

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

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DATE: JUNE 6, 2007

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #6: LAFCO 3070 – Reorganization to Include Formation of the 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

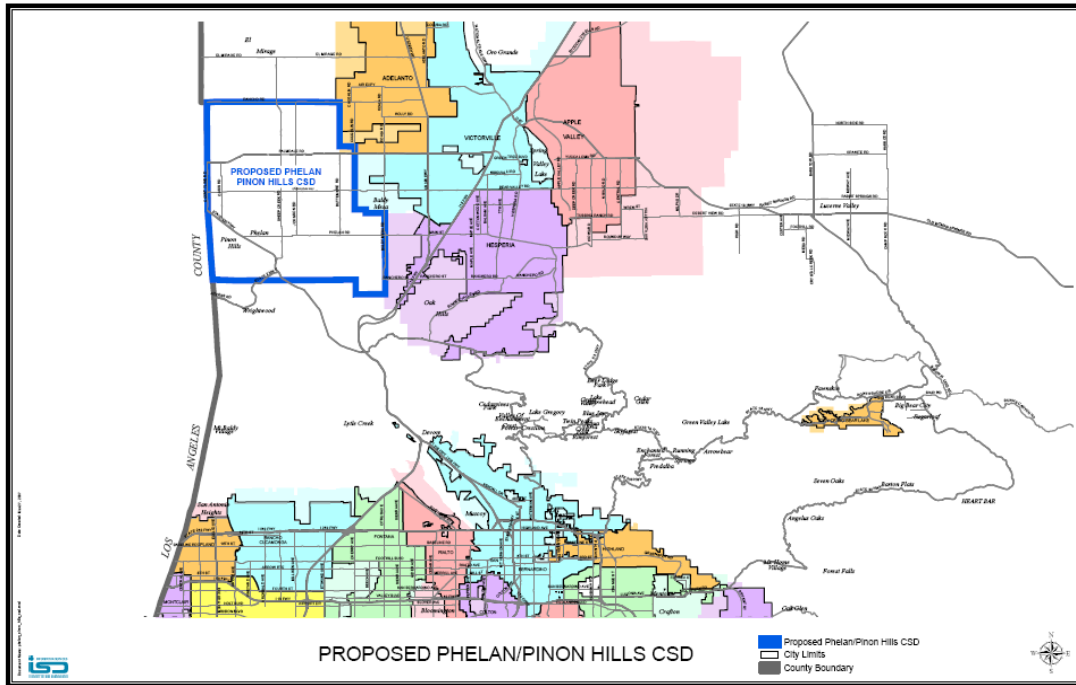
RECOMMENDATION:

Staff recommends continuance to the July 18, 2007 hearing for the following proposals:

- Consideration of: (1) CEQA Statutory Exemption for LAFCO 3020; and (2) LAFCO 3020 – Service Review and sphere of Influence Update for County Service Area 9 (Phelan);
- Consideration of: (1) Addendum to the Negative Declaration for LAFCO 3070 – Reorganization to include Formation of Phelan Pinon Hills Community Services District, et al. to Include LAFCO 3023A and (2) LAFCO 3023A – Service Review and Sphere of Influence Update for County Service Area 56 (Wrightwood/Pinon Hills); and,
- Consideration of LAFCO 3070 – Reorganization to Include Formation of the Phelan Pinon Hills Community Services District, et al.

BACKGROUND:

At the May 16th hearing, LAFCO staff outlined the proposal known as LAFCO 3070 to form a Community Services District (hereinafter CSD) for the communities known as Phelan and Pinon Hills, an area of approximately 128 square miles (81,920 acres). The boundaries approved at that hearing for LAFCO 3070 are outlined below:



In addition, at the May hearing the Commission conducted the Municipal Service Reviews/Sphere Updates for the agencies affected by the formation proposal: County Service Area (hereafter CSA) 9, CSA 56 (Wrightwood/Pinon Hills), CSA 56 Zone F-1 (Pinon Hills) and CSA 70 Zone L (Phelan/Pinon Hills). The Commission continued the consideration of a zero sphere of influence designation for CSA 9 and the sphere of influence reduction of CSA 56 to the June hearing for further environmental assessment.

LAFCO 3070, as noted above, provides for the assumption of responsibility through dissolution and/or detachment of the four existing service providers in the area:

- (a) CSA 9 (for the community of Phelan), which provides for streetlighting and park and recreation services, is proposed to be dissolved and its responsibilities transferred to the new CSD;
- (b) CSA 56 is proposed for detachment from the Pinon Hills area, but it does not currently provide service to the community, while the revenues generated from within the Pinon Hills area will be reallocated;
- (c) CSA 56 Improvement Zone F-1, which provides fire protection and park and recreation services to the Pinon Hills community, is proposed to be dissolved, but only its park and recreation function, responsibilities, and revenues are to be transferred to the new CSD.

