

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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DATE: JULY 9, 2007
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: **Agenda Item #6:** Municipal Service Reviews/Sphere of Influence Updates for County Service Area 9 and County Service Area 56 and Consideration of LAFCO 3070 – Formation of the Phelan Pinon Hills Community Services District, et al.

RECOMMENDATION:

Staff is recommending that the Commission:

1. For LAFCO 3020 – Municipal Service Review/Sphere of Influence Update for County Service Area 9 take the following actions:
 - a. Adopt the Statutory Exemption that has been recommended for this proposal, and direct the Clerk to file a Notice of Exemption within five (5) days of this action
 - b. Receive and file the municipal service review report for County Service Area 9 and determine that the District's sphere of influence should be assigned as a zero sphere of influence; and,
 - c. Adopt LAFCO Resolution #2967 setting forth the Commission's findings and determinations concerning this proposal.
2. For LAFCO 3023A – Municipal Service Review/Sphere of Influence Update for County Service Area 56 take the following actions:
 - a. For environmental review:
 - i. Certify that the Commission's Mitigated Negative Declaration for LAFCO 3070, Formation of the Phelan Pinon Hills CSD, (SCH No.

2007031158) and the Addendum prepared by the Commission's Environmental Consultant, have been independently reviewed and considered by the Commission and its staff;

- ii. Determine that the Commission's Initial Study and Mitigated Negative Declaration, and the Addendum, are adequate for the Commission's use, as a CEQA lead agency, for its consideration of LAFCO 3023A;
 - iii. Determine that the Commission does not intend to adopt alternatives and it does intend to adopt mitigation measures for the project;
 - iv. Adopt the Addendum as presented by the Commission's Environmental Consultant, which addresses the environmental assessment for the sphere of influence reduction for County Service Area 56 that was not evaluated in the Commission's environmental document; and,
 - v. Direct the Clerk to file a Notice of Determination within five (5) days and find that no further Department of Fish and Game filing fees are required by the Commission's approval since the Commission, as lead agency for the Mitigated Negative Declaration, has paid said fees.
- b. Receive and file the municipal service review report for County Service Area 56 and determine that the District's sphere of influence should be reduced to include only the territory outside the proposal for Formation of the Phelan Pinon Hills Community Services District (LAFCO 3070) defined as the community of Wrightwood; and,
 - c. Adopt LAFCO Resolution #2968 setting forth the Commission's findings and determinations concerning this proposal.
3. Continue consideration of LAFCO 3070 – Reorganization to Include Formation of the Phelan Pinon Hills Community Services District et al., to the August 15, 2007 Commission hearing.

BACKGROUND:

At the June Hearing, the Commission continued the consideration of the Municipal Service Reviews/Sphere of Influence Updates for County Service Area 9 and County Service Area 56 to the July hearing to allow the Commission's Environmental Consultant, Tom Dodson and Associates, to complete his review of the anticipated changes identified during the

municipal service review process. Mr. Dodson has completed those reviews and made the following recommendations to the commission:

LAFCO 3020 AND LAFCO 3023A – MUNICIPAL SERVICE REVIEWS/SPHERE OF INFLUENCE UPDATES FOR COUNTY SERVICE AREAS 9 AND 56:

1. For County Service Area 9:

The sphere designation is proposed to be reduced to a zero sphere due to its anticipated dissolution as a part of the formation process for the Phelan Pinon Hills Community Services District (hereafter PPHCSD). Mr. Dodson has reviewed this proposal and has indicated that it is his recommendation that a zero sphere of influence designation is statutorily exempt from the California Environmental Quality Act (CEQA). This determination is based on the fact that the project has no potential for causing significant effect on the environment since it does not alter the District's existing operation and obligations. Mr. Dodson's response indicates the zero sphere of influence represents the Commission's opinion that in the future the agency will transition into the proposed CSD. A copy of Mr. Dodson's analysis is included as Attachment #1 to this report. It is recommended that the Commission adopt the Statutory Exemption for this proposal and direct the Clerk of the Commission to file a Notice of Exemption with the appropriate agency within five days.

Attachment #2 to this report is the draft resolution outlining the Commission's determinations in assigning a "zero" sphere of influence to County Service Area 9.

2. For County Service Area 56:

The sphere of influence for CSA 56 is proposed to be reduced to include only that territory defined as the community of Wrightwood, specifically excluding the community of Pinon Hills, comprised of Improvement Zone F-1 of CSA 56.

Upon further review of the environmental documents by LAFCO staff and Tom Dodson, of Tom Dodson and Associates, the Commission's Environmental Consultant, it was determined that the Commission can rely solely on its Mitigated Negative Declaration (SCH No. 2007031158) for its CEQA determination on this municipal service review/sphere of influence update. The Commission's environmental document for LAFCO 3070 – Reorganization to Include Formation of the Phelan Pinon Hills Community Services District, et al, evaluates the dissolution of Improvement Zone F-1 of CSA 56 and the detachment of the territory from the parent district, CSA 56. However, in order to provide for the environmental assessment for the municipal service review/sphere of influence update proposing to exclude the territory of Improvement Zone F-1 from the sphere of CSA 56, Mr. Dodson prepared an Addendum to the Commission's environmental document that addresses the sphere of influence reduction (copy of Addendum and original Initial Study and Mitigated Negative Declaration included as Attachment #3). The

Addendum provides substantiation that the sphere reduction will not require the preparation of a new negative declaration or environmental impact report.

