

Draft Resolution #3186

Attachment 5

PROPOSAL NO.: LAFCO 3179

HEARING DATE: July 16, 2014

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A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3179 AND APPROVING THE SERVICE REVIEW AND SPHERE OF INFLUENCE EXPANSION FOR COUNTY SERVICE AREA 54 (sphere expansion consists of two separate areas totaling approximately 69,087 acres: Area 1 generally includes the LAFCO defined Hilltop community; Area 2 includes the Bear Valley community, with the exception of the territory within the City of Big Bear Lake and the Big Bear City Community Services District).

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

WHEREAS, an application for the proposed sphere of influence expansion in the County of San Bernardino was filed with the Executive Officer of this Local Agency Formation Commission (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, the public hearing by this Commission was called for May 21, 2014 at the time and place specified in the notice of public hearing and continued to July 16, 2014 at the time and place specified in the order continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written support and opposition; the Commission considered all objections and evidence which were made, presented, or filed; 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; and,

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this sphere of influence expansion is statutory exempt from CEQA and such exemption was adopted by this Commission on July 16,

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2014. The Commission directed its Executive Officer to file a Notice of Exemption within five working days with the San Bernardino County Clerk of the Board of Supervisors; and,

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 sphere of influence for County Service Area 54 should be expanded, as more specifically described on the attached Exhibits “A”, “A-1” and “A-2” to this resolution, to include the LAFCO defined Hilltop community and the Bear Valley community, with the exception of the territory within the City of Big Bear Lake and the Big Bear City Community Services District; and,

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 7, 2014, 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.

Land Ownership

The land ownership distribution and breakdown within the San Bernardino mountain region is provided on the table below. Within the four LAFCO defined communities of Crest Forest, Lake Arrowhead, Hilltop, and Bear Valley, roughly 33% of the land is privately owned and the remainder, 67%, is within the San Bernardino National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use.

**San Bernardino Mountain Region
Land Ownership Breakdown (in Acres)**

| Ownership Type | LAFCO Defined Community | | | | Total Acreage |
|----------------|-------------------------------------|----------------|----------------------------------|---------------|----------------|
| | Existing CSA 54 Sphere of Influence | | Proposed CSA 54 Sphere Expansion | | |
| | Crest Forest | Lake Arrowhead | Hilltop | Bear Valley | |
| Private | 5,507 | 7,780 | 6,387 | 14,485 | 34,159 |
| Public Lands | 3,981 | 1,415 | 9,667 | 53,258 | 68,321 |
| Total | 9,488 | 9,195 | 16,054 | 67,743 | 102,480 |

Population Projections

In 2000, the population within the LAFCO defined mountain region was 45,463. Based on the 2010 Census, the population for the mountain region was 46,759. This represents an average annual growth rate of only 0.28 percent within the given period.

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In preparing the growth projection for the LAFCO defined mountain region, the Commission utilized a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the City of Big Bear Lake and the County’s unincorporated area for 2015 and 2020, and projected the growth rate between 2020 and 2040 based on: 1) for the unincorporated communities of Crest Forest, Lake Arrowhead, and Bear Valley, the actual growth rate for each of the respective communities between 2000 and 2010; 2) for the unincorporated community of Hilltop, the actual growth rate between 1990 and 2010; and 3) for the City of Big Bear Lake, the growth rate projection identified in the Urban Water Management Plan prepared for the City’s Department of Water and Power, which had an annual growth rate of approximately 0.7 percent. As shown in the table below, it is estimated that the population within the mountain region is expected to reach 55,121 by 2040, or a total population increase of just 18 percent from 2010.

