial activities, the dwindling of the fund balance at the County Treasury to a negative balance, and the lack of a reserve. Any one of these is a concern, but in combination they signal a failing agency.

The voters within the District in April 2010 approved Measure N (69% in favor) which increased the existing $10 special tax by $12, to a total amount of $22 per parcel. More than doubling the District's primary revenue source will provide an opportunity for the District to repay its debt obligations, take care of deferred and much needed maintenance, and build a minimal reserve fund within a few years. During the processing of this service review, the interim general manager has stated that it is the District's intent is to hire a full time general manager after the County debt is repaid. After that, the additional revenue should provide an opportunity to fund significant capital improvements and operations. No other future plans were provided by the District for this service review.

However, due to the lack of current audits for the District, the historic lack of adherence to the financial statutes, and the large debt it has amassed with the County, it is not clear to the Commission if the additional assessment revenue will be sufficient in the short-run to correct the continual decline of the District. Without changes in governance that respect the requirements of California Government Code and Recreation and Park District Law, the Commission is not assured that the operations will change course.

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

ROWRPD has entered into a joint use agreement with the Rim of the World Unified School District for use of school owned property and facilities for recreation programs including licensed before and after school child care. Additionally, ROWRPD shares the San Moritz ball field at the Lake Gregory Park through a lease with County Regional Parks as well as maintaining Running Springs "Caplinger" ball field which is owned by the Rim of the World Unified School District. ROWRPD has indicated that the proposed Lake Arrowhead Community Park (undeveloped property owned by County Service Area 70 Zone D-1) would be constructed by CSA 70 Zone D-1, but operations and maintenance could be contracted with ROWRPD. However, no information or documentation of such negotiations was provided during this service review.

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

Local Government Structure and Community Service Needs

The District is an independent special district governed by a five-member board of directors elected at-large. Members are either selected by vote of the electorate or are appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms. According to records with the Registrar of Voters, since 1996 the District has had only one election in 2005 for membership. Interest in serving on the board of directors' for the District appears to be limited. This is supported by the lack of elections held within the past decade. In general, poor financial health and lack of interest in governance are prime indicators of struggling agencies. Below is the current composition of the board, their positions, and terms of office:

Board Member	Title	Term
Hugh Bialecki	Chairman	2011
Davis Hopper	Vice Chairman	2011
Laura Dyberg	Secretary	2013
Ronald Pete Hall	Member	2013
Rick Craig	Member	2013

Regular Board meetings occur on the fourth Monday each month at 6:00p.m., except the November and December meetings are combined and held the first Monday of December. Board meetings are typically held at the District's office unless another location is specified.

The District is comprised of four divisions: Administration, Facilities (parks, ball fields and senior/community centers), Recreation, and Child Care. There is one full-time benefited employee and three near-full time (70-80 hours per week) employees without the receipt of benefits as well as part-time seasonal maintenance employees and 14 part-time child care employees. The District office is open Monday through Friday from 9am to 5pm except major holidays.

Operational Efficiency

Operational efficiencies are realized through several joint agency practices, for example:

- Contracting with County of San Bernardino Special Districts Department for the services of a general manager. The District board of directors eliminated the general manager position in order to help pay off the debt to the County. Since July 2009, the District has contracted with the County of San Bernardino Special Districts Department for the services of an interim and part-time general manager. The current amended contract is scheduled to expire December 2010.

- California Association for Park and Recreation Insurance (CAPRI), a liability insurance pool administered by the California Association for Recreation and Park Districts. This organization also coordinates the legislative activities of its members and is the legislative advocate for its members.

- Other joint agency memberships include: California Special District Risk Management Authority, California Special District Association, and California Park and Recreation Society.

- The District has been allowed to participate in the San Bernardino County Employees' Retirement Association. SBCERA is a cost-sharing multiple-employer defined benefit pension plan operating under the California Employees Retirement Act of 1937.

- The Rim Recreation Foundation, a non-profit organization, provides community outreach, fundraising, and volunteer services regarding park and recreation matters within the boundaries of the District.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Public Resources Code 5786(c) allows for a park district to operate recreation facilities inside and outside of its boundaries. The District has identified that all of its facilities and operations are within its boundaries.

