

AGENDA

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

**SAN BERNARDINO CITY COUNCIL CHAMBERS
300 NORTH D STREET, FIRST FLOOR, SAN BERNARDINO**

REGULAR MEETING OF OCTOBER 22, 2014

9:00 A.M. – CALL TO ORDER – FLAG SALUTE

ANNOUNCEMENT: Anyone present at the hearing who is involved with any of the changes of organization to be considered and who has made a contribution of more than \$250 in the past twelve (12) months to any member of the Commission will be asked to state for the record the Commission member to whom the contribution has been made and the matter of consideration with which they are involved.

CONSENT ITEMS:

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter.

1. Approval of Minutes for Regular Meeting of September 17, 2014
2. Approval of Executive Officer's Expense Report
3. Ratify Payments as Reconciled for Month of September 2014 and Note Cash Receipts
4. **CONTINUED FROM SEPTEMBER 17, 2014 HEARING:** Review and Consideration of Amendment to LAFCO Conflict of Interest Code
5. **TO BE DEFERRED FOR DISCUSSION:** Adoption of LAFCO Resolution No. 3190 for LAFCO 3157 – Sphere of Influence Establishment for County Service Area 120 (Habitat Preservation and Historical Resources – North Etiwanda)

PUBLIC HEARING ITEMS:

6. Consent Items Deferred for Discussion
7. **CONTINUED FROM SEPTEMBER 17, 2014 HEARING:** Consideration of: (1) CEQA Statutory Exemption for LAFCO 3180; and (2) LAFCO 3180 – Reorganization to Include Annexations to County Service Area 54, Detachment from County Service Area SL-1 and Dissolution of County Service Area 73 and Zone A of County Service Area 53 (Streetlight Reorganization for the Mountain Region)

8. **CONTINUED FROM SEPTEMBER 17, 2014 HEARING:** Consideration of : (1) CEQA Statutory Exemption for Amendments to Policy and Procedure Manual; and (2) Amendments and Updates to LAFCO Policy and Procedure Manual defined as:
 - a. Update of Section 2, Accounting and Financial Policies and Procedures -- Introduction
 - b. Update Section 3, Human Resources Personnel Policies and Procedures and LAFCO Benefit Plan – Add Policy 302 Vacation, Section E Prior Service Credit; Amend Policy 202 for Compensation; and Amend Benefit Plan Section 1 Item C
 - c. Update Section 4, Application/Project Processing – Add Policy 14 -- Campaign Disclosure Policy, Amend Policy 9 – Individual Notice of Commission Hearings to Landowners and Registered Voters, and Amend Policy 13(a) -- Disadvantaged Unincorporated Community Annexation Policy
 - d. Update Section 6, Special District Representation Policies and Procedures –Amend Exhibit A Listing to reflect statutory changes
 - e. Update Section 7, Forms – Amend Application Submission Checklist, Amend Landowner and Registered Voter Protest Forms, and Add Campaign Disclosure Form
9. Consideration of CEQA Statutory Exemption for Valley Region Service Reviews to include, but not be limited to, the following services: water (Retail, Wholesale and Reclamation), Sewer (Treatment, Collection), Law Enforcement, Fire Protection/ Emergency Medical Response/Ambulance, Park and Recreation, Streetlights, Solid Waste and Other Miscellaneous Urban Services

DISCUSSION ITEMS:

10. First Quarter Financial Review for Period July 1 through September 30, 2014:
 - A. Financial Review
 - B. Transfer of \$11,000 from Contingency Funds (Account 6000) to Information Services Department Direct (Account 2421)
 - C. Establishment of Trust Accounts for Reserve Funds Currently Allocated in Accounts 6010, 6025, 6030
11. Workshop on LAFCO 3176 -- Special Study for Daggett, Newberry and Yermo Community Services District Including Plan for Service and Service Review
12. **TO BE CONTINUED TO THE JANUARY 21, 2015 HEARING:** Status Report on Rim of the World Recreation and Park District

INFORMATION ITEMS:

13. Legislative Update Report
14. Executive Officer's Report:
 - a. Recap of CALAFCO Annual Conference
15. Commissioner Comments
(This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on off-agenda items unless authorized by law.)

16. **Comments from the Public**

(By Commission policy, the public comment period is limited to five minutes per person for comments related to items under the jurisdiction of LAFCO.)

The Commission may adjourn for lunch from 12:00 to 1:30 p.m.

In its deliberations, the Commission may make appropriate changes incidental to the above-listed proposals.

Materials related to an item on this Agenda submitted to the Commission or prepared after distribution of the agenda packet will be available for public inspection in the LAFCO office at 215 N. D St., Suite 204, San Bernardino, during normal business hours, on the LAFCO website at www.sbclafco.org, and at the hearing.

Current law and Commission policy require the publishing of staff reports prior to the public hearing. These reports contain technical findings, comments, and recommendations of staff. The staff recommendation may be accepted or rejected by the Commission after its own analysis and consideration of public testimony.

IF YOU CHALLENGE ANY DECISION REGARDING ANY OF THE ABOVE PROPOSALS IN COURT, YOU MAY BE LIMITED TO RAISING ONLY THOSE ISSUES YOU OR SOMEONE ELSE RAISED DURING THE PUBLIC TESTIMONY PERIOD REGARDING THAT PROPOSAL OR IN WRITTEN CORRESPONDENCE DELIVERED TO THE LOCAL AGENCY FORMATION COMMISSION AT, OR PRIOR TO, THE PUBLIC HEARING.

The Political Reform Act requires the disclosure of expenditures for political purposes related to a change of organization or reorganization proposal which has been submitted to the Commission, and contributions in support of or in opposition to such measures, shall be disclosed and reported to the same extent and subject to the same requirements as provided for local initiative measures presented to the electorate (Government Code Section 56700.1). Questions regarding this should be directed to the Fair Political Practices Commission at www.fppc.ca.gov or at 1-866-ASK-FPPC (1-866-275-3772).

A person with a disability may contact the LAFCO office at (909) 383-9900 at least 72-hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.

**ACTION MINUTES OF THE
LOCAL AGENCY FORMATION COMMISSION
HEARING OF SEPTEMBER 17, 2014**

REGULAR MEETING

9:00 A.M.

SEPTEMBER 17, 2014

PRESENT:

COMMISSIONERS: James Curatalo, Chair
Kimberly Cox, Vice-Chair
Steve Farrell, Alternate
Larry McCallon

Sunil Sethi, Alternate
Acquanetta Warren, Alternate
Diane Williams

STAFF: Kathleen Rollings-McDonald, Executive Officer
Clark Alsop, LAFCO Legal Counsel
Holly Whatley, Special Counsel
Samuel Martinez, Assistant Executive Officer
Michael Tuerpe, Project Manager
Rebecca Lowery, Clerk to the Commission
Joe Serrano, LAFCO Analyst

ABSENT:

COMMISSIONERS: Jim Bagley
Robert Lovingood

James Ramos
Janice Rutherford, Alternate

**CONVENE REGULAR SESSION OF THE LOCAL AGENCY FORMATION
COMMISSION – CALL TO ORDER – 9:05 A.M. – SAN BERNARDINO CITY COUNCIL
CHAMBERS**

Chairman Curatalo calls the regular session of the Local Agency Formation Commission to order and leads the flag salute.

Chairman Curatalo requests those present who are involved with any of the changes of organization to be considered today by the Commission and have made a contribution of more than \$250 within the past twelve months to any member of the Commission to come forward and state for the record their name, the member to whom the contribution has been made, and the matter of consideration with which they are involved. There are none.

Executive Officer Kathleen Rollings-McDonald, Executive Officer, notes that Commissioner Bagley is not present due to injuries he sustained in an airplane crash in San Diego County. Ms. McDonald notes that he is now at home and recuperating from his injuries.

CONSENT ITEMS – APPROVE STAFF RECOMMENDATION:

The following consent items are expected to be routine and non-controversial and will be

acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter.

1. Approval of minutes for Regular Meeting of July 16, 2014
2. Approval of Executive Officer's Expense Report
3. Ratify Payments as reconciled for months of July and August 2014 and Note Cash Receipts
4. Approval of contract with Rosenow Spevacek Group (RSG) for Financial Study for Potential Incorporation of Rim of the World Communities
5. Review and approve request to County Auditor-Controller/Treasurer/Tax Collector to collect Outstanding City and/or District Apportionment Amounts from First Proceeds of Tax Revenues for Fiscal Year 2014-15
6. Ratification of Platinum Sponsorship for the CALAFCO Conference by San Bernardino LAFCO
7. **TO BE CONTINUED TO OCTOBER 22, 2014 HEARING:** Review and Consideration of Amendment to LAFCO Conflict of Interest Code

LAFCO considered the items listed under its consent calendar. Copies of each report are on file in the LAFCO office and are made part of the record by their reference herein.

Executive Officer Kathleen Rollings-McDonald notes that no items have been requested to be deferred for discussion.

Commissioner McCallon moves approval of the consent calendar, second by Commissioner Cox. There being no opposition, the motion passes unanimously with the following vote: Ayes: Cox, Curatalo, McCallon, Sethi, Williams. Noes: None. Abstain: Cox on Item 1. Absent: Bagley (Mr. Sethi voting in his stead).

PUBLIC HEARING ITEMS:

ITEM 8. CONSENT ITEMS DEFERRED FOR DISCUSSION

No Items Deferred For Discussion.

ITEM 9. CONTINUED FROM JULY 16, 2014 HEARING; TO BE CONTINUED TO OCTOBER 22, 2014 HEARING: CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3180; AND (2) LAFCO 3180 – REORGANIZATION TO INCLUDE ANNEXATIONS TO COUNTY SERVICE AREA 54, DETACHMENT FROM COUNTY SERVICE AREA SL-1 AND DISSOLUTION OF COUNTY SERVICE AREA 73 AND ZONE A OF COUNTY SERVICE AREA 53 (STREETLIGHT REORGANIZATION FOR THE MOUNTAIN REGION)

Chairman Curatalo says that the public hearing on this item is still open.

Assistant Executive Officer Samuel Martinez presents the report for LAFCO 3180, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Mr. Martinez states that LAFCO 3180 was continued from the July 16, 2014 Hearing and says that LAFCO staff has discovered that there are streetlights currently located outside of the existing boundaries for County Service Area (CSA) 54. He says that the addition of these areas as part of the overall reorganization proposal will require that LAFCO re-advertise the proposal to comply with the requirement of State law. He asks that the item be continued to the October 22, 2014 hearing.

Commissioner Cox moves approval of continuing LAFCO 3180 to the October 22, 2014 hearing, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Cox, Curatalo, McCallon, Sethi, Williams. Noes: None. Abstain: None. Absent: Bagley (Mr. Sethi voting in his stead).

ITEM 10. PRESENTATION OF SANBAG STUDY FOR HABITAT CONSERVATION FRAMEWORK FOR SAN BERNARDINO COUNTY BY STEPHANIE STANDERFER, SENIOR PROJECT MANAGER, DUDEK AND CONSIDERATION OF CONTINUATION OF SERVICE REVIEW FOR HABITAT PRESERVATION SERVICES WITHIN THE VALLEY REGION

Chairman Curatalo opens the public hearing.

Executive Officer Kathleen Rollings-McDonald presents the report for the SanBAG Study for Habitat Conservation Framework study ("Framework"), a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald says that in December 2013, LAFCO staff became aware of SanBAG's undertaking of a Countywide Habitat Preservation/Conservation Framework study. She states that staff has attached a copy of the SanBAG report dated December 11, 2013, which outlines the project's purpose in support of the County's Vision Program. Ms. McDonald says that LAFCO staff has invited Ms. Stephanie Standerfer, Senior Project Manager with Dudek, consultant preparing the Framework study, to present the Commission with an outline of the project and its current status. Ms. McDonald introduces Stephanie Standerfer.

Ms. Standerfer presents an update on the Development of a Countywide Habitat Preservation/Conservation Framework Study through a slide presentation (a complete copy of which is available in the LAFCO office). She reviews the purpose of the study, what the study is and is not, what has been learned, the proposed schedule and what the next steps are.

Commissioner Cox questions for the subareas what kind of boundaries are included, to which Ms. Standerfer says that they can be based on watersheds, governmental

boundaries, or a multitude of other boundaries.

Commissioner McCallon questions Ms. Standerfer's comment on no large scale transportation projects, to which Ms. Standerfer responds that at the presentation to the SanBAG Board of Directors this issue was outlined relating to the E-220 project. Commissioner Farrell asks for clarity of agencies contacted in the mountain area, to which Ms. Standerfer provides a general outline of the different agencies contacted.

Executive Officer Kathleen Rollings-McDonald says the framework will be a comprehensive report and that LAFCO staff has provided all the information they have gleaned to Dudek. In addition, Ms. McDonald notes that the staff is recommending that the Commission separate the service review for habitat conservation services from the processing of LAFCO 3157 to allow for completion of the Framework. Ms. McDonald notes that staff will return to the Commission with the service review after completion and adoption of the Framework study.

Chairman Curatalo calls upon those wishing to speak to this item.

Steve Loe, member of the public, says that he supports multispecies planning.

Jane Hunt, member of the public, says that she is pleased to hear that LAFCO will be separating the service review for Open Space and Habitat Conservation Services from the Sphere of influence Establishment for CSA 120.

Commissioner Williams moves approval of staff's recommendation, second by Commissioner McCallon. There being no opposition, the motion passes unanimously with the following vote: Ayes: Cox, Curatalo, McCallon, Sethi, Williams. Noes: None. Abstain: None. Absent: Bagley (Mr. Sethi voting in his stead).

Clark Alsop, Legal Counsel for the Commission, leaves the dais; Holly Whatley, from Colantuono, Highsmith & Whatley, PC, Special Counsel for the Commission, takes his place.

ITEM 11. CONSIDERATION OF: (1) ADOPTION OF MITIGATED NEGATIVE DECLARATION AND (2) LAFCO 3157 – SPHERE OF INFLUENCE ESTABLISHMENT FOR COUNTY SERVICE AREA 120 (HABITAT PRESERVATION AND HISTORICAL RESOURCES -- NORTH ETIWANDA)

Chairman Curatalo opens the public hearing.

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3157, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald reviews the history of the proposal. She says that in 2009, the Commission initiated the sphere of influence establishment for CSA 120 as required by law and notified the County of its intent to establish a coterminous sphere of influence as

was the Commission/s practice. The County responded that it would be requesting an expanded sphere of influence and LAFCO staff agreed to work with the County to move forward with the expansion request. Over the next two years the County deliberated about the application – what territory would be proposed, the funding for payment of the mandatory LAFCO filing fees and such. She says that in March 2012 the County of San Bernardino Board of Supervisors initiated the application and the filing fees were submitted by the Lytle Development Company. The sphere of influence establishment submitted encompassed a total of 71 square miles.

Ms. McDonald says that in January 2014 the Commission held a workshop to review the requirements which would point toward the need for dedication of mitigation lands so that the Commission could understand the purpose of CSA 120 and in February 2014 the Commission was presented with the environmental documents prepared for LAFCO 3157. She says that a mitigated negative declaration was approved.

Ms. McDonald says that at the February hearing the Commission received a letter, dated February 13, 2014, from the Board of Supervisors Chair, proponent for the action, requesting amendment of the application to reflect the alternative #2 of the environmental assessment document that excludes the territory included within the City of Fontana's Multi-species Habitat Conservation Plan. She reminds the Commission that at this hearing, the Commission will evaluate and make determinations on the required factors outlined in Government Code Section 56425. These determinations will be guided by the Commission's stated mission statement which is "to ensure the establishment of an appropriate, sustainable and logical municipal level of government structure for the distribution of efficient and effective public services".

Ms. McDonald reviews the factors of determination. She provides a description of the County's land use designations noting that the City of Fontana General Plan assigns an open space designation to the territory within CSA 120 recognizing the future potential for habitat preservation.

