DATE: JANUARY 7, 2014

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8: LAFCO 3176 - Service Reviews for the Daggett, Newberry, and Yermo Community Services Districts

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Note the receipt of and file this report.

2. Authorize the Executive Officer to negotiate with the Special Districts Risk Management Authority for special training on issues such as governance, principal act requirements, etc.

3. Increase the allocation for LAFCO 3176 by $5,000 to accommodate the costs of the special training session (this does not require an amendment to the LAFCO FY 2013-14 budget).

BACKGROUND:

At the November 20 hearing, as a part of the Executive Officer’s Report, the Commission heard public comment from the president of the Yermo Community Services District regarding the off-cycle service review of the Newberry, Daggett, and Yermo CSDs. In response to those comments, the LAFCO Executive Officer stated that information regarding the questions raised would be provided as a part of the January 15 agenda.

In addition, as a part of the review of questions related to governance included in Service Reviews, the Commission has previously expressed interest in providing governance information and education to new special district board members. Methods that have been briefly discussed include having an entity such as the California Special Districts Association (CSDA) conduct training for agencies lacking resources to provide this education to their Board members.
The information provided below will respond to both of these questions raised by the Commission.

Questions on Off-Cycle Service Review for the Daggett, Yermo and Newberry CSDs:

As noted above, the President of the Board of Directors of the Yermo CSD provided comments during the Executive Officer’s report on the manner in which the off-cycle review was being conducted by LAFCO staff. Those comments were:

Comment #1: The constituents of the Yermo CSD are not happy that their district has been perceived to have the same issues as those of the Newberry CSD; that the constituents feel that by LAFCO’s initiation of a special study for the three neighboring CSDs, as recommended by the Grand Jury’s report, they are being corralled into the same category as Newberry CSD. The residents of both Yermo and Daggett feel like the LAFCO Commission is punishing them for Newberry’s shortcomings and for no other apparent reason, as conveyed to the board President.

Among the possible reorganization scenarios presented in LAFCO’s 2009 service review of the same three districts, the Grand Jury report identified that the following two scenarios merit further review, along with more robust analysis of governance and reorganization options. The Newberry CSD portion of the 2012-13 Grand Jury report is included as Attachment #1. The quotations are taken directly from the Grand Jury report.

- Removing the Newberry CSD fire protection powers with concurrent annexation of the Newberry area by the San Bernardino County Fire Protection District (County Fire); “or ,

- “More substantially, consolidating the Newberry CSD with two adjacent community services districts, to allow for ‘economies of scale and provide the opportunity for streamlined governance and compliance with CSD law’."

LAFCO staff’s response to the comments identified by the President Smith are that in order to properly analyze the second reorganization option identified by the Grand Jury, the service review needs to encompass all three CSDs. Lacking inclusion would not provide for a proper service review and not comply with the Grand Jury recommendation. Therefore, the Commission included Daggett and Yermo CSDs in the off-cycle service review (second round service review most likely would occur in 2015). The direction was not punitive in nature and the more detailed review should address any questions regarding the operation of the districts, most importantly the questions of financial benefit.

Comment #2: The President of Yermo CSD states that his district was informed of the items that staff was requesting for the review only a few days prior to the scheduled site visit, that the list was comprehensive, and that it would require time and resources that the district does not currently have to compile all the information.
The listing below outlines communication and correspondence between LAFCO staff and the three affected districts. Between September 26 and November 18, LAFCO staff was in contact with the general managers of each district outlining the study needs and parameters, requesting documents, as well as scheduling an on-site meeting.

- **September 18** – Commission directed staff to undertake an immediate off-cycle service review in response to Recommendation #15 from the FY 2012-13 Grand Jury Report related to the Newberry Community Services District. The service review was expanded to include the region as previously defined by the Commission.

- **September 26** – letter from LAFCO staff to the general managers of each district notifying the districts of the service review along with a request for financial and service documents.

- **Late October through mid-November** - phone conversations with the general managers of each district to schedule the meeting and to request documents.

- **Early November** – LAFCO staff conducted interviews with the Fort Irwin Fire Department stationed at Daggett Airport and San Bernardino County Fire Protection District.