**Population Projections 2010-2040
(Utilizing a Combination of SCAG Data and LAFCO Revised Projections)**

| Community | Census | SCAGs Projection | | LAFCO Staff Revised Projection | | | |
|-------------------------------|---------------|------------------|---------------|--------------------------------|---------------|---------------|---------------|
| | 2010 | 2015 | 2020 | 2025 | 2030 | 2035 | 2040 |
| Existing CSA 54 Sphere | | | | | | | |
| Crest Forest | 11,017 | 11,200 | 11,386 | 11,409 | 11,432 | 11,455 | 11,477 |
| Lake Arrowhead | 12,156 | 12,358 | 12,563 | 12,887 | 13,219 | 13,559 | 13,908 |
| Proposed CSA 54 Sphere | | | | | | | |
| Hilltop | 5,670 | 5,764 | 5,860 | 6,144 | 6,441 | 6,753 | 7,080 |
| Bear Valley | 1,893 | 1,924 | 1,956 | 2,099 | 2,253 | 2,417 | 2,594 |
| Sub-total | 30,736 | 31,246 | 31,765 | 32,539 | 33,345 | 34,184 | 35,059 |
| Exclusion Areas | | | | | | | |
| • City of Big Bear Lake | 5,019 | 5,311 | 5,619 | 5,818 | 6,025 | 6,239 | 6,460 |
| • Big Bear City CSD | 11,004 | 11,187 | 11,373 | 12,203 | 13,095 | 14,051 | 15,078 |
| Sub-total | 16,023 | 16,498 | 16,992 | 18,021 | 19,120 | 20,290 | 21,538 |
| Mountain Region Total | 46,759 | 47,744 | 48,757 | 50,560 | 52,465 | 54,474 | 56,597 |

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

The only service currently provided through CSA 54 is streetlighting. Southern California Edison (SCE) has provided verification that there are currently 179 streetlights funded through CSA 54. In addition, SCE has also provided verification that, within the Lake Arrowhead portion of CSA SL-1, there are currently 9 streetlights, and CSA 73 currently funds the operation and maintenance of 17 streetlights. Southern California Edison owns the streetlights within CSAs 54, SL-1, and 73.

Bear Valley Electric has also provided verification that there are currently 15 streetlights funded through CSA 53A. Bear Valley Electric also owns the streetlights within CSA 53A.

The expansion of streetlights for the future will be dependent upon new development approved by the County and the provision of its Night Sky Ordinance.

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3. Financial ability of agencies to provide services.

The sole source of revenue for CSA 54 is its share of the general ad-valorem property tax levy. The majority of expenditures pay for the electricity costs to Southern California Edison and transfers to other County funds to pay for CSA 54's share of management and services support costs. As shown on the chart below, CSA 54 enjoyed excess revenue, which increased fund balance, for the past few years. However, the annual excess revenue has declined due to fewer property tax receipts and increased streetlighting costs from SCE, resulting in a loss for FY 2012-13. The electricity costs from SCE have risen within the past few years.

CSA 54 Financial Activity

| | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|-----------------------------------|-------------|------------------|-----------------|-----------------|-----------------|-------------------|
| | Actual | Actual | Actual | Actual | Actual | Actual |
| REVENUES | | | | | | |
| Property Taxes | | \$ 32,440 | \$ 9,251 | \$ 8,594 | \$ 8,529 | \$ 8,608 |
| Other Taxes | | \$ 261 | \$ 128 | \$ 66 | \$ 118 | |
| State Assistance | | \$ 106 | \$ 111 | \$ 117 | | \$ 114 |
| Investment Earnings | | \$ 328 | \$ 160 | \$ 155 | \$ 115 | \$ 329 |
| Total Revenues | \$ - | \$ 33,135 | \$ 9,650 | \$ 8,932 | \$ 8,762 | \$ 9,051 |
| EXPENDITURES | | | | | | |
| Salaries and Benefits | | \$ 1,497 | \$ 1,260 | \$ 1,189 | \$ 1,082 | \$ 4,253 |
| Services and Supplies | | \$ 3,818 | \$ 3,776 | \$ 4,483 | \$ 4,715 | \$ 6,040 |
| Total Expenditures | \$ - | \$ 5,315 | \$ 5,036 | \$ 5,672 | \$ 5,797 | \$ 10,293 |
| Net Change in Fund Balance | \$ - | \$ 27,820 | \$ 4,614 | \$ 3,260 | \$ 2,965 | \$ (1,242) |
| Fund Balance - Beginning | | \$ 9,016 | \$ 12,669 | \$ 17,282 | \$ 20,542 | \$ 23,507 |
| Fund Balance - Ending | \$ - | \$ 36,836 | \$ 17,283 | \$ 20,542 | \$ 23,507 | \$ 22,265 |

