

SPECIAL DISTRICTS DEPARTMENT

157 West Fifth Street, Second Floor • San Bernardino, CA 92415-0450 • (909) 387-5940
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COUNTY OF SAN BERNARDINO
 PUBLIC AND SUPPORT
 SERVICES GROUP

THOMAS L. SUTTON
 Director

July 19, 2007

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 JUL 20 2007

LAFCO
 San Bernardino County

Kathleen Rollings-McDonald, Executive Officer
 Local Agency Formation Commission
 215 N. D Street
 San Bernardino, CA 92415-0490

Re: Phelan Pinon Hills CSD /Pooled Equipment

Dear Ms. Rollings-McDonald:

Through recent meetings and discussions, representatives of the Special Districts Department (SDD), Phelan Pinon Hills Community Services Feasibility Committee and LAFCO have developed a basis to distribute equipment pool assets currently owned by the SDD Water and Sanitation Division (WAS).

If the Phelan Pinon Hills Community Services District (CSD) is formed, it will receive its fair share of the equipment as determined by calculations using the following factors:

1. Total blue book value of vehicle and rolling stock (\$1,810,517).
2. Total residual value of non-vehicle/non-rolling stock (\$71,476).
3. Average percentage of CSA 70 Zone L's contribution to the SDD Equipment Replacement Reserve (Fund CMT) for three fiscal years, compared to contribution of all Water and Sanitation districts. Fiscal years used were 2004/05, 2005/06 and 2006/07.

The listing of equipment owned by SDD/WAS, with equipment marked as available for purchase, has been provided to the representatives.

Calculation of CSD's percent of entitlement to be received in cash, or in specific equipment, is summarized as follows:

Contribution	FY 2004/05	FY 2005/06	FY 2006/07	Average
CSA 70-L	\$ 64,277	\$ 69,950	\$ 69,243	
Total: All	\$367,987	\$423,574	\$390,942	
Percentage	17.5%	16.5%	17.7%	17.2%

The 17.2% of \$1,810,517 vehicle and rolling stock equals \$311,409, and 17.2% of non-vehicle/non-rolling stock \$71,476 equals \$12,294, for entitlement based on listing of vehicle and equipment of \$323,703.

MARK H. UFFER
 County Administrative Officer
 NORMAN A. KANOLD
 Assistant County Administrator
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 JOSIE GONZALES Fifth District

Additional entitlement of cash is calculated as 17.2% of \$466,726 equipment replacement reserve at 7/13/2007 (\$80,277). Note that there are no (-\$0-) budgeted Zone L transfers to the Equipment Replacement Reserve in FY 2007/08.

A list of three fully depreciated vehicles scheduled for surplus has been provided to the representatives. All are available for purchase; estimated surplus value for all three vehicles is \$8,050.

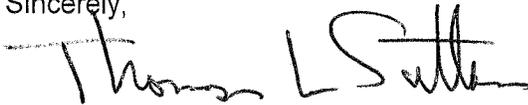
It is agreed that equipment directly owned by CSA 70 L will transfer in full to Phelan Pinon Hills CSD upon formation with no further acquisition costs.

The Special Districts Department concurs with a 3 to 5 year payment plan to the newly formed CSD, if the CSD selects an equipment option that exceeds a \$200,000 cash payment from the Department, as discussed at the planning meeting on July 13, 2007.

In summary, the following represents a fair and equitable distribution of pooled equipment asset value to the CSD in the event of its formation:

\$311,409 - Vehicle & Rolling Stock Value
\$ 12,294 - Non-vehicle/Non-rolling Stock Value
\$ 80,277 - Equipment Replacement Reserve Value
\$403,980 - Total Distribution of Pooled Equipment Asset Value

Sincerely,



Thomas L. Sutton
Director

cc: Norm Kanold, Assistant County Administrator
Manuel M. Benitez, Deputy Chief
Jeff Rigney, Deputy Chief
Wayne Thies, Administrative Analyst
Paula Nowicki, Chief of Staff, 1st District
Randy Booker, Budget Officer
Charlie Johnson, Chair, Phelan Pinon Hills CSD Feasibility Committee

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July 9, 2007

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Kathleen Rollings-McDonald, Executive Officer
Local Agency Formation Commission
215 N. D Street
San Bernardino, CA 92415-0490

LAFCO
San Bernardino County

Re: SDD – Phelan Pinon Hills CSD Termination Reserve

Dear Ms. Rollings-McDonald:

Through meetings and discussions, representatives of Special Districts Department (SDD) and Phelan Pinon Hills Community Services (CSD) Feasibility Committee have addressed future disposition of the Termination Benefit Reserve.

The following explanation of Termination Benefit Reserve was provided by SDD:

“Employees can accrue sick leave, vacation, holiday and administrative leave hours throughout District employment. Once the employee separates, the District is liable for the payout of all accumulated leave hours. Termination benefits reserve (SKW - 105) is a Department-wide reserve created to allow the Department to set aside funds for the purpose of offsetting the future liability of employee separation from SDD employment, either through termination or retirement.

It is Special Districts’ position that the funds set aside in the termination benefits reserve must remain with the Department as employer, since all leave accrual liability remains with the employer until the employee is paid out at termination or retirement.”

SDD and CSD have agreed that the amount held in reserve for termination benefits will remain with SDD if/when CSD forms.

Sincerely,

Thomas L. Sutton
Director

cc: Norm Kanold, Assistant County Administrator
Manuel M. Benitez, Deputy Chief
Jeff Rigney, Deputy Chief
Wayne Thies, Administrative Analyst
Paula Nowicki, Chief of Staff, 1st District
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