- **November 18** – letter from LAFCO staff to the general managers of each district to provide the topics for discussion at the meeting, to have a written record of the scheduled meeting, and to memorialize phone conversations and items previously requested (Attachment #2).

- **November 21** – site interviews with each district.

- **December 16 and 18** – letter from LAFCO staff to the general managers of each district on outstanding items.

In communication by the Yermo CSD it requested that LAFCO provide the topics to be discussed at the November 21 meeting as well any specific questions. LAFCO staff informed the district that that information would not be available until shortly before the meetings. The letter dated November 18 provides the topics for discussion at the meeting, a written record of the scheduled meeting, and memorializes phone conversations and items previously requested. The listing of requested items in the November 18 letter was drafted specifically so that the districts would mainly have to provide copies of existing documents and answer a few questions. Based upon this outline, at the November 21 meeting the districts provided most of the requested documents and were able to answer all of questions from the letter.
Comment #3: The President of Yermo CSD requested that the Commission help these small districts instead of criticizing them, as they feel the Commission is currently doing by virtue of the Special Study Service Review.

As with each of LAFCO’s service reviews, staff assists the districts in shoring up deficiencies before and after the issuance of the final report. For example, if an agency lacks an appropriations limit, LAFCO staff provides the appropriate information to assist the districts. It is important to note that this service review is not a standard service review; it is an off-cycle review in response to a Grand Jury recommendation that identifies specific reorganization scenarios. Staff will analyze the data, provide a fiscal impact analysis for each possible reorganization scenario, and provide recommendations based upon the analysis.

In response to prior comments/direction of the Commission to seek to educate the local governments we review about the laws which govern their operations, staff has been in contact with the Special Districts Risk Management Authority (SDRMA) about options to conduct local training. LAFCO staff’s position in reviewing this option is that it is recognized that the three-community area is classified as a disadvantaged community. Further, in general each district has either experienced high turnover amongst directors, or has had difficulty in attracting enough candidates for an election thus requiring appointments in-lieu of election. For example, Newberry CSD has three new members since August.

In December LAFCO staff contacted SDRMA about the possibility of conducting a special training session in the community on board governance. This would provide training and access to resources that the districts may not have otherwise. The intent would be to offer this training to all special districts in the county. SDRMA has identified that training can be tailored primarily for CSDs (relevant for this service review), with parallel dialogue regarding other types of districts (i.e. public cemetery districts) worked into the training.

Staff recommends that the Commission provide direction to staff to review the options in more detail with SDRMA for a special training session and authorize the Executive Officer to negotiate with SDRMA for this training. At this time, SDRMA has identified that there would be no cost for any CSD that attends. There may be a cost for those districts not a member of SDRMA and not a CSD, which would be borne by the Commission. Staff’s analysis of the LAFCO budget does not indicate that funds need to be transferred from Contingencies to accommodate this activity, at this time. However, staff recommends that the Commission consider this cost as a part of the service review (LAFCO 3176) and increase the service review allocation by the maximum amount of $5,000. This action would not require an amendment to the LAFCO FY 2013-14 budget.

ANTICIPATED TIMELINE:

At this time, staff anticipates that the service review will be presented to the Commission in April or May. Below is the anticipated timeline of remaining milestones:
• Second site interview with Newberry CSD due to high turnover of the district board since November 21 meeting (tentative mid to late January).

• CSDA to conduct special training session in the community (tentative February/March).

• Issue draft staff report to the districts, LAFCO Commissioners in the region (current Service Review practice), San Bernardino Fire Protection District, and the County (First District, Administrative Office, Special Districts Department, and Department of Airports) (tentative February/March).

• Site visit with the districts to review draft staff report with notification to those who receive the draft staff report (tentative March/April).

• Conduct a community meeting to review the draft staff report (tentative March/April).

• Issue the final report and present at a LAFCO hearing (tentative April/May).

Staff believes that this response addresses the concerns expressed at the November hearing as well as providing a more detailed outline of the Service Review process for LAFCO 3176. In the interim, staff will be happy to answer any questions of the Commission, the districts, or the public on the off-cycle service review.

KRM/MT

Attachments:
1. Excerpt from 2012-13 Grand Jury Report
2. Letters dated November 18, 2013 to Daggett, Newberry, and Yermo CSDs