Its fire function is anticipated to be reallocated during the County Fire Reorganization (LAFCO 3000); and

- (d) CSA 70 Improvement Zone L, which provides for the provision of domestic water service to the bulk of the Phelan and Pinon Hills communities, will be dissolved and its responsibilities, obligations, and revenues transferred to the new CSD.

In addition, staff has modified the proposal to include the dissolution of CSA 70 Improvement Zone P-4 (CSA 70 Zone P-4), an entity created in the early 1980's to address regional park and recreation funding which was proposed by a ballot measure. This regional effort failed but CSA 70 Zone P-4 has remained on the books. In order to clarify park and recreation responsibilities, staff has included this dissolution as a part of the reorganization.

At the May 16th hearing, staff outlined a number of items that were required to be presented to the Commission in order to move forward with the proposal to create the Phelan Pinon Hills CSD (PPHCSD). This information was necessary to assure that final Commission determinations could be made at the June 20th hearing so that a November 6, 2007 election could be achieved. The materials were not received by staff in order to provide for a final analysis of the application at the June 20th hearing. The items required 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. LAFCO staff's position was to transfer the entirety of the revenues previously received by CSA 56 from within the Pinon Hills area, while the Negative Declaration adopted by the Commission contains a mitigation measure indicating the requirement for a transfer of a minimum of \$40,000. County staff is currently working on presenting an alternative for this required transfer; however, LAFCO staff has not received the information or background documents in order to provide an analysis of an alternative.
2. The County Auditor/Controller-Recorder's office is currently working on responding to questions on the Appropriation Limits for CSA 70 Zone L, CSA 56 and CSA 56 Zone F-1. This information is required to allow the staff to present to the Commission a determination on the provisional appropriation limit for LAFCO 3070, should it be approved.
3. The transfer attributable to the new PPHCSD from the County Special Districts Department, Water and Sanitation Division, pooled equipment. County staff has provided LAFCO staff with a proposed methodology but the background data for this methodology is needed in order for staff to provide the Commission with an evaluation of this alternative. In addition, information regarding the dollar value to be transferred from the Special Districts Department General

Reserves needs to be determined through discussions with County staff, representatives of the Feasibility Committee and LAFCO staff.

4. 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 and the provision of a report by a certified Independent Accountant regarding the security for the payment of the loan, a contract entered into by LAFCO with the firm of Rogers Anderson Malody. To date, a draft of the Certified Independent Accountant report has been received. The Commission cannot make a final determination on LAFCO 3070 until a determination on this loan by the CIEDB Board of Directors has been made.
5. 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 the language of providing for an Interim General Manager through a draft Memorandum of Understanding. County staff is currently working 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 July 18th Commission hearing.

Unfortunately, this action will also cause the election date for this proposal to slip to the February 5, 2008 Presidential Primary Election. The new timeline for actions necessary to place this item before the electorate on the February 5th ballot is as follows:

- The Commission will need to have its final hearing for consideration of this item by no later than the August 15th Commission hearing.
- It is anticipated that the final resolution setting forth the terms and conditions imposed upon LAFCO 3070 will be adopted at that August 15th hearing.
- The adoption of the Commission's resolution starts the 30-day reconsideration period required by Government Code Section 56895 – August 16th through September 15th.
- If a request for reconsideration is received, it would be placed on the October 17th Commission Agenda for determination.

- The final date for the Board of Supervisors to take action to direct that the Registrar of Voters place the matter on the February 5, 2008 ballot, at the request of the Commission, is its November 6th hearing.

As this timeline shows, there is little room for slippage. Failure to receive the information as soon as possible could jeopardize placement on the February ballot. County staffs from the First Supervisorial District, County Administrative Office, Special Districts Department and Auditor/Controller-Recorder, as well as the representatives of the Feasibility Committee, are working with LAFCO staff to gather all of the information necessary to allow for presentation of the required report to the Commission.

In addition, the sphere of influence determinations for CSA 9 (LAFCO 3020 – zero sphere designation) and CSA 56 (LAFCO 3023A – sphere reduction to eliminate the community of Pinon Hills) are recommended to be continued to allow for completion of the environmental assessment by the Commission’s environmental consultant.

Therefore, staff recommends that Agenda Item #6, in its entirety, be continued to the July 18, 2007 Commission hearing.

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