Ms. McDonald says that the North Etiwanda Preserve Management Plan adopted in 2010 builds upon its predecessor Cooperative Management Agreement of 1998. The mitigation lands now include approximately 1,207 acres and the management plan has divided the acreage into Unit 1 (original 762 acres of North Etiwanda Preserved) and Unit 2 (445 acres outside that boundary). The acquisition of additional lands for mitigation management are regulated by the California Department of Fish and Wildlife through its state mandated due diligence process to review the qualifications of entities to manage endowments and to perform the mitigation management activities designed in a mitigation agreement. This process is undertaken through the completion of an "Application for governmental entity, special district or nonprofit organization requesting to hold and manage mitigation lands." To date, CSA 120 has not submitted this report; therefore, it is not able to acquire additional mitigation properties for which an endowment is proposed. She says that without the authorization, no new service can be provided. In order to address the issue, LAFCO staff is proposing a condition that within six months of the approval of the sphere of influence establishment County Service Area 120 shall have completed the due diligence process with the California Department of Fish and Wildlife

to be declared an available recipient of mitigation properties in the future. And that failure to do so will require a further analysis of the sphere of influence assignment.

She says that the funding for the operations of CSA 120 is limited to the interest earned on the endowment funds received at the time that the properties are transferred to its ownership for management. The statutes require that the funds be used for the purposes identified in managing the mitigation properties from which the endowment is derived. Based upon these factors the question of the solvency of the district and the need to return endowment funds not utilized in performing services on the properties from which they were derived. LAFCO staff has identified that approximately \$112,000 needs to be returned to the endowment fund.

Ms. McDonald says there will be no change to CSA 120's authorized powers.

Tom Dodson, Environmental Consultant for the Commission, presents the environmental element of the staff report. He says that for environmental review, the initial study evaluated will not have a significant adverse impact on the environment. He says that the findings were appropriate. He also responds to the information that was received from Metropolitan Water District of Southern California.

Ms. McDonald says that the staff is recommending that the Commission direct the Executive Officer to file the Notice of Determination within five days of the Commission's decision on the project. She says that such filing must be accompanied by the payment of California Department of Fish and Wildlife Fee in the amount of \$2,231.95 and that staff will not submit the required filing until such time as the County Special Districts Department transfers the required funds to LAFCO for processing. Failure to file within the required five days of action will lengthen the period for legal challenge to 180 days rather than the 30-day statute of limitations period for CEQA challenges when timely filed.

Ms. McDonald states that the determinations outlined in this report come with the acknowledgement that there are significant funding issues for CSA 120 to overcome to continue to operate, and failure to address them could result in a determination of insolvency. She reviews the recommendations and conditions for the project.

Commissioner Cox asks what the funding mechanism was when the District was formed. Ms. McDonald says that it was endowment funding.

Commissioner McCallon asks who is requesting the City of Fontana's MSHCP area be excluded from CSA 120, to which Ms. McDonald says that it is the City of Fontana who is requesting exclusion from the project.

Commissioner Williams asks what if the proponent does not complete the items of continuance within the six month timeline. Ms. McDonald says that LAFCO staff will continue to monitor and will report back to the Commission. She says that County Special Districts has indicated that they will work with staff to complete the conditions required.

Commissioner Cox asks if CSA 120 has the means to repay the monies to the endowment fund, to which Ms. McDonald responds in the negative noting that it would need an infusion of funds from another source.

Commissioner Williams asks if there are any legal parameters to recoup the funds; is the District legally entitled to look for other funding. Ms. McDonald says that the District is entitled to look for other funding and that they would need to be responsible for looking for other funding sources that may be available to possibly help the District repay the monies to the endowment fund.

Commissioner Farrell asks what distinguishes the CSA 120's powers from park district powers. Ms. McDonald says that not much, but that the attribute was to provide opportunities for educational pursuits for the community to understand the habitat that is being preserved and that LAFCO staff's concern is that the endowment funds are to be used to maintain the habitat not the maintenance of park benches, kiosks, trails and the like. There are other sources to fund those types of things. Commissioner Farrell asks if a review of the interest accumulated from 1994 has been conducted, which Ms. McDonald says that the endowment was \$700,000 and that at the time it was understood that the amount was insufficient for long term management but it was all that was available. Commissioner Farrell asks what type of oversight LAFCO has on CSA 120, to which Ms. McDonald says that LAFCO is charged with reviewing whether or not they are performing the service that they are authorized to perform and that they have adhered to the management plan through the advisory board, which reports to the County Board of Supervisors.

Tim Millington, Special Districts Representative, Interim Division Manager, says with regard to the condition to provide a mechanism for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without the use of established endowment funds, that the North Etiwanda Enhancement Project was born out of a need to address illegal activities taking place in the preserve and to control environmental damage. He says that to the lay person it would appear as a recreational project on the surface, but that the strategies gained support of all the environmental groups. He says that a full initial study was prepared and that the study indicated that the project was a better alternative than the destructive behaviors and uses within the property. He says that the project educates and control use of the area in an environmentally responsible way.

Mr. Millington says that interest from the endowment is used to manage and control use and to support responsible stewardship. He says that it would not be in the best interest of the area to further deplete resources and that placing a financial constraint on CSA 120 would put a strain on what little funding resources are currently available. He says that CSA 120's management plan has support from various agencies. He says that there are many examples of mitigated land being used for public purpose. He says that California Fish and Game Code Section 2779.5 states that land set aside for conservation must allow responsible public access. He says that the enhancement project fulfills that requirement.

Mr. Millington says that with regard to the condition of developing funding plans to restore endowment balance for those mitigation properties where mitigation work has not been performed but interest earnings used, the endowment management plan has been constructed in a way that it allows for the acceptance of funding from multiple agencies. He says that Government Code Section 65968 which is referred to in the LAFCO staff report, was not enacted until January 1, 2012, so those properties accepted prior to that date would be potentially exempt.

Mr. Millington says that he does not feel that directing LAFCO staff and CSA 120 to continue to work together should be a condition. He also says that with regard to some items noted in the staff report, that he would like to clarify on page 10 for the 2012 report that it states that the interest earnings were \$17,516 and then on page 12 it shows the earnings at considerable less. He wants to make sure that there are no discrepancies within the staff report.

Chairman Curatalo asks LAFCO Counsel Holly Whatley with regard to the comments made by special districts, if there are any items that the Commission should consider.

Ms. Whatley says that CSA 120 has developed a way to use the funds and that there is room for a difference of opinion and interpretation of the law on the issue.

Executive Officer Kathleen Rollings-McDonald states that LAFCO staff stands behind the staff report.

(It is noted that Commissioner Cox leaves the dais.)

Steve Loe, member of the public, makes comments of understanding the issues from both views.

(It is noted that Commissioner Warren leaves the dais.)

Jane Hunt, member of the public, asks for clarification of the modification of the proposal and asks who will monitor the on-going mitigation lands if an expansion is proposed.

Executive Officer Kathleen Rollings-McDonald states that the North Etiwanda Advisory Board monitors the lands and that the modification of the proposal excludes Fontana's Multi-Species Habitat Conservation Plan. She says that no expansion is proposed.

(it is noted that Commissioner Cox returns to the dais.)

Ms. Hunt asks for clarification regarding the direction for County Special Districts to submit the necessary funds to pay the required California Fish and Wildlife Filing fee prior to the Executive Officer filing the Notice of Determination. Ms. McDonald says that staff is requesting approval for the directive from the Commission that the County Special Districts, like any other applicant, make or confirm payment of the \$2,231.95 California Fish and Wildlife Filing Fee before the Executive Officer files the Notice of Determination with the Clerk of the Board of San Bernardino County, as is adopted in the LAFCO fee schedule and Policies and Procedures.

Lynn Boshart, Save Lytle Creek Wash, thanks staff for the information received and for the clarification of the item. She says that she is glad that the financial concerns are being addressed.

Chairman Curatalo calls for further public testimony, there being none closes the public hearing.

Commissioner McCallon moves approval of staff recommendation, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Cox, Curatalo, McCallon, Sethi, Williams. Noes: None. Abstain: None. Absent: Bagley (Mr. Sethi voting in his stead).

LAFCO Legal Counsel Clark Alsop returns to the dais.

DISCUSSION ITEMS:

**ITEM 12. TO BE CONTINUED TO OCTOBER 22, 2014 HEARING:
CONSIDERATION OF ANNUAL REVIEW OF POLICY AND PROCEDURE MANUAL**

Chairman Curatalo opens the public hearing.

Executive Officer Kathleen Rollings-McDonald presents the staff report for the annual review of the LAFCO Policy and Procedure Manual, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

Ms. McDonald says that staff has been advised that the updates of the Policy and Procedure Manual requires advertisement and issuance of a Notice of Exemption from CEQA, therefore the item must be continued to the October 22, 2014 hearing so that the required advertised legal notice can be provided.

Commissioner McCallon moves approval of continuing the consideration of the annual Policy and Procedure Manual review to the October 22, 2014 hearing, second by Commissioner Cox. There being no opposition, the motion passes unanimously with the following vote: Ayes: Cox, Curatalo, McCallon, Sethi, Williams. Noes: None. Abstain: None. Absent: Bagley (Mr. Sethi voting in his stead).

INFORMATION ITEMS:

ITEM 13. LEGISLATIVE UPDATE REPORT

Executive Officer Kathleen Rollings-McDonald presents the report of pending legislation. She reviews SB 614 (Wolk) and says that CALAFCO has sent a letter of support for SB 614. She reviews SB 628 (Beall and Wolk), AB 1739 (Dickenson)/ SB 1168 (Pavley) both related to Groundwater Basin Management Sustainability. Ms. McDonald reviews SB 69 (Roth)/AB 1521 (Fox) related to Vehicle License Fee Adjustments. She also reviews AB

2443 (Rendon) related to Mutual Water Companies.

She asks that the report be received and filed.

ITEM 14. EXECUTIVE OFFICER'S REPORT:

- a. PRESENTATION OF OBJECTIONS SUBMITTED TO PROTEST PROCESS FOR LAFCO 3172 – REORGANIZATION TO INCLUDE ANNEXATION TO BIG BEAR CITY CSD (ET AL);**
- b. STATUS UPDATE FOR CALAFCO ANNUAL CONFERENCE**

Executive Officer Kathleen Rollings-McDonald presents an oral report. She presents information regarding a member of the public's objections to the LAFCO protest process for LAFCO 3172. She also presents a letter of complaint from a resident of Morongo Valley regarding the operations of the Morongo Valley CSD. Ms. McDonald notes that staff will return at a later date with a response to the complaint. She gives an update of the CALAFCO Annual Conference which is being hosted by the Commission and says that the registration is currently at 153.

ITEM 15. COMMISSIONER COMMENTS

Commissioner McCallon comments that Ms. Standerfer's presentation was incorrect with regard to not having large transportation projects in the County.

Commissioner Williams says that flowers should be sent to Mr. Bagley on behalf of the Commission, wishing him a quick recovery.

ITEM 16. COMMENTS FROM THE PUBLIC

No comments.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION THE HEARING IS ADJOURNED TO THE CALAFCO ANNUAL CONFERENCE IN ONTARIO -- OCTOBER 15 THROUGH 17, 2014 AT 11:09 A.M.

ATTEST:

REBECCA LOWERY
Clerk to the Commission

LOCAL AGENCY FORMATION COMMISSION

JAMES CURATALO, Chairman

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

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 8, 2014



FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

**SUBJECT: AGENDA ITEM #2 – APPROVAL OF EXECUTIVE OFFICER’S
EXPENSE REPORT**

RECOMMENDATION:

Approve the Executive Officer’s Expense Report for Procurement Card Purchases for September 2014 as presented.

BACKGROUND INFORMATION:

The Commission participates in the County of San Bernardino’s Procurement Card Program to supply the Executive Officer a credit card to provide for payment of routine official costs of Commission activities as authorized by LAFCO Policy #4(H). Staff has prepared an itemized report of purchases that covers the billing period of August 23, 2014 through September 22, 2014.

It is recommended that the Commission approve the Executive Officer’s expense report as shown on the attachments.

KRM/rcl

Attachments

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North "D" Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-mail: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE : OCTOBER 8, 2014

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION



SUBJECT: AGENDA ITEM #3 - RATIFY PAYMENTS AS RECONCILED FOR
MONTH OF SEPTEMBER 2014 AND NOTE REVENUE RECEIPTS

RECOMMENDATION:

Ratify payments as reconciled for the month of September 2014 and note revenue receipts for the same period.

BACKGROUND INFORMATION:

Staff has prepared a reconciliation of warrants issued for payments to various vendors, internal transfers for payments to County Departments, cash receipts and internal transfers for payments of deposits or other charges that cover the periods of September 1 through September 30, 2014.

Staff is recommending that the Commission ratify the payments for September outlined on the attached listings and note the revenues received.

KRM/rcf

Attachment

MONTHLY RECONCILIATION OF PAYMENTS

MONTH OF SEPTEMBER 2014 PAYMENTS PROCESSED

VOUCHER DOCUMENT ID	ACCOUNT	NAME	WARRANT NUMBER	WARRANT DATE	AMOUNT
PV8908270	2445	CITY OF SAN BERNARDINO	8517422	9/2/14	\$ 300.00
PV8908271	2424	TOM DODSON & ASSOCIATES	3230550	9/2/14	\$ 874.00
PV8908272	2400	BEST BEST & KRIEGER	3230448	9/2/14	\$ 1,865.10
PV8908273		PREVIOUSLY PROCESSED			
PV8908274	2125/2305	DAISY WHEEL RIBBON CO	3231435	9/16/14	\$ 2,071.07
PV8908275	2305	PAPER RECYCLING SPECIALISTS	8524472	9/16/14	\$ 34.00
PV8908276	2400	BEST BEST & KRIEGER	3231427	9/16/14	\$ 3,300.00
PV8908277	2905	INLAND EMPIRE PROPERTIES LLC	8524445	9/16/14	\$ 4,226.62

TOTAL					\$ 12,670.79
--------------	--	--	--	--	---------------------

MONTH OF SEPTEMBER 2014 INTERNAL TRANSFERS PROCESSED

JVIB 02092037D	2037	AUGUST 2014 PHONE		9/9/2014	\$ 203.49
JVIB 02092038D	2038	AUGUST 2014 LONG DISTANCE		9/9/2014	\$ 9.58
JVCS 20140915065	2305	STAPLES - SERVICE CHARGE		9/16/2014	\$ 58.54
JVCS 20140915065	5012	STAPLES - SUPPLIES		9/16/2014	\$ 487.87
JVATXRT04545	2308	CAL CARD PAYMENT		9/30/2014	\$ 100.04
JVPURRT03322	2310	1ST CLASS PRESORT- MAIL		9/10/2014	\$ 392.12
JVPURRT03338	2310	PACKAGING - MAIL		9/10/2014	\$ 45.19
JVPURRT03335	2310	INTER-OFFICE MAIL		9/11/2014	\$ 172.20
JVPURRT03342	2310	PRESORT FLATS - MAIL		9/11/2014	\$ 9.94
JVIB 02092410AC	2410	AUGUST 2014 DATA PROCESSING		9/9/2014	\$ 2.94
JVIB 02092410AG	2410	AUGUST 2014 DATA PROCESSING		9/9/2014	\$ 125.57
JVIB 02092410AL	2410	AUGUST 2014 DATA PROCESSING		9/9/2014	\$ 11.24
JVIB 02092410AQ	2410	AUGUST 2014 DATA PROCESSING		9/9/2014	\$ 57.12
JVIB 02092410E	2410	AUGUST 2014 DATA PROCESSING		9/9/2014	\$ 42.12
JVIB 02092410Q	2410	AUGUST 2014 DATA PROCESSING		9/9/2014	\$ 176.57
JVIB 02092410U	2410	AUGUST 2014 DATA PROCESSING		9/9/2014	\$ 85.62
JVIB 02092410Y	2410	AUGUST 2014 DATA PROCESSING		9/9/2014	\$ 155.09
JVATXRT04211	2415	2014/2015 COWCAP - 1ST QUARTER PAYMENT		9/24/2014	\$ 1,577.06
JVIB 02092420L	2420	AUGUST 2014 ISD OTHER IT SERVICES		9/9/2014	\$ 58.44
JV890RT03923	2424	COB FILING FEES - LAFCO 3177, 3179, SC390, 3171A & SC389		9/24/2014	\$ 250.00
JV890RT02602	2445	ROV CHARGES - LAFCO 3181		9/2/2014	\$ 135.16

TOTAL					\$ 4,155.90
--------------	--	--	--	--	--------------------

MONTHLY RECONCILIATION OF PAYMENTS

MONTH OF SEPTEMBER 2014 CASH RECEIPTS

DEPOSIT				DEPOSIT	
DOCUMENT ID	ACCOUNT	DESCRIPTION		DATE	AMOUNT
CRATXA02524	8842	WEST VALLEY MOSQUITO AND VECTOR CONTROL		9/2/2014	\$ 235.33
CRATXA02524	8842	SAN BERNARDINO MOUNTAINS COMMUNITY HCD		9/2/2014	\$ 1,500.00
CRATXA02684	8842	CITY OF VICTORVILLE		9/4/2014	\$ 20,755.20
CRATXA02727	8842	APPLE VALLEY FOOTHILL COUNTY WATER		9/5/2014	\$ 13.47
CRATXA03251	8842	CITY OF ADELANTO		9/18/2014	\$ 1,974.42
CR890A03281	9930	MISCELLANEOUS - IRS REFUND		9/18/2014	\$ 1,579.84
TOTAL					\$ 26,058.26

MONTH OF SEPTEMBER 2014 INTERNAL TRANSFERS RECEIVED

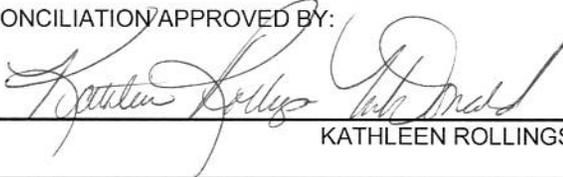
TRANSFER				TRANSFER	
DOCUMENT ID	ACCOUNT	NAME		DATE	AMOUNT
JVCFDRT02700	9655	GIMS FEES - SBCFPD - LAFCO 3171A		9/2/2014	\$ 485.00
JVCNART04424	9800	2ND SUPERVISORIAL DISTRICT - RIM INCORPORATION		9/25/2014	\$ 24,723.00
TOTAL					\$ 25,208.00



REBECCA LOWERY, Clerk to the Commission

10/8/2014
DATE

RECONCILIATION APPROVED BY:



KATHLEEN ROLLINGS-McDONALD, Executive Officer

10/8/2014
DATE

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 8, 2014

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
REBECCA LOWERY, Clerk to the Commission



TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item 4: Review and Consideration of Amendment to LAFCO
Conflict of Interest Code

RECOMMENDATION:

Staff recommends that the Commission:

1. Review the changes to the Conflict of Interest Code and adopt LAFCO Resolution 3191 amending the Conflict of Interest Code; and,
2. Direct the Executive Officer to file the amended Conflict of Interest Code with the Clerk of the Board.