note: 1) Fund Balance Ending calculated by LAFCO
 2) FY 2009-10 audit restated the Beginning Fund Balance from \$36,836 to \$12,669.

CSA 54 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department.

The portion of CSA SL-1 in Lake Arrowhead generates roughly \$545 a year from its share of the one percent general levy with roughly \$1,470 in annual costs to Southern California Edison. Thus, the revenue generated within the Lake Arrowhead portion of CSA SL-1 is not enough to support the electricity and administration charges for all its streetlights in Lake Arrowhead. However, as a part of a larger agency, the valley portion of CSA SL-1 is subsidizing this shortfall.

For the proposed sphere expansion area, CSA 53A serves a portion of the Bear Valley community and CSA 73 serves the Hilltop community. The following charts provide a summary of the net change in fund balances as well as the fund balance endings for both districts that illustrate a continuous decline in funding:

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| AUDIT DATA | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Net Change in Fund Balance</u> | | | | | | |
| CSA 53A | \$ - | \$ 27,820 | \$ 4,614 | \$ 3,260 | \$ 2,965 | \$ (1,242) |
| CSA 73 | \$ 1,433 | \$ (334) | \$ (280) | \$ (1,587) | \$ (259) | \$ (179) |

| AUDIT DATA | FY 2007-08 | FY 2008-09 | FY 2009-10 | FY 2010-11 | FY 2011-12 | FY 2012-13 |
|------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <u>Fund Balance - Ending</u> | | | | | | |
| CSA 53A | \$ - | \$ 36,836 | \$ 17,283 | \$ 20,542 | \$ 23,507 | \$ 22,265 |
| CSA 73 | \$ 1,621 | \$ 1,287 | \$ 1,007 | \$ 473 | \$ 214 | \$ 35 |

Just like CSA 54, both CSAs 53A and 73 have no direct employees and both districts pay for a proportional share of salaries and benefits costs and also pay their proportional cost of the administrative functions of the County Special Districts Department.

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

Streetlights cannot be shared. Southern California Edison owns the streetlights within CSAs 54, SL-1, and 73, and Bear Valley Electric owns the streetlights within CSA 53A.

However, the County is proposing a companion reorganization proposal to the proposed sphere expansion that would consolidate all County streetlighting entities in the mountain region to a single county service area to reduce administrative and other overhead charges while maintaining the current level of service.

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

Local Government Structure and Community Service Needs

CSA 54 is governed by the County Board of Supervisors and administered by the County Special Districts Department. It is within the political boundaries of the Second and Third Supervisorial Districts. The entirety of the sphere of influence expansion area is within the Third Supervisorial District.

Operational Efficiency

As a mechanism to control costs, the County is proposing a companion reorganization proposal to the proposed sphere expansion that would consolidate all County streetlighting entities in the mountain region to a single county service area. The indirect charges currently being incurred by CSA 53A and CSA 73, which include salaries and benefits, services and supplies, and audit charges will no longer be incurred for each county service area, resulting in an overall cost reduction in these areas. (Note: CSA SL-1 will continue to pay its indirect charges for the Valley area).

Government Structure Options

During the 2010 service review and sphere of influence update for CSA 54, the option of consolidating the streetlighting districts was identified as a potential government structure

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option. The County is now responding to that option by proposing a companion reorganization proposal to the proposed sphere expansion that would consolidate all County streetlighting entities in the mountain region into a single county service area.