Therefore, the Commission's Mitigated Negative Declaration and the Addendum prepared by Mr. Dodson, taken together, are adequate for the Commission's use as a Lead Agency under CEQA. Mr. Dodson has indicated that the necessary environmental actions to be taken by the Commission are as follows:

- Determine that the Commission's Initial Study and Mitigated Negative Declaration prepared for the formation proposal (LAFCO 3070) and the Addendum prepared by the Commission's Environmental Consultant, have been independently reviewed and considered by the Commission and its staff;
- Determine that the Commission's Initial Study and Mitigated Negative Declaration and the Addendum, are adequate for the Commission's use as a CEQA lead agency for its determinations related to LAFCO 3023A;
- Determine that the Commission does not intend to adopt alternatives, and it does intend to adopt mitigation measures for the project;
- Adopt the Addendum as presented by the Commission's Environmental Consultant that addresses the Initial Study for the addition of the sphere of influence reduction not previously included in the Commission's environmental document; and,
- Direct the Clerk to file the Notice of Determination within five days and find that no further Department of Fish and Game filing fees are required by the Commission's approval since the Commission, as lead agency, has paid said fees.

Attachment #4 to this report is the draft resolution outlining the Commission's determinations in reducing the sphere of influence to include only the territory identified as the Community of Wrightwood.

LAFCO 3070 – REORGANIZATION TO INCLUDE FORMATION OF THE PHELAN PINON HILLS CSD:

Progress in finalizing information for LAFCO 3070 has been made since the June 20th Hearing. Resolution of the following items has occurred during the interim between hearings:

1. On June 26, 2007, the County Board of Supervisors took an action to establish Appropriation Limits for CSA 70 Zone L, CSA 56 and CSA 56 Zone F-1. This determination will allow LAFCO staff to calculate the provisional appropriation

limit for the PPHCSD and present that figure to the Commission for consideration as the provisional appropriation limit as a condition of approval for LAFCO 3070.

2. The methodology to provide for the transfer of pooled equipment to the new PPHCSD from the County Special Districts Department, Water and Sanitation Division has been completed. LAFCO staff will provide an analysis of this information in the staff report to be prepared for the Commission for its final consideration of this proposal, which will include the drafting of the necessary terms and conditions for the resolution.

However, no resolution of the primary matters outlined as pending in the June 6th staff report has occurred. The items remaining to be resolved include, but are not limited to, the following:

1. A determination of the methodology to transfer funds to the remaining CSA 56 (Wrightwood) following the detachment necessary through LAFCO 3070. The need for this transfer is to assure CSA 56's sustainability in providing its ongoing park and recreation and streetlight functions. The mitigation measure adopted with the Negative Declaration indicates the requirement for a transfer of a minimum of \$40,000. However, County staff continues to work on presenting an alternative for this required transfer. To date, LAFCO staff has not received the detailed information on the alternative transfer process or background documents in order to provide an analysis of any alternative.
2. A determination on the methodology to transfer the revenues from the Special Districts Department General Reserve funds (Capital Reserve and Equipment Reserve) needs to be determined through discussions with County staff, representatives of the Feasibility Committee and LAFCO staff.
3. CSA 70 Zone L has an outstanding loan from the California Infrastructure and Economic Development Bank (CIEDB) for a total of \$4,001,000. The terms of this Loan require specific documents to be provided to its governing body to review and authorize the assumption by a new entity. Staff has been working to receive the mandatory Legal Counsel Opinion from the County's attorney regarding the maintenance of the tax exempt status of the bonds used for the loan following assumption. The report required by a certified Independent Accountant regarding the security for the payment of the loan, has been provided by the firm of Rogers Anderson Malody and Scott and will be provided to the CIEDB staff as a package for consideration upon receipt of the other materials. The Commission cannot make a final determination on LAFCO 3070 until a determination is made on the transfer of this loan by the CIEDB Board of Directors.
4. Receipt of the draft Transition Plan for operation of the District through the end of the fiscal year in which it is formed, which will include language for providing an Interim General Manager through a draft Memorandum of Understanding.

County staff continues to work on preparing these documents for review by the Feasibility Committee membership and LAFCO staff.

As this outline notes, there are a number of issues yet to be resolved before the final consideration of this proposal by the Commission. Therefore, staff is recommending continuance of LAFCO 3070 to the August 15th Commission hearing.

KRM

Attachments:

1. Letter from Tom Dodson and Associates on Environmental Determination for LAFCO 3020
2. [Draft Resolution No. 2967](#) for County Service Area 9 Municipal Service Review/Sphere Update Determinations
3. Response and Addendum from Tom Dodson and Associates, the Commission's Initial Study and Mitigated Negative Declaration for the Proposed Formation of the Phelan Pinon Hills Community Services District
4. [Draft Resolution No. 2968](#) for County Service Area 56 Municipal Service Review/Sphere Update Determinations