BACKGROUND:

The Political Reform Act requires every local government agency to review its conflict of interest code biennially. The amendment for 2014 will add one position, LAFCO Analyst, (Disclosure Categories 2 and 4) and include clarifying language as provided by the Fair Political Practices Commission.

The "2014 Local Agency Biennial Notice" form was provided to the County Board of Supervisors ("Board"), via the Clerk of the Board, on August 28, 2014. The amended code must be forwarded to the Board for approval within 90 days of filing the biennial notice. LAFCO participates in Best, Best, and Krieger's (hereafter shown as "BBK") Public Law Update Program and BBK has prepared the package for submission to the Clerk of the Board. The amended Code will not be effective until 30 days after it has been approved by the Board as the reviewing body. The Commission and those listed in the Code will receive a copy of the updated Code when approved by the Board.

Staff recommends that the Commission take the actions listed above for adoption of its Amended Conflict of Interest Code. Should the Commission have any questions, staff will be glad to answer them prior to or at the hearing.

KRM/

Attachments:

1. [2014 Local Agency Biennial Notice Form](#)
2. [Draft - Legislative Version to Show Changes Made](#)
3. [Resolution 3191 with Amended Code Attached](#)

2014 Local Agency Biennial Notice Form

Attachment 1

2014 Local Agency Biennial Notice

Name of Agency: Local Agency Formation Commission (LAFCO)
Mailing Address: 215 North D Street, Ste. 204, San Bernardino, CA 92415-0490
Contact Person: Rebecca Lowery, Clerk to the Commission Phone No: (909) 383-9905
E-Mail: rlowery@lafco.sbcounty.gov

Accurate disclosure is essential to monitor whether officials have conflicts of interest and to help ensure public trust in government. The biennial review examines current programs to ensure that the agency's code includes disclosure by those agency officials who make or participate in making governmental decisions.

This agency has reviewed its conflict of interest code and has determined that (check one box):

An amendment is required. The following amendments are necessary:

(Mark all that apply.)

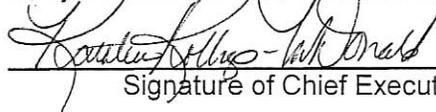
- Include new positions (including consultants) that must be designated
- Revise disclosure categories
- Revise the titles of existing positions
- Delete positions that no longer make or participate in making governmental decisions
- Other (describe) provide clarifying statutory language

The code is currently under review by the code reviewing body.

No amendment is required. (If your code is more than five years old, amendments may be necessary.)

Verification

This agency's conflict of interest code accurately designates all positions that make or participate in the making of governmental decisions. The disclosure categories assigned to those positions accurately require the disclosure of all investments, business positions, interests in real property, and sources of income that may foreseeably be affected materially by the decisions made by those holding designated positions. The code includes all other provisions required by Government Code Section 87302.



Signature of Chief Executive Officer

8/28/14

Date

Complete and return this notice regardless of how recently your code was approved or amended. Please return this notice no later than **October 1, 2014**, or by the date specified by your agency, if earlier, to:

(PLACE RETURN ADDRESS OF THE CODE REVIEWING BODY HERE)

PLEASE DO NOT RETURN THIS FORM TO THE FPPC

**Draft – Legislative Version to
Show Changes Made**

Attachment 2

LEGISLATIVE VERSION
(SHOWS CHANGES MADE)

CONFLICT OF INTEREST CODE

OF THE

LOCAL AGENCY

FORMATION COMMISSION

COUNTY OF SAN BERNARDINO

**CONFLICT OF INTEREST CODE
OF THE
LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

The Political Reform Act (Government Code Section 81000, et seq.) requires state and local government agencies to adopt and promulgate conflict of interest codes. The Fair Political Practices Commission has adopted a regulation (2 Cal. Code of Regs. 18730) that contains the terms of a standard conflict-of-interest code, which can be incorporated by reference in an agency's code. After public notice and hearing the standard code may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act. Therefore, the terms of 2 California Code of Regulations Section 18730 and any amendments to it duly adopted by the Fair Political Practices Commission are hereby incorporated by reference. This incorporation page, regulation and the attached Appendix designating positions and establishing disclosure categories, shall constitute the conflict-of-interest code of the **Local Agency Formation Commission – San Bernardino County (“LAFCO”)**.

All Officials and designated positions required to submit a statement of economic interests shall file their statements of economic interests with the **Project ManagerCommission Clerk** as LAFCO's Filing Officer. The **Project ManagerCommission Clerk** shall make and retain a copy of all statements filed by Members of the Commission, and the Executive Officer, and shall forward the originals of such statements to the County Board of Supervisors of the County of San Bernardino. The **Project ManagerCommission Clerk** shall retain the originals of the statements filed by all other officials and designated positions and make all statements available for public inspection and reproduction during regular business hours. (Gov. Code § 81008.)

APPENDIX

CONFLICT OF INTEREST CODE

OF THE

LOCAL AGENCY FORMATION COMMISSION

- COUNTY OF SAN BERNARDINO

(Amended ~~September 15, 2004~~ October 22, 2014¹)

EXHIBIT PART "A"

OFFICIALS WHO MANAGE PUBLIC INVESTMENTS

LAFCO Officials who manage public investments, as defined by 2 Cal. Code of Regs. § 18701(b), are NOT subject to LAFCO's Code, but must file disclosure statements under Government Code Section 87200 et seq. [Regs. § 18730(b)(3)] These positions are listed here for informational purposes only.

It has been determined that the positions listed below are officials who manage public investments²:

Members of the Commission and their Alternates

Executive Officer

Financial Consultants

¹ Titles updated and clarifying language added as provided by the Fair Political Practices Commission in July 2012.

² Individuals holding one of the above-listed positions may contact the Fair Political Practices Commission for assistance or written advice regarding their filing obligations if they believe that their position has been categorized incorrectly. The Fair Political Practices Commission makes the final determination whether a position is covered by § 87200.

DESIGNATED POSITIONS

GOVERNED BY THE CONFLICT OF INTEREST CODE

<u>DESIGNATED POSITIONS'</u> <u>TITLE OR FUNCTION</u>	<u>DISCLOSURE CATEGORIES</u> <u>ASSIGNED</u>
Project Manager	1, 2
Assistant Executive Officer	1, 2
General Counsel	1, 2
<u>LAFCO Analyst</u>	<u>2, 4</u>
Consultant and New Positions ³	

³ Individuals providing services as a consultant as defined in Regulation 18701 or in a new position created since this Code was last approved that make or participate in making decisions shall disclose pursuant to the broadest disclosure category in this Code subject to the following limitation:

The Executive Officer may determine that, due to the range of duties or contractual obligations, it is more appropriate to assign a limited disclosure requirement. A clear explanation of the duties and a statement of the extent of the disclosure requirements must be in a written document. (Gov. Code Sec. 82019; FPPC Regs 18219 and 18734.) The Executive Officer's determination is a public record and shall be retained for public inspection in the same manner and location as this Conflict of Interest Code. (Gov. Code Sec. 81008.)

EXHIBIT PART "B"

DISCLOSURE CATEGORIES

The disclosure categories listed below identify the types of economic interests that the Designated Position must disclose for each disclosure category to which he or she is assigned.⁴ Such economic interests are reportable if they are either located in or doing business in the jurisdiction, are planning to do business in the jurisdiction, or have done business during the previous two years in the jurisdiction of LAFCO.

Category 1: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are located in, do business in or own real property within the jurisdiction of ~~the District~~ LAFCO.

Category 2: All interests in real property which is located in whole or in part within, or not more than two (2) miles outside, the jurisdiction of LAFCO.

Category 3: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that are engaged in land development, construction or the acquisition or sale of real property within the jurisdiction of LAFCO.

Category 4: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by LAFCO.

Category 5: All investments and business positions in business entities, and sources of income, including gifts, loans and travel payments, that provide services, products, materials, machinery, vehicles or equipment of a type purchased or leased by the Designated Position's department, unit or division.

⁴ This Conflict of Interest Code does not require the reporting of gifts from outside this agency's jurisdiction if the source does not have some connection with or bearing upon the functions or duties of the position. (Reg. 18730.1)

**Resolution 3191 with
Amended Code Attached**

Attachment 3

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

HEARING DATE: OCTOBER 22, 2014

RESOLUTION NO. 3191

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY, STATE OF CALIFORNIA, ADOPTING AN AMENDED CONFLICT OF INTEREST CODE PURSUANT TO THE POLITICAL REFORM ACT OF 1974

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

WHEREAS, the State of California enacted the Political Reform Act of 1974, Government Code Section 81000 et seq. (the "Act"), which contains provisions relating to conflicts of interest which potentially affect all officers, employees and consultants of the Local Agency Formation Commission for San Bernardino County ("LAFCO") and requires all public agencies to adopt and promulgate a Conflict of Interest Code; and

WHEREAS, LAFCO adopted a Conflict of Interest Code which was amended on September 15, 2004, in compliance with the Act; and,

WHEREAS, subsequent changed circumstances within LAFCO have made it advisable and necessary pursuant to Sections 87306 and 87307 of the Act to amend and update LAFCO's Conflict of Interest Code; and,

WHEREAS, the potential penalties for violation of the provisions of the Act are substantial and may include criminal and civil liability, as well as equitable relief which could result in LAFCO being restrained or prevented from acting in cases where the provisions of the Act may have been violated; and,

WHEREAS, notice of the time and place of a public hearing on, and of consideration by LAFCO, of the proposed amended Conflict of Interest Code was provided to each designated employee and publicly posted for review at or near the doors of the meeting room of LAFCO at 300 North D Street, San Bernardino, California; and,

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

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 14, 2014

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: **AGENDA ITEM #5** – Adoption of LAFCO Resolution No. 3190 for LAFCO 3157 – Sphere of Influence Establishment for County Service Area 120 (Habitat Conservation and Historical Resources – North Etiwanda)

RECOMMENDATION:

Staff recommends that the Commission:

1. Amend determination provided at the September 17, 2014 hearing related to Government Code Section 56425(e)(3) as to the amount of endowment funds to be returned to the balance for Unit 2 properties and its related condition; and,
2. Adoption of LAFCO Resolution No. 3190 reflecting the Commission's determinations.

BACKGROUND INFORMATION:

At the September 17, 2014 hearing the Commission considered LAFCO 3157 – Sphere of Influence Establishment for County Service Area 120. This concluded a four year process with the Commission making the mandatory determinations required by Government Code Section 56425 et seq and approving the modification requested by the County of San Bernardino at the February 20, 2014 hearing. Attachment #1 to this report provides the draft resolution reflecting the Commission's determinations and Attachment #2 is a copy of the staff report from the September hearing. In addition, it was determined by the Commission to impose five conditions on the sphere establishment, identified below, to address questions related to solvency, operational issues, and management of endowment funds:

- Within six months of the approval of the sphere of influence establishment County Service Area 120 shall have completed the due diligence process with the California Department of Fish and Wildlife to be declared an available recipient of mitigation properties in the future. Failure to do so will require a further analysis of the sphere of influence assignment.

- Within six months of the approval of this sphere establishment County Service Area 120 shall have completed all reporting required by State law for the management of mitigation properties.
- Within six months of the approval of this sphere of influence establishment County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used.
- Within six months of the approval of the sphere of influence establishment for CSA 120, management of the County Special Districts Department shall develop a mechanism to provide for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without use of the endowment funds established for mitigation purposes only.
- Direct LAFCO staff to provide ongoing monitoring of the completion of these activities with periodic updates to be provided to the commission.

At the September hearing, the manager of County Service Area 120 expressed questions regarding the amount of interest earned to be returned to the endowment fund. LAFCO staff had identified on page 10 of the report (copy included as Attachment #2) that \$112,884 was to be returned. County Special Districts staff identified the Department's concerns that the statute specifically stating that the interest earned could not be consolidated for use did not take effect until January 2012; therefore, should not be applied retroactively. Since the hearing, LAFCO staff has been in consultation with Special Districts staff on this issue.

While staff believes its position is legally defensible given the contractual nature of the endowment funds for use for maintenance and preservation of specific properties going back to the acquisition and agreement for conservation, that position does not assist this agency in achieving compliance with the statute. The adoption of the updated Cooperative Management Plan in October 2010 by the County Board of Supervisors clearly identifies the division of the areas into Unit 1 – the original North Etiwanda Preserve Properties and Unit 2 – all other properties acquired for habitat conservation purposes. Therefore, we are modifying our determination to reflect the need to redeposit the interest earnings for Fiscal Years 2010-11, 2011-12, 2012-13 and the amount to be determined by the audit for Fiscal Year 2013-14 now due.

In addition, Special Districts staff questioned the \$17,517 shown for Fiscal Year 2012-13 as interest earned and wished this amount to be modified. LAFCO staff identified that the amounts were taken from the audits accepted for CSA 120 and unless the audit was amended to reflect an adjustment no change in the information presented would be made. On Wednesday, October 8, LAFCO staff received a revised version of the 2012-13 audit for CSA 120 prepared by its outside Auditor, Gruber and Associates (copy included as

Attachment #3). In the revision the interest earned during Fiscal Year 2012-13 was reduced to \$6,844 (with \$10,683 identified as “Net increase in fair value of investments”).

The chart which follows reflects these modifications showing the need to repay \$14,815 for audit years identified, which is to be adjusted once the new audit for Fiscal Year 2013-14 is completed.