LAFCO supports the consolidation of these entities into a single streetlighting county service area to provide for more efficient and effective operation. As a part of the sphere of influence expansion proposal, the Commission supports expansion of the CSA 54 sphere of influence to encompass the Hilltop Community and the Bear Valley community (with the exception of the territory within the City of Big Bear Lake and the Big Bear City CSD's boundaries), which would expand CSA 54's sphere to encompass all four LAFCO-defined mountain region communities – Crest Forest, Lake Arrowhead, Hilltop and Bear Valley.

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

1. Present and Planned Uses:

The private lands within CSA 54 are generally residential (RS-14M) with scattered commercial along State Route 189 and in the Lake Gregory area of the district. Within the Crest Forest community, the private lands are predominantly residential (RS-14M and RL-5), with scattered commercial along State Route 138 and along Lake Drive west of Lake Gregory. Within the Lake Arrowhead community, the major residential land uses include RS-14M (Single Residential, 14,000 sq. ft. minimum) and RS-1 (Single Residential, 1 acre minimum) with scattered commercial along State Route 189, 173, Rim Forest and along the lake (Lake Arrowhead Village). The public lands within both communities are designated Resource Conservation.

For the sphere expansion area, the land uses within the Hilltop community are generally designated as Resource Conservation (85%), and the rest are primarily residential land use (15%). The commercial land use designation within the Hilltop community is minimal. For the land uses within the Bear Valley community, most are primarily designated as Resource Conservation (82%), and the remainder include Single Residential (7%), Rural Living (5%), Floodway (lake areas at 5%), and a mix of commercial, industrial, and institutional land uses (1%).

2. The present and probable need for public facilities and services in the area

CSA 54 only provides streetlighting services within its boundaries and presently operates and maintains 179 streetlights. Currently, CSA 54 meets the service needs of those within its boundaries. For the future, additional streetlights would be installed in response to development activity under the County's Night Sky Ordinance.

3. The present capacity of public facilities and adequacy of public services that the agency provides

CSA 54 provides streetlighting within its boundaries and adequately serves the area. Revenues are generally adequate to support the current streetlighting activities. The County is proposing a companion reorganization proposal to the proposed sphere expansion

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(LAFCO 3180), which would consolidate all County streetlighting entities in the mountain region to a single county service area. The revenues generated within the other streetlighting entities would be adequate to support continuation of current streetlighting activities.

4. The existence of any social or economic communities of interest

Streetlighting is a public safety issue and is regional in nature. The social and economic communities of interest are the LAFCO defined communities within the mountain region – Crest Forest, Lake Arrowhead, Hilltop, and Bear Valley.

5. Additional Determinations

- As required by State Law, notice of the Commission’s hearing was provided in *The Sun*, a newspaper of general circulation within the area. 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’s policy, the notice of hearing publication was provided through an eighth page legal ad in-lieu of individual notice.
- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. The Commission reviewed and considered all comments in making its determinations.

WHEREAS, having reviewed and considered the determinations as outlined above, the Commission determines to expand the sphere of influence for County Service Area 54, encompassing approximately 69,087 acres (108 +/- square miles), to include the LAFCO defined Hilltop community and the Bear Valley community, with the exception of the territory within the City of Big Bear Lake and the Big Bear City Community Services District.

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission for San Bernardino County, State of California, that this Commission shall consider the territory described in Exhibits “A”, “A-1” and “A-2” as being within the sphere of influence of County Service Area 54, it being fully understood that the amendment of such 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.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that County Service Area 54 shall indemnify, defend, and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

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

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

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ABSENT: COMMISSIONERS:

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 regular meeting of July 16, 2014.

DATED:

KATHLEEN ROLLINGS-MCDONALD
Executive Officer

DRAFT