Public Resources Code 5786.13 allows a park district to contract-out as well as deliver services and programs to other agencies. The District Board of Directors contracts with the County Special Districts Department to provide for management and administration of the District. LAFCO reviewed the contract and determined that the County was not providing service in the area; therefore, the contract would not fall under the provisions of Government Code Section 56133 which requires LAFCO review and approval.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options.

- Expansion – Expansion of the District's sphere of influence and boundaries to the northwest to include the Cedarpines Park area is the only territory that would include a significant population (four square miles comprising sections 17-20 of T02NR04W) and utilize District services. Currently, County Service Area 18 provides park and recreation to the majority of the Cedarpines Park area; the remainder is not within the boundary or sphere of influence of a park and recreation provider. The registered voters, landowners, or the District could submit an application to LAFCO for the District to assume responsibility for park and recreation services to the area. In this scenario, the District would annex four square miles, be responsible for providing park and recreation services to the area, and would succeed to CSA 18's park and recreation assets, liabilities, and share of the general property tax levy. LAFCO is not aware of any interest in this area being annexed to the District. Given the past and current nature of the District's finances and operational challenges, support for this option is unlikely at this time.

- Dissolution of the District. Absent the approval of the increase of the special tax in April 2010, dissolution of the District would have been a distinct possibility. Dissolution would include the

transfer of the park and recreation responsibility, assets, and assessment levies to another public agency. The successor agency could have been one of the overlaying public agencies whose parent acts allow for park and recreation services and that overlay the existing park facilities: County Service Area 79, Running Springs Water District, Arrowbear Park County Water District, Lake Arrowhead Community Services District, and Crestline Village Water District.

However, with the approval of the increase of the special tax from $10 to $22, the District will have an opportunity to repay its obligations, take care of deferred and much needed maintenance, and build a reserve fund within a few years. After that, the additional special tax revenue should provide the opportunity to fund significant capital improvements and operations.

- Undeveloped Park of County Service Area 70 Zone D-1. Since its formation in 1974, CSA 70 D-1 has been authorized by the County to provide flood control related to the maintenance and operation of the new Lake Arrowhead Dam and since 2008 park and recreation services to the Arrowhead Woods area. CSA 70 D-1 does not currently provide park and recreation services but it is providing for development of a park within Arrowhead Woods area. The Arrowhead Woods area is within the Rim of the World Recreation and Park District.

  Having two public agencies in an area actively providing park and recreation services is a duplication of service, indirect conflict with the principles of LAFCO law. I Zone D-1 plans to construct the new park and that it also plans to operate and maintain it. However, Zone D-1 could contract with ROWRPD to operate and maintain the park or deed the park property and improvements to the District, as the landowners have already paid for the park through their taxes.

- Detachment of the area of the Lake Arrowhead Community Services District. One scenario would be to detach the area of the Lake Arrowhead Community Services District from the Rim of the World Recreation and Park District, whereby the Lake Arrowhead CSD would become the responsible park and recreation provider within its boundaries and the assets and assessment levies of the District would transfer to Lake Arrowhead CSD. While only a fraction of the District's maintenance liabilities (one park/ball field, one community center, two school care programs, and the District office) would be removed from the District, roughly 52% of its annual assessment funding would be removed (18,752 of 36,325 parcels - $412,544). A loss of 52% of the primary revenue source would have an adverse impact on the District's operations and leave the remainder of the District with the majority of the facilities but only 48% of the assessment revenue. In such a proposal, the Commission would be required to determine that the remaining district would be financially sustainable prior to approval. Without such documentation, this option is not likely at this time. However, should the ROWRPD financial position deteriorate further, the transfer to the Lake Arrowhead CSD would be a viable option.

- Maintenance of the status quo. This option would retain the District as currently constructed. Should the District's financial position not improve during this five year period, or if at any time it appears to be returning to the financial challenges outlined in this report, the Commission directs LAFCO staff to return to the Commission with a request to initiate a service review immediately, with the potential for a recommendation for dissolution of the district.