Name of Owner	Date Acquired	Total Acreage	Endowment Funds Received	Interest Earned by Endowment Funds for Specific Properties						Total Interest by Conservation Property	% of Total Interest from 2008-13
				2008	2009	2010	2011	2012	2013		
UNIT #1 - CSA 120 MANAGEMENT PLAN											
SANBAG	2/27/1998	762	\$700,000	\$33,073	\$23,262	\$16,037	\$6,015	\$2,793	\$2,983	\$84,163	43.94%
UNIT #2 - CSA 120 MANAGEMENT PLAN											
Lennar Communities	10/21/2003	33	\$85,600	\$3,759	\$2,643	\$1,822	\$731	\$339	\$363	\$9,657	5.04%
A&J Resources and Rancho Etiwanda 685 LLC	3/1/2004	172	\$220,000	\$10,523	\$7,402	\$5,103	\$1,890	\$877	\$938	\$26,733	13.96%
Granite Homes/Rancho 2004 LLC	9/13/2005	86	\$215,400	\$10,523	\$7,402	\$5,103	\$1,849	\$858	\$917	\$26,652	13.92%
CENTEX Homes	10/2/2005	149	\$373,250	\$17,288	\$12,160	\$8,383	\$3,201	\$1,486	\$1,588	\$44,106	23.03%
Western Slope & Mineral Company	12/14/2010	5	\$12,500	\$0.00	\$0.00	\$0.00	\$110	\$51	\$55	\$216	0.11%
Total Interest Earned				\$75,166	\$52,869	\$36,448	\$13,796	\$6,404	\$6,844	\$191,526	100.00%
Total Non-Wasting Endowment			\$1,606,750								
Interest for Unit #2				\$42,093	\$29,606	\$20,411					
Interest to be returned to Endowment for Unit #2 due to lack of work performed on specific properties							\$7,281	\$3,611	\$ 3,860	\$14,752	

It is the staff's position that even with the reduction in interest to be returned by \$98,132 it does not alleviate concern for the future operation of this County Service Area. Significant work remains to address the conditions identified and approved by the Commission and staff will keep the Commission apprised of its progress.

Staff requests that the Commission take the actions outlined on page 1 to amend the determination on interest to be returned to the endowment fund and adopt Resolution No. 3190 reflecting its determinations.

KRM/

Attachments:

- (1) Draft LAFCO Resolution No. 3190 for LAFCO 3157
- (2) Staff Report Dated September 10, 2014 for LAFCO 3157
- (3) Revised Audit for County Service Area 120 Received October 8, 2014

DRAFT LAFCO RESOLUTION NO. 3190
FOR LAFCO 3157

Attachment 1

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

PROPOSAL NO.: LAFCO 3157

HEARING DATE: SEPTEMBER 17, 2014

RESOLUTION NO. 3190

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3157 – SPHERE OF INFLUENCE ESTABLISHMENT FOR COUNTY SERVICE AREA 120 (Habitat Conservation and Historical Resources – North Etiwanda) (sphere of influence establishment coterminous with existing District boundary excluding the territory currently within the City of Fontana’s Interim Multi-Species Habitat Conservation Plan)

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 establishment (expansion beyond existing District boundaries) in the County of San Bernardino was filed with the Executive Officer of the 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 this 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 held upon the date and at the time and place specified in the notice of public hearing and in any order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; 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 Mitigated Negative Declaration has been prepared pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that the sphere of influence establishment will not have a significant effect on the environment through implementation of the mitigation measures assigned; that the Commission has chosen Alternative #2 as the project for approval, and the Commission adopted the Mitigated Negative Declaration and instructed its Executive Officer to file a Notice of Determination within five days with the San Bernardino County Clerk to the Board of

RESOLUTION NO. 3190

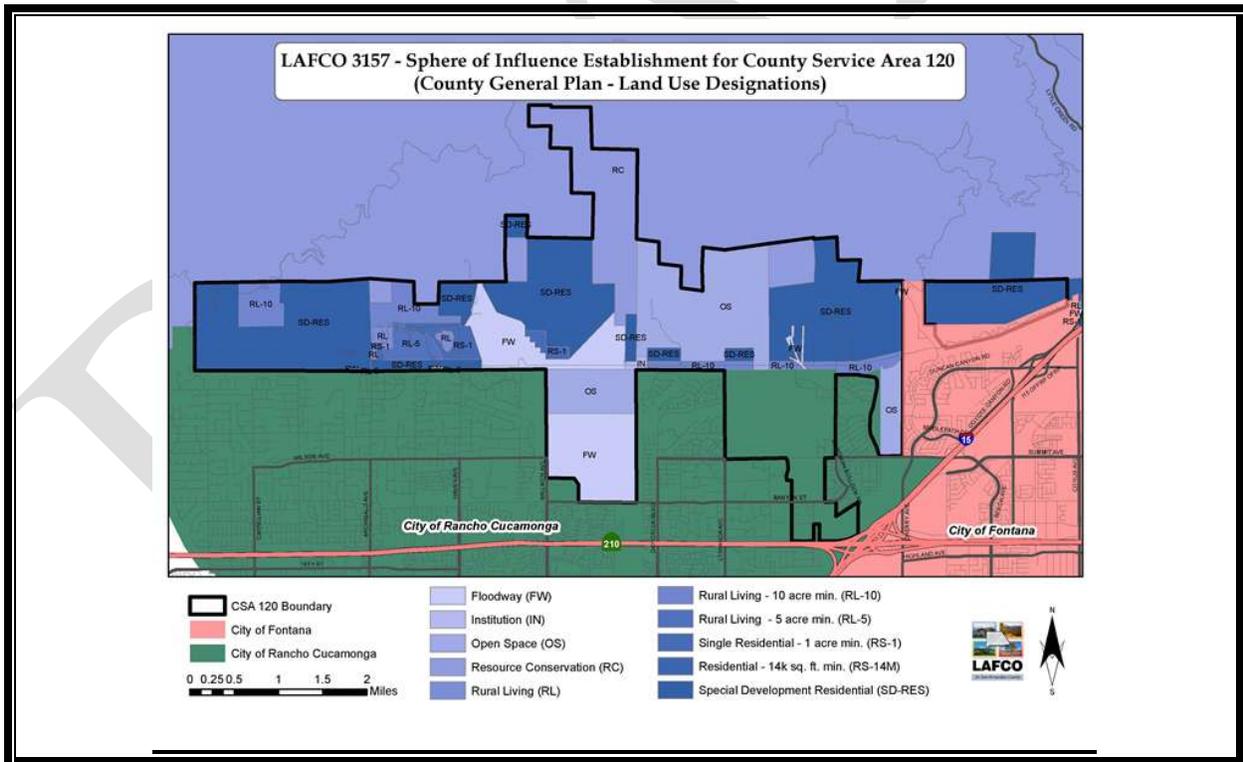
Supervisors if filing fees required by the California Department of Fish and Wildlife are received from the County Special Districts Department within that timeframe; and,

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 120 should be coterminous with its existing boundaries excluding the territory within the City of Fontana's Multi-Species Habitat Conservation Plan, as more specifically described on the attached Exhibits "A" and "A-1"; and,

WHEREAS, the following determinations are made:

1. **The present and planned land uses in the area, including agricultural and open space lands;**

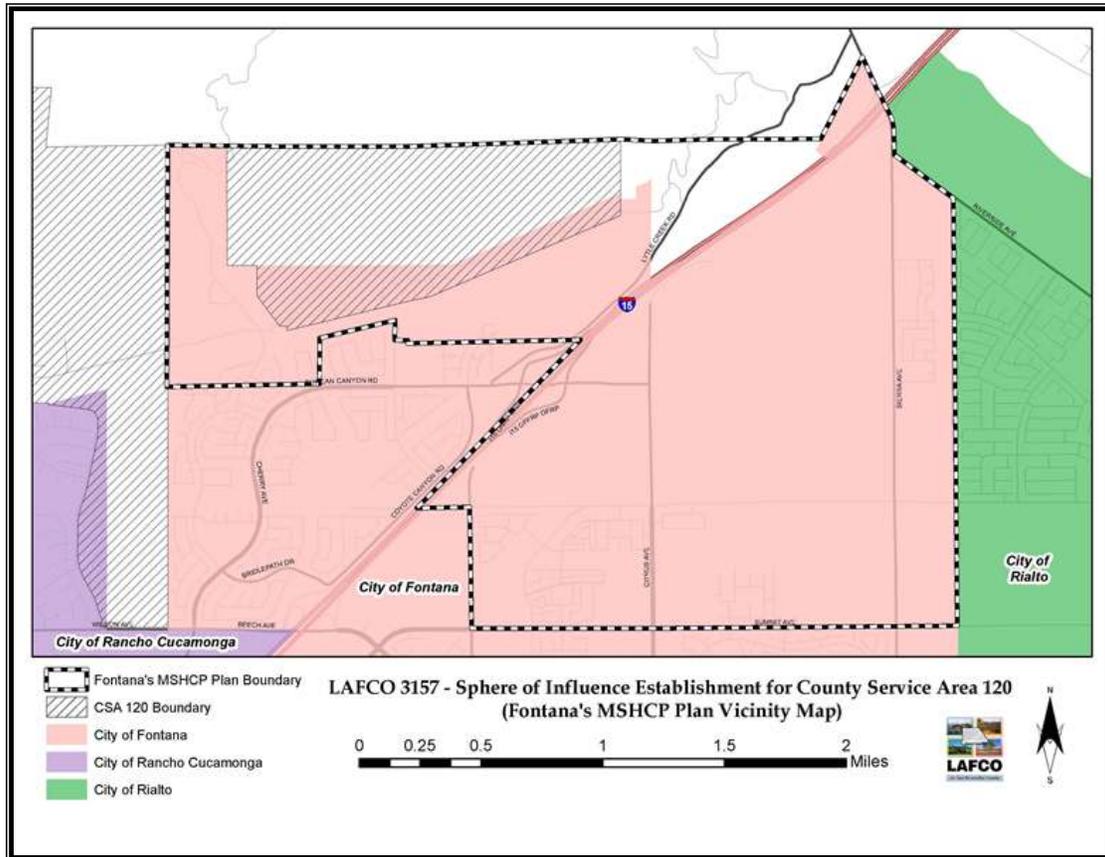
The present and planned land uses within the boundaries of CSA 120 include identification of open space uses and some rural level of residential development under the County General Plan. These uses are shown on the map below. Open space and Floodway designations within the area include those lands associated with flood control uses within Day Creek and the mitigation properties associated with the North Etiwanda Preserve as defined in 1998. However, the properties within the City of Fontana sphere of influence and within the boundaries of CSA 120, including mitigation lands deeded to CSA 120, along with most of the additional lands acquired for mitigation purposes in the Rancho Cucamonga sphere of influence have a SD-Res (Special Development -Residential) land use assignment by the County General Plan, contrary to the perpetual nature of the mitigation/conservation easement.



The City of Fontana General Plan assigns an open space designation to the territory within CSA 120 recognizing the future potential for habitat preservation. In addition, the City of Fontana has adopted a Multi-Species Habitat Conservation Plan (hereafter shown as MSHCP) and have indicated that the Interim MSHCP establishes a fee in-lieu of dedication to address mitigation.

RESOLUTION NO. 3190

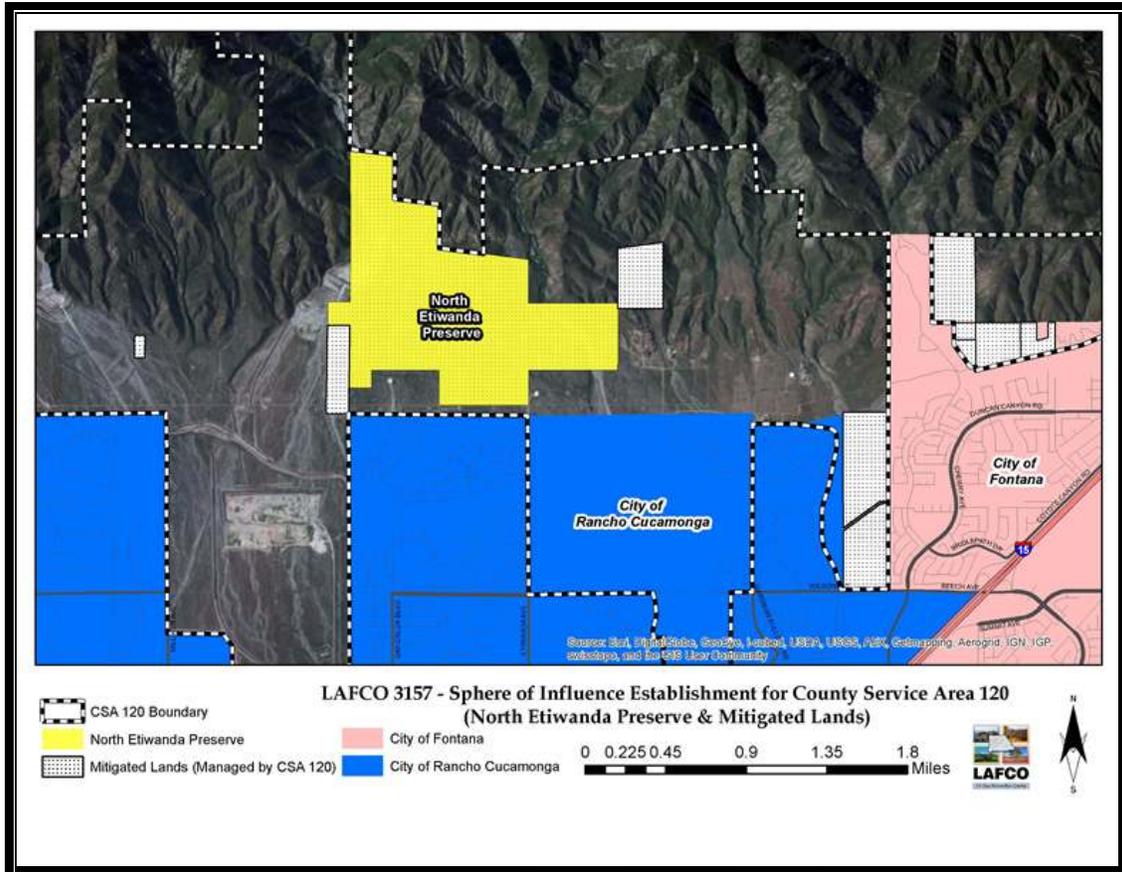
During the environmental assessment of the proposal, LAFCO's environmental consultant, Tom Dodson of Tom Dodson and Associates, reviewed an alternative that excluded the territory within the City's MSHCP. The map below shows the relationship of the MSHCP territory to the existing boundaries of CSA 120.



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

Since 1998, mitigation lands have been managed by the County through its system of board-governed special districts. From 1998 through 2009, it was through CSA 70 Zones OS-1 and OS-3 and CSA 70 itself. From July 1, 2009 through the present day, it has been through CSA 120 in the area along the San Gabriel Mountains. These activities are managed under the auspices of the North Etiwanda Preserve Management Plan adopted in 2010 building upon its predecessor Cooperative Management Agreement of 1998. The lands now include approximately 1,207 acres and the management plan has divided the acreage into Unit 1 (original 762 acres of North Etiwanda Preserved) and Unit 2 (445 acres outside that boundary). The management of these lands is through deeded transfers of land ownership to CSA 70 OS-1 and CSA 70 (no quit claim transfer to the successor agency CSA 120 has taken place) and conservation easements transferred to the County of San Bernardino. A map of the lands under habitat management are shown below:

RESOLUTION NO. 3190



The acquisition of additional lands for mitigation management are regulated by the California Department of Fish and Wildlife through its state mandated due diligence process to review the qualifications of entities to manage endowments and to perform the mitigation management activities designed in a mitigation agreement. This process is undertaken through the completion of an “Application for governmental entity, special district or nonprofit organization requesting to hold and manage mitigation lands”. To date, CSA 120 has not submitted this report; therefore, it is not able to acquire additional mitigation properties for which an endowment is proposed. The only approved entities to manage mitigation lands within San Bernardino County are: Inland Empire Resource Conservation District, Center for Natural Lands Management, Southwest Resource Management Associates and Transition Habitat Conservancy.

Without this authorization, the need for a sphere of influence, even a coterminous one, is questionable as no new service can be provided. Therefore, to address this issue, the Commission adopts the following condition:

- **Within six months of the approval of the sphere of influence establishment County Service Area 120 shall have completed the due diligence process with the California Department of Fish and Wildlife to be declared an available recipient of mitigation properties in the future. Failure to do so will require a further analysis of the sphere of influence assignment.**

3. **The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;**

The discussion of the determination identified above for a single purpose County Service Area authorized to provide habitat management and historic preservation must revolve around the

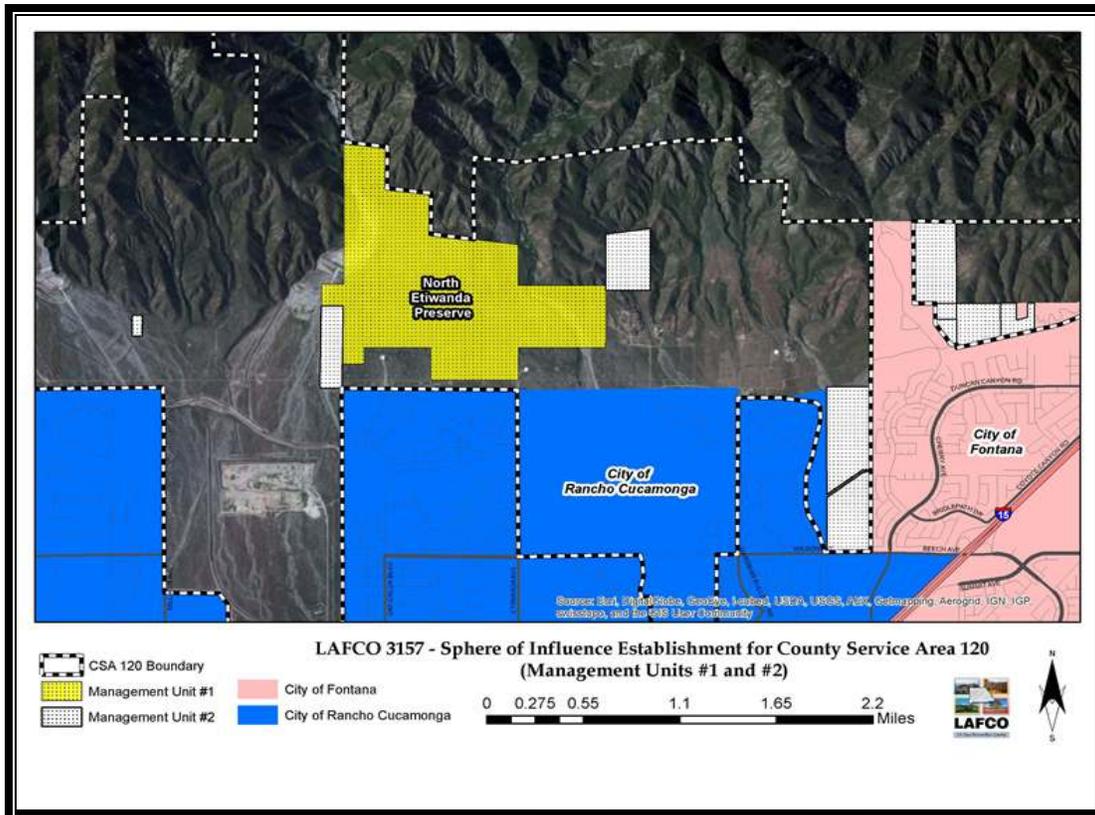
RESOLUTION NO. 3190

question of funding for the provision of mitigation management services envisioned in the mitigation management agreement or other contractual arrangement. In evaluating this determination, the Commission has looked at the funding mechanism for CSA 120 and the annual expenditure/revenue picture for the agency. While this information identifies significant concerns, it should be noted that the management of the district has attempted to continue its operations under the significant duress of the recession. As the information which follows identify, the interest earnings for this agency have plummeted making its ability to perform its mandated role difficult if not insurmountable. It is within this context that the Commission identifies its concerns.

The funding for the operations of CSA 120 is limited to the interest earned on the endowment funds received at the time that the properties are transferred to its ownership for management. The statutes require that the funds be used for the purposes identified in managing the mitigation properties from which the endowment is derived. In addition, CSA 120 has an adopted fee schedule that proposes a two-tier approach to funding, the endowment for long term management and a payment for management activities necessary to bring the property into compliance for perpetual management. The County fee schedule for CSA 120 is to identify the formula for determining the endowment amount; however, this element of the fee schedule is currently being reviewed by the California Department of Fish and Wildlife so it is not available for review at this time.

Since the inception of CSA 120 (through its predecessor agencies CSA 70 OS-1 and OS-3) it has acquired the primary properties identified as the "North Etiwanda Preserve" the 762 acres set aside for habitat mitigation by SanBAG and Caltrans for the development of the I-210 Freeway (acquired in 1998) and five other properties transferred for management between 2003 and 2010 related to housing development habitat mitigation requirements imposed by the State and other agencies as a part of the development process. As was outlined in the determination above, these properties are deeded to CSA 70 OS-1 and CSA 70 with the conservation easement required held in the name of the County of San Bernardino. Included as a condition of the approval in the formation of CSA 120 in 2009 was the requirement that the agency update the Management Plan for the North Etiwanda Preserve to address the management requirements for the additional 440 acres. In October 2010 the County Board of Supervisors, as the governing body of CSA 120, approved the revised Management Plan. This plan identified that the original 762 acre North Etiwanda Preserve would be identified as "Unit 1" and all other properties would be "Unit 2". Page 4 of the plan states "Regardless of future designations, all lands within the original 762 acre Preserve boundary is subject to any terms of this management plan specified for Unit 1, and all lands outside the original 762 acre Preserve are subject to any terms specified for Unit 2." The map below identifies the location of the mitigation lands held by CSA 120.

RESOLUTION NO. 3190



The chart which follows outlines the individual mitigation properties, the endowment for their perpetual management, and the interest earned by each property for the period of Fiscal Year 2007-08 through Fiscal Year 2012-13. This information is taken from the audits received as a part of the application process which are on file in the LAFCO office. Of concern to the Commission is that on several occasions during the processing of this proposal, information was requested on the work performed on those properties identified as Unit 2 and the response has always been that no mitigation work has been performed. Government Code Section 65968(c) specifies the disbursement of the interest earnings be limited to the property which funded the endowment; the section reads as follows:

“(c) The special district or nonprofit organization shall hold, manage, invest and disburse the funds in furtherance of the long-term stewardship of the property for which the funds were set aside.”

Therefore, the interest earned on each of the properties can only be used for activities related to the specific property. However, the interest earnings related to CSA 120 have been consolidated and used for the purpose of maintaining the original 762 acres of the North Etiwanda Preserve for years. The original determination was to require the repayment of \$112,884 which was disputed by County Special Districts staff. The following chart has been modified to show the interest earnings attributable to each of the endowments received by CSA 120 using the percentage that the endowment bears to the whole, but has been modified during consultation with the County Special Districts Department, to require the repayment only from those years 2010-11 through current. (It is noted that the 2013-14 amount is not known at this time but will be included upon issuance of the audit.) This modification identifies the interest which would need to be returned to the five endowments that comprise Unit 2 to make them whole, as approximately \$14,752.

RESOLUTION NO. 3190

Name of Owner	Date Acquired	Total Acreage	Endowment Funds Received	Interest Earned by Endowment Funds for Specific Properties						Total Interest by Conservation Property	% of Total Interest from 2008-13
				2008	2009	2010	2011	2012	2013		
UNIT #1 - CSA 120 MANAGEMENT PLAN											
SANBAG	2/27/1998	762	\$700,000	\$33,073	\$23,262	\$16,037	\$6,015	\$2,793	\$2,983	\$84,163	43.94%
UNIT #2 - CSA 120 MANAGEMENT PLAN											
Lennar Communities	10/21/2003	33	\$85,600	\$3,759	\$2,643	\$1,822	\$731	\$339	\$363	\$9,657	5.04%
A&J Resources and Rancho Etiwanda 685 LLC	3/1/2004	172	\$220,000	\$10,523	\$7,402	\$5,103	\$1,890	\$877	\$938	\$26,733	13.96%
Granite Homes/Rancho 2004 LLC	9/13/2005	86	\$215,400	\$10,523	\$7,402	\$5,103	\$1,849	\$858	\$917	\$26,652	13.92%
CENTEX Homes	10/2/2005	149	\$373,250	\$17,288	\$12,160	\$8,383	\$3,201	\$1,486	\$1,588	\$44,106	23.03%
Western Slope & Mineral Company	12/14/2010	5	<u>\$12,500</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$110</u>	<u>\$51</u>	<u>\$55</u>	<u>\$216</u>	<u>0.11%</u>
Total Interest Earned				<u>\$75,166</u>	<u>\$52,869</u>	<u>\$36,448</u>	<u>\$13,796</u>	<u>\$6,404</u>	<u>\$6,844</u>	<u>\$191,526</u>	<u>100.00%</u>
Total Non-Wasting Endowment			<u>\$1,606,750</u>								
Interest for Unit #2				\$42,093	\$29,606	\$20,411					
Interest to be returned to Endowment for Unit #2 due to lack of work performed on specific properties							\$7,281	\$3,611	\$ 3,860	<u>\$14,752</u>	

The following chart outlines, there is no funding available to repay this amount due to the limitations of the revenue stream directly available to CSA 120. Outstanding questions remain: How will this situation be rectified? How will the SanBAG dedicated properties repay the other endowments or will reports for management and operation of the other properties be provided that show some of the funds used for the appropriate purpose? The Commission determines to impose the following conditions on this sphere of influence establishment to clarify this situation:

- **Within six months of the approval of this sphere establishment County Service Area 120 shall have completed all reporting required by State law for the management of mitigation properties.**
- **Within six months of the approval of this sphere of influence establishment County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used.**

The question that needs to be answered in this consideration is whether or not the agency is financially sustainable. If an entity is consistently expending more than it receives, its long term viability is suspect. The chart which follows identifies the expenditures and revenues for the three accounts associated with CSA 120 – general, endowment, and capital projects. The data is taken from audits for the years 2006 through 2013 and budget data for years 2014 and 2015. The one major project within this time period was the development of the North Etiwanda Preserve trail system – design/environmental work in 2007 and 2008 and construction in 2009. This project entailed the construction of a trail system, kiosks, benches, and historic preservation. The maintenance of this system has become one of the primary operations of CSA 120 but comes without any source of funding for maintenance and operation. The following table includes the costs for the development of this facility:

RESOLUTION NO. 3190

County Service Area 120										
	Audit Data								Budget Data	
	2006	2007	2008	2009	2010	2011	2012	2013*	2014	2015
GENERAL										
EXPENDITURES										
Salaries & Benefits	\$ 4,824	\$ 5,788	\$ 4,826	\$ 12,752	\$ 13,277	\$ 7,733	\$ 7,037	\$ 1,734		
Services & Supplies	\$ 63,172	\$ 58,106	\$ 70,810	\$ 35,052	\$ 22,520	\$ 14,095	\$ 10,547	\$ 13,066	\$ 18,310	\$ 47,429
Contingencies									\$ -	\$ 23,376
Transfer Out	\$ 3,942	\$ 814,996		\$ 1,361,553					\$ 3,515	\$ 13,699
Total Expenditures	\$ 71,938	\$ 878,890	\$ 75,636	\$ 1,409,357	\$ 35,797	\$ 21,828	\$ 17,584	\$ 14,800	\$ 21,825	\$ 84,504
REVENUES										
State Assistance				\$ 659,309			\$ 1,082		\$ 10,032	\$ 25,000
Federal Assistance							\$ 4,330			
Investment Earnings	\$ 17,954	\$ 42,323	\$ 3,111	\$ 4,828			\$ 81	\$ 399	\$ 126	\$ 138
Intergovernmental				\$ 700,000						
Other	\$ 839,342		\$ 59,597	\$ 23,060		\$ 16,325		\$ 3,339		
Operating Transfer In					\$ 26,059	\$ 19,664	\$ 9,965	\$ 5,635	\$ 6,032	\$ 8,000
County Transfer In								\$ 30,000		
Total Revenues	\$ 857,296	\$ 42,323	\$ 62,708	\$ 1,387,197	\$ 26,059	\$ 35,989	\$ 15,458	\$ 39,373	\$ 16,190	\$ 33,138
Excess Revenues Over (Under) Expenditures	\$ 785,358	\$ (836,567)	\$ (12,928)	\$ (22,160)	\$ (9,738)	\$ 14,161	\$ (2,126)	\$ 24,573	\$ (5,635)	\$ (51,366)
Fund Balance										
Beginning	\$ 98,210	\$ 883,568	\$ 47,001	\$ 34,073	\$ 11,913	\$ 2,175	\$ 16,336	\$ 14,210	\$ 38,783	\$ 32,866
Ending	\$ 883,568	\$ 47,001	\$ 34,073	\$ 11,913	\$ 2,175	\$ 16,336	\$ 14,210	\$ 38,783	\$ 33,148	
ENDOWMENT FUND										
EXPENDITURES										
Operating Transfer Out					\$ 26,059	\$ 17,914	\$ 7,234	\$ 5,635	\$ 6,032	\$ 8,000
Other			\$ 159,598	\$ 20,715						
Total Expenditures	\$ -	\$ -	\$ 159,598	\$ 20,715	\$ 26,059	\$ 17,914	\$ 7,234	\$ 5,635	\$ 6,032	\$ 8,000
REVENUES										
State Assistance				\$ 40,691						
Investment Earnings	\$ 25,262	\$ 37,230	\$ 75,166	\$ 52,868	\$ 36,448	\$ 13,797	\$ 6,405	\$ 6,844	\$ 5,184	\$ 10,000
Net Increase in Fair Value of Investments								\$ 10,673		
Special Assessment							\$ 12,500			
Other										
Operating Transfer In		\$ 737,550								
Total Revenues	\$ 25,262	\$ 774,780	\$ 75,166	\$ 93,559	\$ 36,448	\$ 13,797	\$ 18,905	\$ 17,517	\$ 5,184	\$ 10,000
Excess Revenues Over (Under) Expenditures	\$ 25,262	\$ 774,780	\$ (84,432)	\$ 72,844	\$ 10,389	\$ (4,117)	\$ 11,671	\$ 11,882	\$ (848)	\$ 2,000
Fund Balance										
Beginning	\$ 805,797	\$ 831,059	\$ 1,605,839	\$ 1,521,407	\$ 1,594,251	\$ 1,604,640	\$ 1,600,523	\$ 1,612,194	\$ 1,612,194	\$ 1,612,065
Ending	\$ 831,059	\$ 1,605,839	\$ 1,521,407	\$ 1,594,251	\$ 1,604,640	\$ 1,600,523	\$ 1,612,194	\$ 1,624,076	\$ 1,610,065	
CAPITAL PROJECTS										
EXPENDITURES										
Construction in Progress				\$ 1,391,548	\$ 199,693					
Services & Supplies					\$ 389	\$ 204				
Improvement to Land		\$ 39,579	\$ 183,868			\$ 297	\$ 18,900			
Transfer Out						\$ 1,750	\$ 2,731			
Total Expenditures	\$ 39,579	\$ 183,868	\$ 1,391,548	\$ 200,082	\$ 2,251	\$ 21,631				
REVENUES										
Investment Earnings		\$ 294	\$ 4,251	\$ 12,836			\$ 36			
State Assistance					\$ 200,000					
Transfer in		\$ 60,000		\$ 1,361,553						
Other			\$ 200,000							
Total Revenues	\$ 60,294	\$ 204,251	\$ 1,374,389	\$ 200,000	\$ -	\$ 36				
Excess Revenues Over (Under) Expenditures	\$ 20,715	\$ 20,383	\$ (17,159)	\$ (82)	\$ (2,251)	\$ (21,595)				
Fund Balance										
Beginning		\$ -	\$ 20,715	\$ 41,098	\$ 23,939	\$ 23,857	\$ 21,606			
Ending		\$ 20,715	\$ 41,098	\$ 23,939	\$ 23,857	\$ 21,606	\$ 11			

*Audit was revised; received by LAFCO staff on October 8, 2014

RESOLUTION NO. 3190

The use of endowment funds for the purpose of maintenance and operation of these facilities is of concern to the Commission. The responsibility for the operation should come from some other general sources of funding, such as a share of the general property tax levy, not the restricted revenues associated with the endowment properties. Therefore, Commission adopts the following condition in the approval of the sphere of influence establishment:

- **Within six months of the approval of the sphere of influence establishment for CSA 120, management of the County Special Districts Department shall develop a mechanism to provide for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without use of the endowment funds established for mitigation purposes only.**

An additional ongoing concern for the Commission is that the County Auditor-Controller has not updated the chart of accounts to acknowledge the existence of CSA 120. Case in point, up until 2013 the audits were issued for CSA 70 OS-1 and the "Budget Prep" documents provided by the County Special Districts Department with information necessary for the review of the 2014 and 2015 budget detail are titled "CSA 70 OS-1". While this may appear on the surface as a trivial matter, this directly impacts the County's reporting to the State Controller on the operations of special districts since CSA 70 and its various zones are reported as a single unit. One of the questions asked in the application to the California Department of Fish and Wildlife is whether or not the special district is current in its reporting requirements to the State Controller. To answer this question is now problematic for CSA 120 and the County.