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

1. **Present and Planned Uses:**

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Most of the District's area is within the San Bernardino National Forest. Forest lands are devoted primarily to resource protection and recreational use. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay.

In general, the San Bernardino Mountains is one of the most densely populated mountain areas within the country and is the most densely populated urban forest west of the Mississippi River. The District service area includes commercial uses oriented to tourists and seasonal residents as well as year-round residents. However, development in the District is primarily single-family residential with roughly 93 percent of all homes being single-family dwellings, many of which are second or vacation homes. The permanent occupancy within district is 33,797 year round.

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

The District states that demand for the sports fields and indoor gyms exceed the current facilities available through the District. Further, the District has noticed an increase in the utilization of the facilities and its recreational programs, especially the ball fields. This increase in demand correlates to the increase in population within the past ten years. With the population of the District anticipated to increase over 66% from 2000 to 2030 coupled with development mainly comprised of residential uses, additional facilities will be needed to provide for adequate park and recreation activities.

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

The District operates over 20 acres of park space to include ball fields, roughly 7,200 square feet for two senior/community centers, and over 4,100 square feet of child care facilities. The District offers the full range of recreation programs to include swimming programs, teen and senior programs, CPR classes, dance, martial arts, etc. However, there are roughly 20 acres of park space for 34,000 full-time residents.

The District's stagnant revenue has eliminated reserves, reduced the cash balance to near zero, decreased services, led to deferral of facility maintenance and financial statements, as well as payments owed to the County Registrar of Voters for past elections. As a result of the lack of funding, the District received advances from the County Auditor against anticipated assessment collections in order to cover operating costs. The total debt to the County at one point reached roughly 40% of annual revenue.

4. **Social and Economic Communities of Interest:**

The District includes the Crest Forest (excluding Cedarpines Park), Lake Arrowhead, and Arrowbear/Green Valley Lake/Running Springs communities. The District reflects the boundaries of the Rim of the World Unified School District except for the area of Cedarpines Park.

The economic communities of interest include the commercial activities and businesses of the mountain resorts such as Snow Valley and Lake Arrowhead Village, as well as Lake Arrowhead and Lake Gregory.

5. Additional Determinations

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

- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.

- Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Rim of the World Recreation and Park District shall be limited to the following:

FUNCTIONS	SERVICES
Park and Recreation	Local park development, operation, maintenance, recreation, child care

WHEREAS, having reviewed and considered the findings as outlined above, the Commission affirms the existing sphere of influence of the Rim of the World Recreation and Park District, subject to the following conditions:

1. For the next five years the District is required to provide the Commission annually with a copy of its adopted proposed and final budget, its mid-year budget review and financial reports, and copies of the audits presented to the District;

2. The District is required to provide the Commission with an outline for completion of its outstanding audits within the next two fiscal years;

3. The District is required to provide the County Auditor with copies of all audits and current budgets and the State Controller with copies of all audits as required by law; and

4. The District is to provide an outline of how it anticipates providing for management of the District according to the requirements of State and Park and Recreation District Law, and;

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider this to be the sphere of influence for the Rim of the World Recreation and Park District; it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants;

RESOLUTION NO. 3095

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the Rim of the World Recreation and Park District shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's affirmation of the sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission of the County of San Bernardino by the following vote:

AYES:	**COMMISSIONERS:**	**BAGLEY, BIANE, COX, DERRY, McCALLON, SMITH, WILLIAMS**
NOES:	**COMMISSIONERS:**	**NONE**
ABSENT:	**COMMISSIONERS:**	**CURATALO (Williams voting in his stead), MITZELFELT (Derry voting in his stead)**