As to the question of sustainability under the audit information outlined above, out of the eight years shown, six have operated at a deficit between revenues and expenditures within the fiscal year. In addition, the budget detail also shows that the district operates in the red without the infusion of funds from other sources. While the Commission has imposed a condition of approval related to the repayment of the endowment funds, as the chart above outlines, there are no current revenues available to provide for this. The question then to be answered at the end of the six month period is whether or not CSA 120 is sustainable for the long term? And if not what then? It is the position of the Commission that the service review to be presented in the future needs to answer these questions.

The final point in this discussion is that the County amendment for exclusion of the City of Fontana MSHCP from the sphere of influence establishment is an indication of the Commission's direction that the area should ultimately be removed from the boundaries of CSA 120. Such a future detachment would take with it the \$330,000 in endowment funds on deposit with CSA 120, representing approximately 20% of the endowment. The ramification of this change will need to be carefully addressed.

4. The existence of any social or economic communities of interest in the area:

In a typical sphere of influence review the question of social or economic communities of interest relates to the future development of the area and its associated identification with a specific community. However, for an entity that provides for the management of mitigation lands its economic community of interest would be the area from which mitigation properties could be assembled. That community would be the territory running along the foothills of the San Gabriel Mountains which support the endangered species identified by the local, state and federal wildlife agencies. This sphere of influence determination addresses a portion of this area.

RESOLUTION NO. 3190

5. **OTHER FINDINGS**

- A. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, *The Inland Valley Bulletin*. 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 policy, an eighth page legal ad was provided.
- B. As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individual requesting mailed notice.
- C. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by County Service Area 120 shall be limited to the following:

CSA 120

Open space and habitat conservation

Open space and habitat conservation including, but not limited to, the acquisition, preservation, maintenance, and operation of land to protect unique, sensitive, threatened, or endangered species, or historical or culturally significant properties. Any setback or buffer requirements to protect open-space or habitat lands shall be owned by a public agency and maintained by the county service area so as not to infringe on the customary husbandry practices of any neighboring commercially productive agricultural, timber or livestock operations.

WHEREAS, having reviewed and considered the findings as outlined above, the Commission establishes the sphere of influence for County Service Area 120 as outlined on the Exhibits attached to this resolution subject to the following conditions:

1. Within six months of the approval of the sphere of influence establishment County Service Area 120 shall have completed the due diligence process with the California Department of Fish and Wildlife to be declared an available recipient of mitigation properties in the future. Failure to do so will require a further analysis of the sphere of influence assignment.
2. Within six months of the approval of the sphere establishment County Service Area 120 shall have completed all reporting required by State law for the management of mitigation properties.
3. Within six months of the approval of the sphere of influence establishment County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used.
4. Within six months of the approval of the sphere of influence establishment for CSA 120, management of the County Special Districts Department shall develop a mechanism to provide

STAFF REPORT
DATED SEPTEMBER 10, 2014
FOR LAFCO 3157

Attachment 2

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: SEPTEMBER 10, 2014

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
SAMUEL MARTINEZ, Assistant Executive Officer

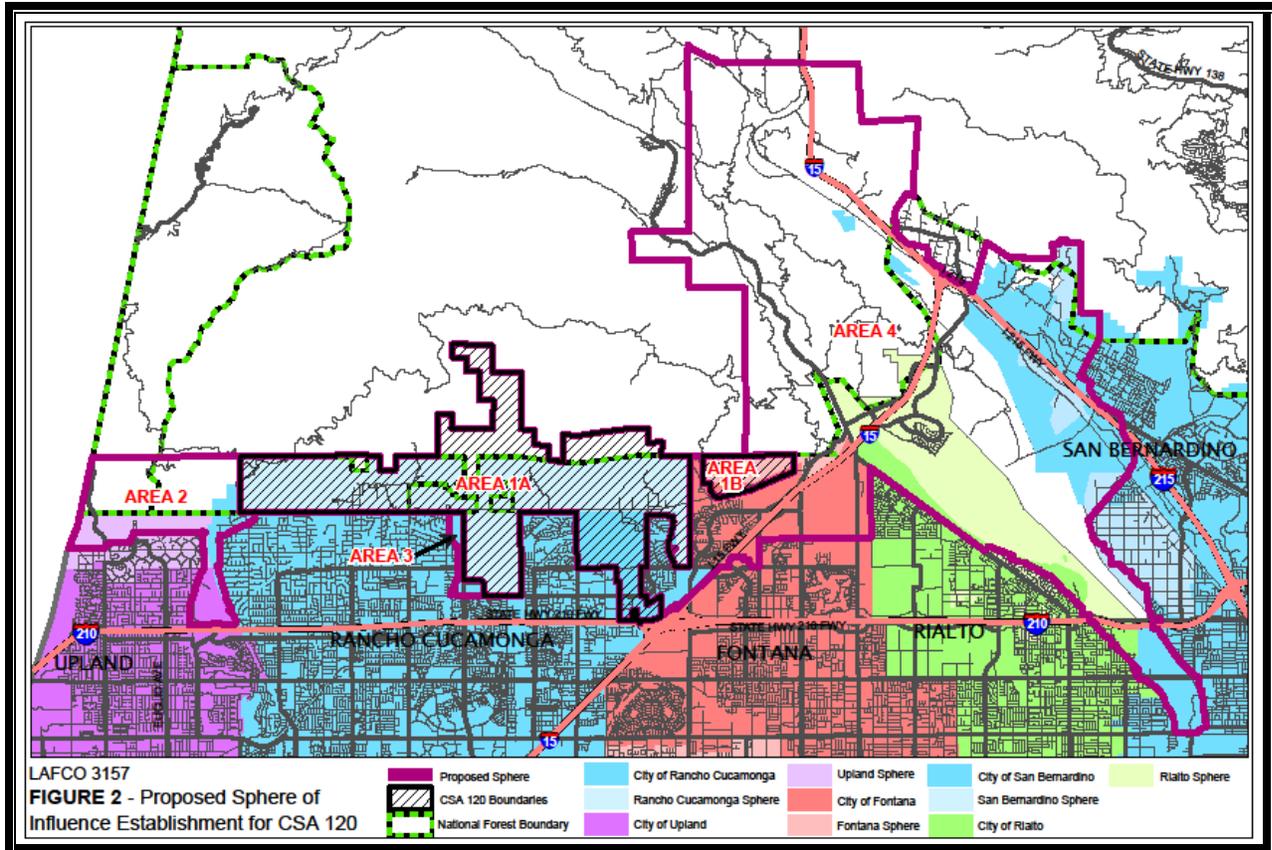
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #11 – LAFCO 3157 – SPHERE OF INFLUENCE
ESTABLISHMENT FOR COUNTY SERVICE AREA 120 (HABITAT
PRESERVATION AND HISTORICAL RESOURCES – NORTH
ETIWANDA)

INTRODUCTION

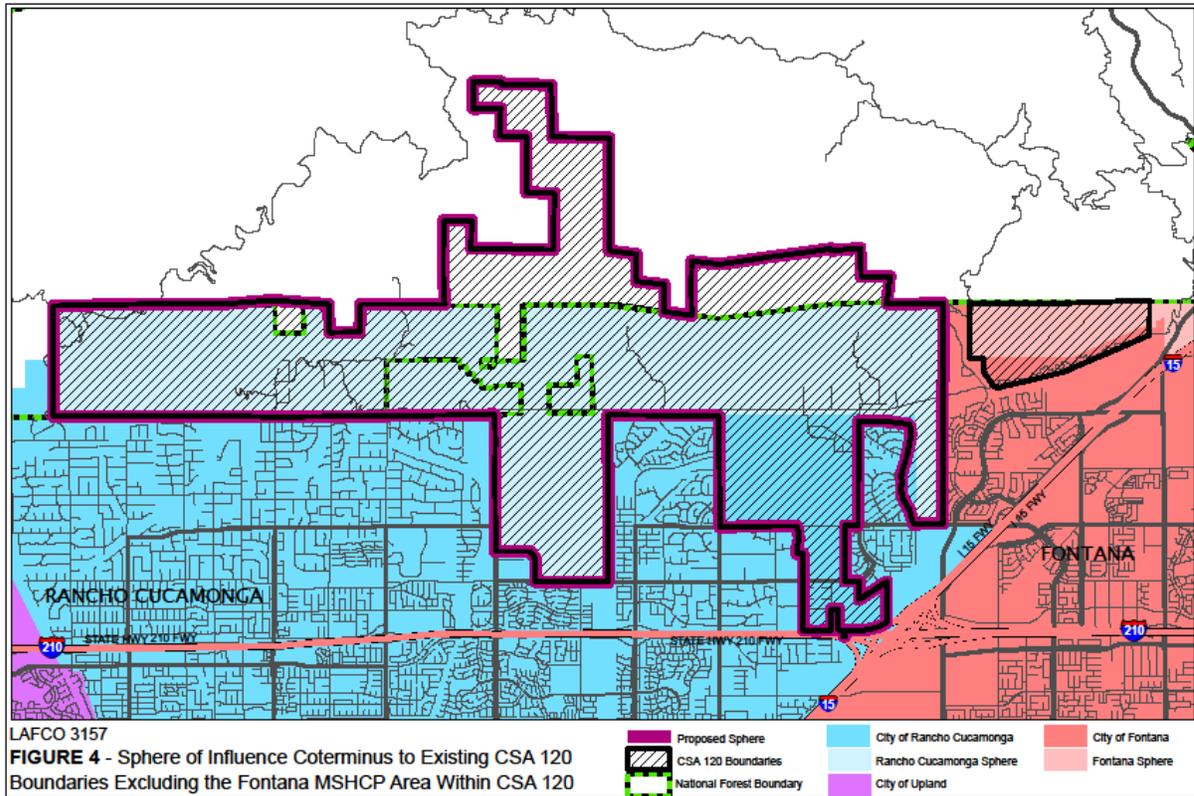
In April of 2010, as required by law, the Commission initiated the sphere of influence establishment for County Service Area 120 (hereafter shown as CSA 120). CSA 120 was formed on July 1, 2009 to succeed to the operations of CSA 70 Zones OS-1 and OS-3, districts created to acquire mitigation properties associated with development in the west valley portion of the County. The original letter provided to the County Special Districts Department identified that the Commission was proposing to initiate a coterminous sphere of influence for the district as it had only been in operation for a year and expansion was not anticipated (copy included as Attachment #1). The County responded that it wished to submit a proposal for an expanded sphere of influence and would forward that request along with the appropriate filing fees to the Commission for further processing. LAFCO staff agreed to work with the County to move forward with an expansion request.

Over the next roughly two years the County deliberated about the application; what territory would be proposed, the funding for payment of the mandatory LAFCO filing fees, etc. In March 2012 the County of San Bernardino Board of Supervisors initiated the application and the filing fees were submitted by the Lytle Development Company. The map which follows identifies the territory proposed for the initial sphere of influence encompassing the area of the original CSA 120 and three additional areas for a total of 71 square miles (45,440 acres). The map below shows the area proposed.



LAFCO staff undertook the necessary procedures to evaluate and analyze the application received; this included, but was not limited to, the initiation of a service review as required by Govt. Code Section 56430, environmental processing, and collaboration with other agencies. In January the Commission held a workshop to review the requirements which would point toward the need for dedication of mitigation lands so that the Commission could understand the purpose of the agency, and in February the Commission was presented with the environmental documents prepared for the project, a mitigated negative declaration, outlining the potential alternatives to be evaluated and mitigation measures necessary, which were adopted. In the discussion at the February hearing the LAFCO staff concerns were referenced: financial sustainability, fulfillment of governmental requirements for authorization to accept mitigation lands, and questions on mitigation reporting.

At the February hearing the Commission received a letter, dated February 13, 2014, from the Board of Supervisors Chair, proponent for the action, requesting amendment of the application to reflect the Alternative #2 evaluated by the Commission's environmental consultant. The amendment is defined as being coterminous with the existing boundaries of CSA 120 excluding the territory included within the City of Fontana's Multi-Species Habitat Conservation Plan. This amendment request was based upon ongoing discussions between LAFCO staff, County Administrative and Special District Department staffs. The amendment request for the sphere establishment territory is shown below:



Item 10 on the September 17 agenda is a presentation on the County’s Vision Program Environmental Element and SanBAG study identified as the “Habitat Conservation Framework for San Bernardino County”. The purpose of the collaborative study is to explore a more comprehensive approach to conservation management, the primary emphasis of the state mandated service reviews required of LAFCO. In the report, staff is recommending that the service review required by Govt. Code Section 56430 for the sphere of influence establishment for CSA 120 be deferred until the final report on the Framework is completed. This will allow for a comprehensive and collaborative approach to the evaluation of alternatives for this service as well as further discussion of habitat preservation so that the Commission can be apprised of the recommended framework for the delivery of this service as it reviews the public systems in place to manage the lands. However, LAFCO staff is moving forward with the sphere of influence establishment, which will complete the Commission’s obligations under state law as outlined in Government Code Section 56426.5, in order that any change of organization proposed for the affected area can be processed. State law requires that all agencies within an area have a sphere of influence assignment before processing can be completed.

The following discussion will evaluate the proposals against the mandatory criteria the Commission is required to review as set forth in Government Code Section 56425.

BACKGROUND:

A sphere of influence is defined by Government Code Section 56076 as “a plan for the probable physical boundaries and service area of a local agency as determined by the Commission”. This Commission in its policies related to assignment of a sphere of influence has indicated the purpose is to “to encourage economical use and extension of facilities by assisting governmental agencies in planning the logical and economical extension of governmental facilities and services, thereby avoiding duplication of services” and “to promote coordination of cooperative planning efforts”. To that end, the assignment of a sphere of influence for CSA 120 will provide the framework to continue efforts to manage the mitigation lands required in this valley as developments further impact the unique flora and fauna of this region.

For the past two years LAFCO, County Administrative, Second District and Special Districts Department staffs have worked on the processing and analysis of the County’s application to establish the sphere of influence for CSA 120 to include its formation boundary and an expansion area extending from the County line eastward along the foothills of the San Gabriel Mountains into the Lytle and Cajon Creeks area, encompassing approximately 71 square miles. LAFCO staff outlined its concerns on the expansion during this process to include, but not be limited to, questions of funding, operational questions on the ability to acquire additional mitigation lands, and whether or not the duplication of service providers in the area was the most efficient and effective mechanism for service delivery.

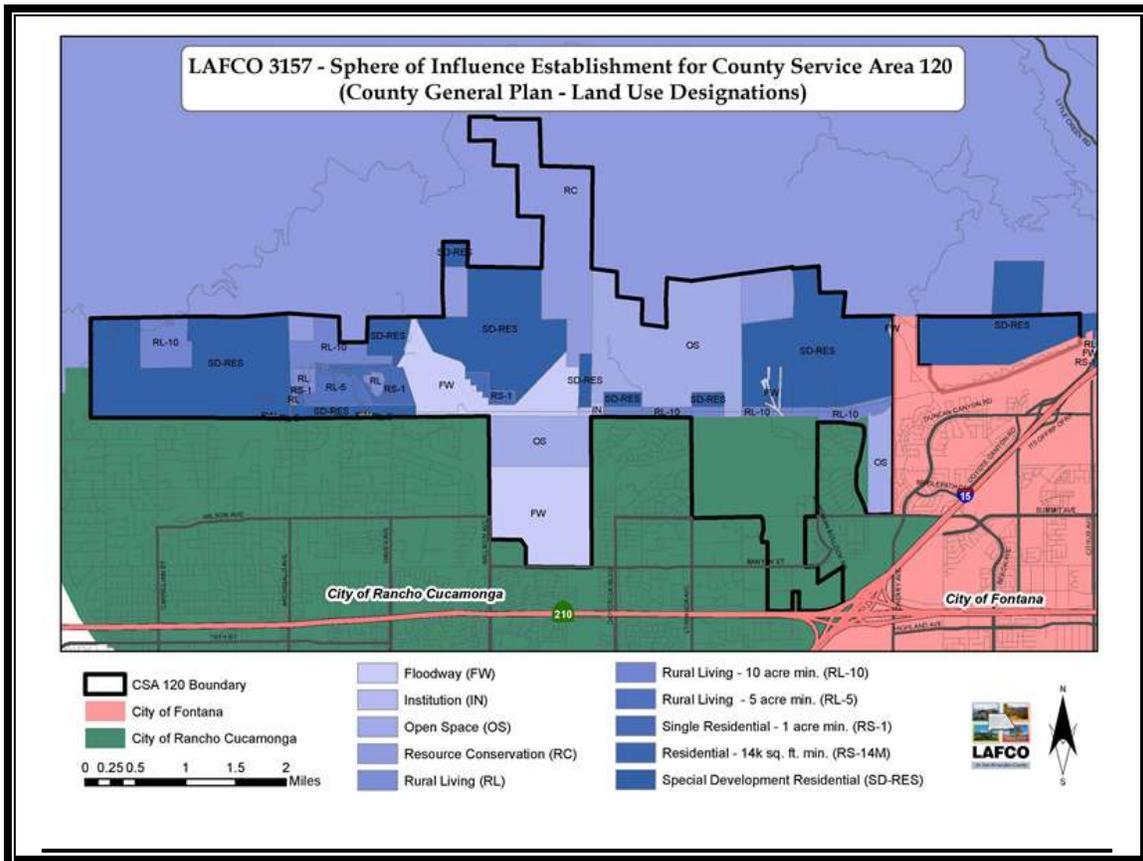
In response to the concerns expressed by LAFCO staff and the Commission’s environmental consultant, the County has requested that its proposal be amended to include only the existing territory of CSA 120 not a part of the City of Fontana’s Multi-Species Habitat Conservation Plan, encompassing approximately 8,972 acres. At this hearing the Commission will evaluate and make determinations on the factors outlined in Government Code Section 56425 for LAFCO 3157. These determinations will be guided by the Commission’s stated mission statement which is “to ensure the establishment of an appropriate, sustainable and logical municipal level government structure for the distribution of efficient and effective public services”.

FACTORS OF DETERMINATION:

Government Code Section 56425(e) requires that the Commission make a written statement of its determinations on the factors outlined in the statute. For an entity such as CSA 120 these determinations are far more subjective than when confronted with determinations for an agency which provides for infrastructure or direct health and safety services for the residents or travelers within an area. For CSA 120, LAFCO staff has reviewed this criteria against the need for an ongoing mitigation management entity which allows for the development process within the Valley region to continue. The following narrative provides the staff’s analysis of these factors for CSA 120:

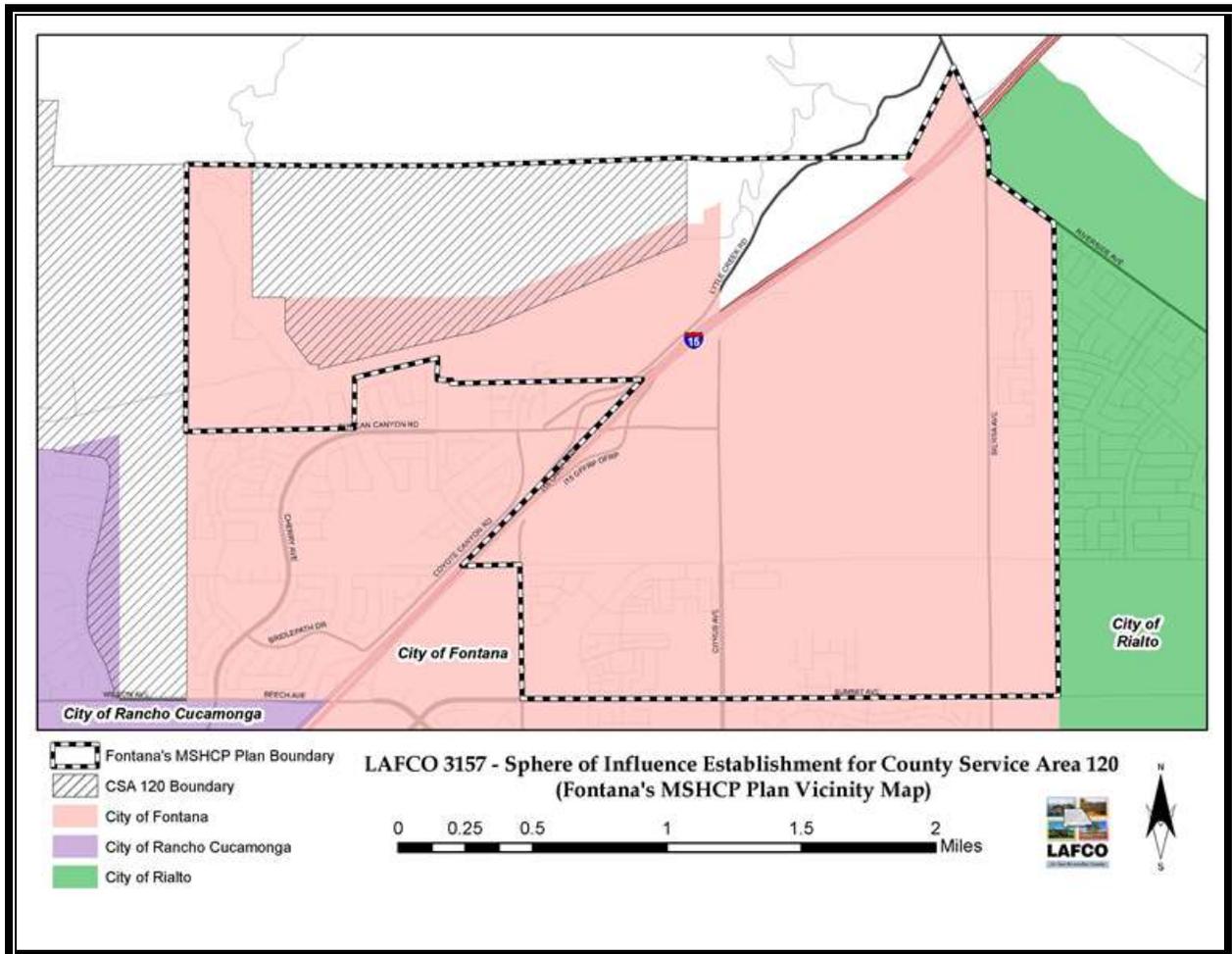
The present and planned land uses in the area, including agricultural and open space lands;

The present and planned land uses within the boundaries of CSA 120 include identification of open space uses and some rural level of residential development under the County General Plan. These uses are shown on the map below. Open space and Floodway designations within the area include those lands associated with flood control uses within Day Creek and the mitigation properties associated with the North Etiwanda Preserve as defined in 1998. However, the properties within the City of Fontana sphere of influence and within the boundaries of CSA 120, including mitigation lands deeded to CSA 120, along with most of the additional lands acquired for mitigation purposes in the Rancho Cucamonga sphere of influence have a SD-Res (Special Development - Residential) land use assignment by the County General Plan, contrary to the perpetual nature of the mitigation/conservation easement.



The City of Fontana General Plan assigns an open space designation to the territory within CSA 120 recognizing the future potential for habitat preservation. In addition, the City of Fontana has adopted a Multi-Species Habitat Conservation Plan (hereafter shown as MSHCP) and have indicated that the Interim MSHCP establishes a fee in-lieu of dedication to address mitigation needs (copy of the letter, dated July 25, 2012, and

attachments from the City of Fontana are a part of the environmental documentation included in Attachment #7 to this report). During the environmental assessment of the proposal, LAFCO's environmental consultant, Tom Dodson of Tom Dodson and Associates, reviewed an alternative that excluded the territory within the City's MSHCP. The map below shows the relationship of the MSHCP territory to the existing boundaries of CSA 120.



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

Since 1998, mitigation lands have been managed by the County through its system of board-governed special districts. From 1998 through 2009, it was through CSA 70 Zones OS-1 and OS-3 and CSA 70 itself. From July 1, 2009 through the present day, it has been through CSA 120 in the area along the San Gabriel Mountains. These activities are managed under the auspices of the North Etiwanda Preserve Management Plan adopted in 2010 building upon its predecessor Cooperative Management Agreement of 1998. The lands now include approximately 1,207 acres and the management plan has divided the acreage into Unit 1 (original 762 acres of North Etiwanda Preserved) and Unit 2 (445

Without this authorization, the need for a sphere of influence, even a coterminous one, is questionable as no new service can be provided. Therefore, to address this issue, LAFCO staff is proposing that the Commission adopt the following condition as a part of the review process:

- **Within six months of the approval of the sphere of influence establishment County Service Area 120 shall have completed the due diligence process with the California Department of Fish and Wildlife to be declared an available recipient of mitigation properties in the future. Failure to do so will require a further analysis of the sphere of influence assignment.**

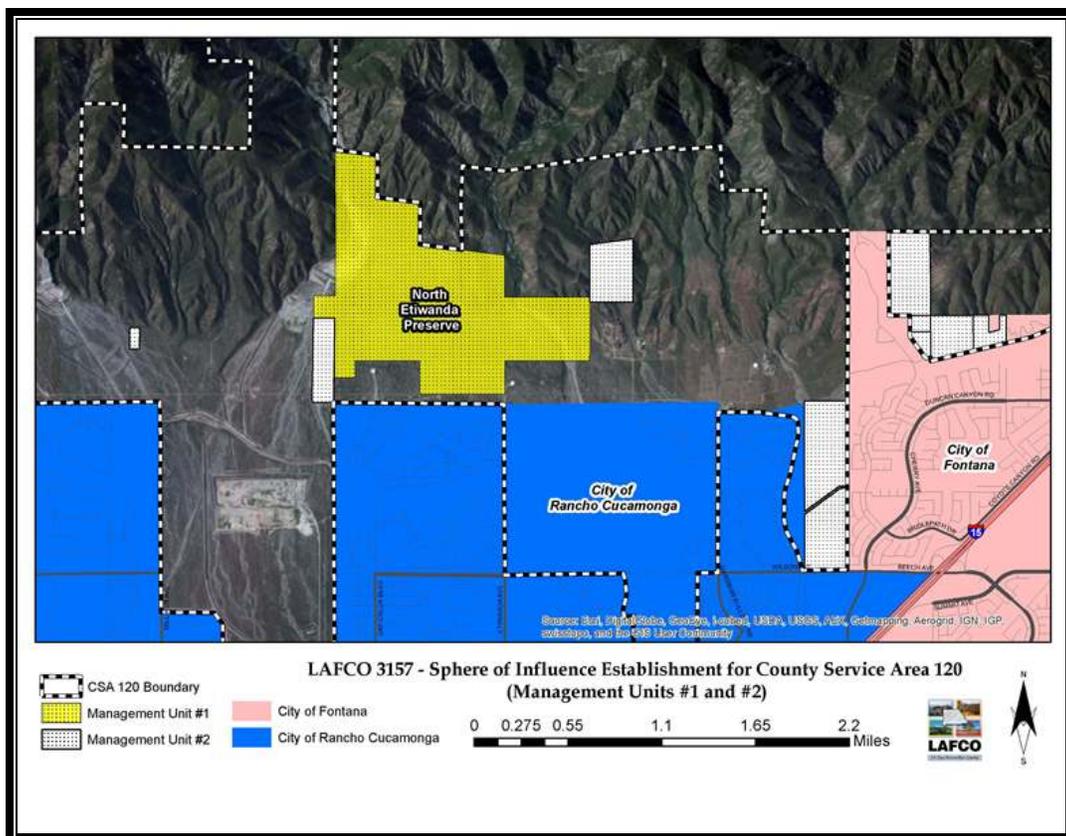
The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide;

The discussion of the determination identified above for a single purpose County Service Area authorized to provide habitat management and historic preservation must revolve around the question of funding for the provision of mitigation management services envisioned in the mitigation management agreement or other contractual arrangement. In evaluating this determination, LAFCO staff has looked at the funding mechanism for CSA 120 and the annual expenditure/revenue picture for the agency. While LAFCO staff is identifying significant concerns, it should be noted that the management of the district has attempted to continue its operations under the significant duress of the recession. As the materials which follow identify, the interest earnings for this agency have plummeted making its ability to perform its mandated role difficult if not insurmountable. It is within this context that LAFCO staff is identifying its concerns.

The funding for the operations of CSA 120 is limited to the interest earned on the endowment funds received at the time that the properties are transferred to its ownership for management. The statutes require that the funds be used for the purposes identified in managing the mitigation properties from which the endowment is derived. In addition, CSA 120 has an adopted fee schedule that proposes a two-tier approach to funding, the endowment for long term management and a payment for management activities necessary to bring the property into compliance for perpetual management. The County fee schedule for CSA 120 is to identify the formula for determining the endowment amount; however, this element of the fee schedule is currently being reviewed by the California Department of Fish and Wildlife so it is not available for review at this time.

Since the inception of CSA 120 (through its predecessor agencies CSA 70 OS-1 and OS-3) it has acquired the primary properties identified as the "North Etiwanda Preserve" the 762 acres set aside for habitat mitigation by SanBAG and Caltrans for the development of the I-210 Freeway (acquired in 1998) and five other properties transferred for management between 2003 and 2010 related to housing development habitat mitigation requirements imposed by the State and other agencies as a part of the development process. As was outlined in the narrative above, these properties are deeded to CSA 70

OS-1 and CSA 70 with the conservation easement required held in the name of the County of San Bernardino. Included as a condition of the approval in the formation of CSA 120 in 2009 was the requirement that the agency update the Management Plan for the North Etiwanda Preserve to address the management requirements for the additional 440 acres. In October 2010 the County Board of Supervisors, as the governing body of CSA 120, approved the revised Management Plan. This plan identified that the original 762 acre North Etiwanda Preserve would be identified as “Unit 1” and all other properties would be “Unit 2”. Page 4 of the plan states “Regardless of future designations, all lands within the original 762 acre Preserve boundary is subject to any terms of this management plan specified for Unit 1, and all lands outside the original 762 acre Preserve are subject to any terms specified for Unit 2.” The map below identifies the location of the mitigation lands held by CSA 120.



The chart which follows outlines the individual mitigation properties, the endowment for their perpetual management, and the interest earned by each property for the period of Fiscal Year 2007-08 through Fiscal Year 2012-13. This information is taken from the audits received as a part of the application process which are on file in the LAFCO office. Of concern to LAFCO staff is that on several occasions during the processing of this proposal, information was requested on the work performed on those properties identified as Unit 2 and the response has always been that no mitigation work has been performed.

Government Code Section 65968(c) specifies the disbursement of the interest earnings be limited to the property which funded the endowment; the section reads as follows:

“(c) The special district or nonprofit organization shall hold, manage, invest and disburse the funds in furtherance of the long-term stewardship of the property for which the funds were set aside.”

Therefore, the interest earned on each of the properties can only be used for activities related to the specific property. However, the interest earnings related to CSA 120 have been consolidated and used for the purpose of maintaining the original 762 acres of the North Etiwanda Preserve. The following chart has been developed by LAFCO staff to determine the interest earnings attributable to each of the endowments received by CSA 120 using the percentage that the endowment bears to the whole. The chart identifies the interest which would need to be returned to the five endowments that comprise Unit 2 to make them whole, which is approximately \$112,884.