****

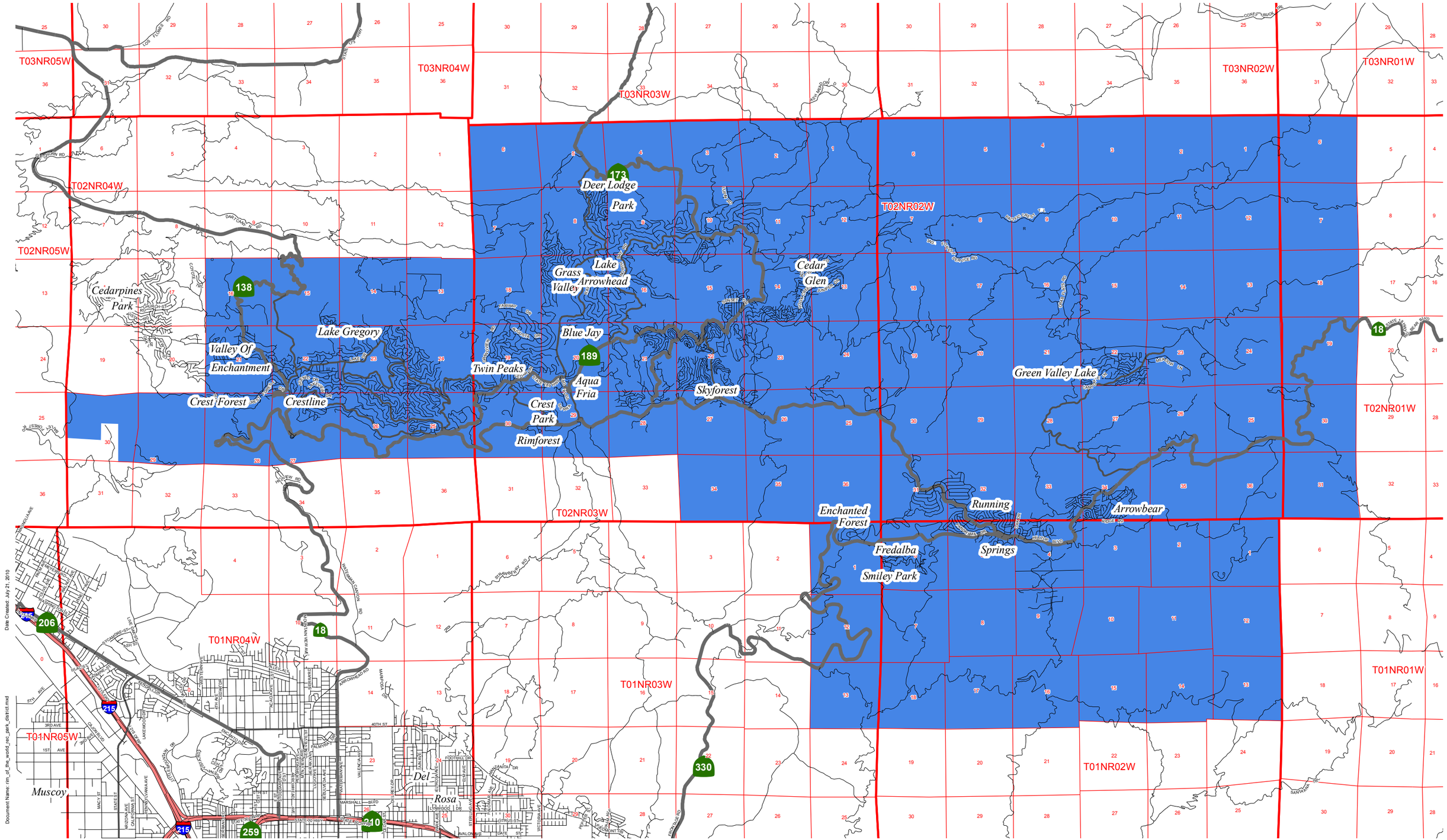
STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of July 21, 2010

DATED: JULY 21, 2010

LOCAL AGENCY FORMATION COMMISSION
CO. OF SAN BERNARDINO

KATHLEEN ROLLINGS-McDONALD
Executive Officer



Date Created: July 21, 2010

Document Name: rim_of_the_world_rec_park_district.mxd

INFORMATION SERVICES
ISD
COUNTY OF SAN BERNARDINO
GIS / MAPPING SERVICES
909.388.5917

Date Created: Apr 07, 2008
(Map Printed Date)

LAFCO 3149 - RIM OF THE WORLD RECREATION AND PARK DISTRICT SPHERE OF INFLUENCE

Rim of theWorld Rec. & Park District

District and Sphere Boundaries are Coterminous

N W E S