Name of Owner	Date Acquired	Total Acreage	Endowment Funds Received	Interest Earned by Endowment Funds for Specific Properties						Total Interest by Conservation Property	% of Total Interest from 2008-13
				2008	2009	2010	2011	2012	2013		
UNIT #1 - CSA 120 MANAGEMENT PLAN											
SANBAG	2/27/1998	762	\$700,000	\$33,073	\$23,262	\$16,037	\$6,015	\$2,793	\$7,637	\$88,817	43.93%
UNIT #2 - CSA 120 MANAGEMENT PLAN											
Lennar Communities	10/21/2003	33	\$85,600	\$3,759	\$2,643	\$1,822	\$731	\$339	\$928	\$10,222	5.06%
A&J Resources and Rancho Etiwanda 685 LLC	3/1/2004	172	\$220,000	\$10,523	\$7,402	\$5,103	\$1,890	\$877	\$2,400	\$28,195	13.94%
Granite Homes/Rancho 2004 LLC	9/13/2005	86	\$215,400	\$10,523	\$7,402	\$5,103	\$1,849	\$858	\$2,347	\$28,082	13.89%
CENTEX Homes	10/2/2005	149	\$373,250	\$17,288	\$12,160	\$8,383	\$3,201	\$1,486	\$4,064	\$46,582	23.04%
Western Slope & Mineral Company	12/14/2010	5	\$12,500	\$0.00	\$0.00	\$0.00	\$110	\$51	\$140	\$301	0.15%
Total Interest Earned				\$75,166	\$52,869	\$36,448	\$13,796	\$6,404	\$17,516	\$202,199	100.00%
Total Non-Wasting Endowment			\$1,606,750								
Amount to be returned to Endowment for Unit #2 due to lack of work performed on specific properties				\$ 42,093	\$29,606	\$20,411	\$7,282	\$3,612	\$ 9,880	\$112,884	

Unfortunately, as the following chart outlines, there is no funding available to repay this amount due to the limitations of the revenue stream directly available to CSA 120. So the question is: How will this situation be rectified? How will the SanBAG dedicated properties repay the other endowments or will reports for management and operation of the other properties be provided that show some of the funds used for the appropriate

purpose? LAFCO staff is recommending that conditions be imposed on this sphere of influence establishment to clarify this situation, to read as follows:

- **Within six months of the approval of this sphere establishment County Service Area 120 shall have completed all reporting required by State law for the management of mitigation properties.**
- **Within six months of the approval of this sphere of influence establishment County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used.**

As the Commission is well aware after several years of service reviews, the question that the staff has sought to answer is whether or not the agencies under the Commission's purview are financially sustainable. If an entity is consistently expending more than it receives, its long term viability is suspect. The chart which follows identifies the expenditures and revenues for the three accounts associated with CSA 120 – general, endowment, and capital projects. The data is taken from audits for the years 2006 through 2013 and budget data for years 2014 and 2015. The one major project within this time period was the development of the North Etiwanda Preserve trail system – design/environmental work in 2007 and 2008 and construction in 2009. This project entailed the construction of a trail system, kiosks, benches, and historic preservation. The maintenance of this system has become one of the primary operations of CSA 120 but comes without any source of funding for maintenance and operation. The following table includes the costs for the development of this facility:

County Service Area 120										
	Audit Data								Budget Data	
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
GENERAL										
EXPENDITURES										
Salaries & Benefits	\$ 4,824	\$ 5,788	\$ 4,826	\$ 12,752	\$ 13,277	\$ 7,733	\$ 7,037	\$ 1,734	\$ 18,310	\$ 47,429
Services & Supplies	\$ 63,172	\$ 58,106	\$ 70,810	\$ 35,052	\$ 22,520	\$ 14,095	\$ 10,547	\$ 13,066	\$ -	\$ 23,376
Contingencies									\$ -	\$ 23,376
Transfer Out	\$ 3,942	\$ 814,996		\$ 1,361,553					\$ 3,515	\$ 13,699
Total Expenditures	\$ 71,938	\$ 878,890	\$ 75,636	\$ 1,409,357	\$ 35,797	\$ 21,828	\$ 17,584	\$ 14,800	\$ 21,825	\$ 84,504
REVENUES										
State Assistance				\$ 659,309			\$ 1,082		\$ 10,032	\$ 25,000
Federal Assistance							\$ 4,330			
Investment Earnings	\$ 17,954	\$ 42,323	\$ 3,111	\$ 4,828			\$ 81	\$ 399	\$ 126	\$ 138
Intergovernmental				\$ 700,000						
Other	\$ 839,342		\$ 59,597	\$ 23,060		\$ 16,325		\$ 3,339		
Operating Transfer In					\$ 26,059	\$ 19,664	\$ 9,965	\$ 5,635	\$ 6,032	\$ 8,000
County Transfer In								\$ 30,000		
Total Revenues	\$ 857,296	\$ 42,323	\$ 62,708	\$ 1,387,197	\$ 26,059	\$ 35,989	\$ 15,458	\$ 39,373	\$ 16,190	\$ 33,138
Excess Revenues Over (Under) Expenditures	\$ 785,358	\$ (836,567)	\$ (12,928)	\$ (22,160)	\$ (9,738)	\$ 14,161	\$ (2,126)	\$ 24,573	\$ (5,635)	\$ (51,366)
Fund Balance										
Beginning	\$ 98,210	\$ 883,568	\$ 47,001	\$ 34,073	\$ 11,913	\$ 2,175	\$ 16,336	\$ 14,210	\$ 38,783	\$ 32,866
Ending	\$ 883,568	\$ 47,001	\$ 34,073	\$ 11,913	\$ 2,175	\$ 16,336	\$ 14,210	\$ 38,783	\$ 33,148	
ENDOWMENT FUND										
EXPENDITURES										
Operating Transfer Out					\$ 26,059	\$ 17,914	\$ 7,234	\$ 5,635	\$ 6,032	\$ 8,000
Other			\$ 159,598	\$ 20,715						
Total Expenditures	\$ -	\$ -	\$ 159,598	\$ 20,715	\$ 26,059	\$ 17,914	\$ 7,234	\$ 5,635	\$ 6,032	\$ 8,000
REVENUES										
State Assistance				\$ 40,691						
Investment Earnings	\$ 25,262	\$ 37,230	\$ 75,166	\$ 52,868	\$ 36,448	\$ 13,797	\$ 6,405	\$ 17,517	\$ 5,184	\$ 10,000
Special Assessment							\$ 12,500			
Other										
Operating Transfer In		\$ 737,550								
Total Revenues	\$ 25,262	\$ 774,780	\$ 75,166	\$ 93,559	\$ 36,448	\$ 13,797	\$ 18,905	\$ 17,517	\$ 5,184	\$ 10,000
Excess Revenues Over (Under) Expenditures	\$ 25,262	\$ 774,780	\$ (84,432)	\$ 72,844	\$ 10,389	\$ (4,117)	\$ 11,671	\$ 11,882	\$ (848)	\$ 2,000
Fund Balance										
Beginning	\$ 805,797	\$ 831,059	\$ 1,605,839	\$ 1,521,407	\$ 1,594,251	\$ 1,604,640	\$ 1,600,523	\$ 1,612,194	\$ 1,612,194	\$ 1,612,065
Ending	\$ 831,059	\$ 1,605,839	\$ 1,521,407	\$ 1,594,251	\$ 1,604,640	\$ 1,600,523	\$ 1,612,194	\$ 1,624,076	\$ 1,610,065	
CAPITAL PROJECTS										
EXPENDITURES										
Construction in Progress				\$ 1,391,548	\$ 199,693					
Services & Supplies					\$ 389	\$ 204				
Improvement to Land		\$ 39,579	\$ 183,868			\$ 297	\$ 18,900			
Transfer Out						\$ 1,750	\$ 2,731			
Total Expenditures		\$ 39,579	\$ 183,868	\$ 1,391,548	\$ 200,082	\$ 2,251	\$ 21,631			
REVENUES										
Investment Earnings		\$ 294	\$ 4,251	\$ 12,836			\$ 36			
State Assistance					\$ 200,000					
Transfer in		\$ 60,000		\$ 1,361,553						
Other			\$ 200,000							
Total Revenues		\$ 60,294	\$ 204,251	\$ 1,374,389	\$ 200,000	\$ -	\$ 36			
Excess Revenues Over (Under) Expenditures		\$ 20,715	\$ 20,383	\$ (17,159)	\$ (82)	\$ (2,251)	\$ (21,595)			
Fund Balance										
Beginning	\$ -	\$ 20,715	\$ 41,098	\$ 23,939	\$ 23,857	\$ 21,606				
Ending	\$ 20,715	\$ 41,098	\$ 23,939	\$ 23,939	\$ 23,857	\$ 21,606	\$ 11			

The use of endowment funds for the purpose of maintenance and operation of these facilities is of concern to LAFCO staff. The responsibility for the operation should come from some other general sources of funding, such as a share of the general property tax levy, not the restricted revenues associated with the endowment properties. Therefore, LAFCO staff is recommending the inclusion of the following condition in the approval of the sphere of influence establishment:

- **Within six months of the approval of the sphere of influence establishment for CSA 120, management of the County Special Districts Department shall develop a mechanism to provide for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without use of the endowment funds established for mitigation purposes only.**

An additional ongoing concern for LAFCO staff is that the County Auditor-Controller has not updated the chart of accounts to acknowledge the existence of CSA 120. Case in point, up until 2013 the audits were issued for CSA 70 OS-1 and the "Budget Prep" documents provided by the County Special Districts Department with information necessary for the review of the 2014 and 2015 budget detail are titled "CSA 70 OS-1". While this may appear on the surface as a trivial matter, this directly impacts the County's reporting to the State Controller on the operations of special districts since CSA 70 and its various zones are reported as a single unit. One of the questions asked in the application to the California Department of Fish and Wildlife is whether or not the special district is current in its reporting requirements to the State Controller. To answer this question is now problematic for CSA 120 and the County.

As to the question of sustainability under the audit information outlined above, out of the eight years shown, six have operated at a deficit between revenues and expenditures within the fiscal year. In addition, the budget detail also shows that the district operates in the red without the infusion of funds from other sources. While LAFCO staff has outlined a condition of approval related to the repayment of the endowment funds, as the chart above outlines, there are no current revenues available to provide for this. The question then to be answered at the end of the six month period is whether or not CSA 120 is sustainable for the long term? And if not what then? It is the opinion of LAFCO staff that the service review to be presented in the future needs to answer these questions.

The final point in this discussion is that the County amendment for exclusion of the City of Fontana MSHCP from the sphere of influence establishment is an indication of the Commission's direction that the area should ultimately be removed from the boundaries of CSA 120. Such a future detachment would take with it the \$330,000 in endowment funds on deposit with CSA 120, representing approximately 20% of the endowment. The ramification of this change will need to be carefully addressed.

The existence of any social or economic communities of interest in the area;

In a typical sphere of influence review the question of social or economic communities of interest relates to the future development of the area and its associated identification with a specific community. However, for an entity that provides for the management of mitigation lands its economic community of interest would be the area from which mitigation properties could be assembled. That community would be the territory running along the foothills of the San Gabriel Mountains which support the endangered species identified by the local, state and federal wildlife agencies. This sphere of influence determination addresses a portion of this area.

AUTHORIZED POWERS:

When adopting a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). LAFCO staff recommends that the Commission affirm the service description for County Service Area 120 as identified in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*, as follows:

CSA 120

Open space and habitat conservation

Open space and habitat conservation including, but not limited to, the acquisition, preservation, maintenance, and operation of land to protect unique, sensitive, threatened, or endangered species, or historical or culturally significant properties. Any setback or buffer requirements to protect open-space or habitat lands shall be owned by a public agency and maintained by the county service area so as not to infringe on the customary husbandry practices of any neighboring commercially productive agricultural, timber or livestock operations.

ENVIRONMENTAL CONSIDERATIONS

For environmental review, the Commission's Environmental Consultant, Tom Dodson and Associates, prepared and LAFCO staff reviewed, advertised, and circulated the Initial Study and Mitigated Negative Declaration for this proposal pursuant to the requirements of the California Environmental Quality Act and Commission Environmental Policies. The Initial Study evaluated the project as proposed by the County, which indicate that approval of the

reorganization, including any of the four alternatives that were identified in the initial study, will not have a significant adverse impact on the environment.

On February 19, 2014, the Commission adopted the Mitigated Negative Declaration and the Mitigation Monitoring and Reporting Program prepared for the project including the finding that the Commission may adopt one of the alternatives identified in the Initial Study. LAFCO staff is recommending approval of an alternative for LAFCO 3157, which was one of the alternatives identified and evaluated in the Initial study. In this case, the Commission can consider and approve this recommendation based on the Mitigated Negative Declaration that the Commission previously approved for the project because this alternative was fully considered in that environmental assessment.

Therefore, the Commission should direct the Executive Officer to file the Notice of Determination within five days of the Commission's decision on the project. Such filing must be accompanied by the payment of California Department of Fish and Wildlife Fee in the amount of \$2,231.95. Staff will not submit the required filing until such time as the County Special Districts Department transfers the required funds to LAFCO for processing. Failure to file within the required five days of action will lengthen the period for legal challenge to 180 days rather than the 30-day statute of limitations period for CEQA challenges when timely filed.

A copy of the Initial Study, Mitigated Negative Declaration and Response to Comments and Mitigation Monitoring and Reporting Program are included as Attachment #7 to this staff report.

CONCLUSION

The determinations outlined in this report come with the acknowledgement that there are significant funding issues for CSA 120 to overcome to continue to operate, and failure to address them could result in a determination of insolvency. Included in this report, is the recommendation that a condition of approval be adopted related to repayment of endowment interest earnings from the Unit 2 properties used in support of the Unit 1 property, the original North Etiwanda Preserve. This recommendation comes with the acknowledgement that there are no revenues available to accommodate the repayment. These determinations could cause State and Federal agencies to question the ability of the CSA 120 to continue to manage the biological resource mitigation lands it currently holds; let alone expand its holdings. As has been identified in this report, the sphere of influence establishment allows for the consideration of other changes of organization which may affect the area and continues the dialogue on the future of CSA 120. LAFCO and County staffs need to take one step at a time to address the future and it is the opinion of LAFCO staff that its recommendation will be that first step.

Staff believes that the materials provided in this report and other presentations shows that approval of the proposal as amended by the County in its letter of February 2014 along with the inclusion of the conditions as identified in this report will provide for CSA 120 to continue with its current activities. The inclusion of language requiring the ongoing

participation of LAFCO staff to monitor the conditions imposed and report back to the Commission will assure that answers are provided. Therefore, staff recommends approval of the County's modified proposal for sphere of influence establishment for CSA 120 (LAFCO 3157) which is a coterminous sphere of influence with the existing boundary except for the exclusion of the territory included within the City of Fontana's Multi-Species Habitat Conservation Plan, as outlined below:

RECOMMENDATION

LAFCO staff recommends that the Commission take the following actions:

1. For environmental review, direct the Executive Officer to file the Notice of Determination for the environmental assessment and Mitigated Negative Declaration that the Commission previously adopted for LAFCO 3157 within five days of the Commission's approval of the project, provided the County Special Districts Department submits the funds necessary to pay the required California Fish and Wildlife Filing Fee of \$2,231.95.
2. Approve the establishment of the sphere of influence for County Service Area 120 as coterminous with its existing boundary except for the exclusion of the territory within the City of Fontana's Multi-Species Habitat Conservation Plan with the following conditions:
 - a. Within six months of the approval of the sphere of influence establishment County Service Area 120 shall complete the due diligence process with the California Department of Fish and Wildlife to be declared an available recipient of mitigation properties in the future. Failure to do so will require further analysis of the sphere of influence assignment;
 - b. Within six months of the approval of the sphere of influence establishment for CSA 120, management of the County Special Districts Department shall develop a mechanism to provide for the maintenance and operation of the improvements constructed through the 2008-09 State Park grant without use of the endowment funds established for mitigation purposes only;
 - c. Within six months of the approval of this sphere establishment County Service Area 120 shall complete all reporting required by State law for the management of mitigation properties;
 - d. Within six months of the approval of this sphere of influence establishment County Service Area 120 will have developed funding plans to restore endowment balances for those mitigation properties where mitigation work has not been performed but interest earnings used; and
 - e. Direct LAFCO staff to provide ongoing monitoring of the completion of these activities with periodic updates provided to the Commission;

3. Continue the adoption of LAFCO Resolution reflecting the Commission's findings and determinations to the October 22, 2014 hearing to be presented as a consent item.

KRM:SM

Attachments:

1. LAFCO Letter Dated April 27, 2010 to County Special Districts Initiating Sphere Establishment and Staff Report Date April 1, 2010 for Initiation of Sphere of Influence
2. Map of LAFCO 3157 Sphere of Influence Establishment Request as Amended February 2014
3. Letter Dated February 13, 2014 Amending County Application for Sphere of Influence Establishment; Copy of Original Resolution No. 2012-29 Initiating LAFCO 3157
4. Maps of: CSA 120, Location of Mitigation Lands, and North Etiwanda Management Plan Units 1 and 2;
5. Board of Supervisors October 19, 2010 Agenda Item 65 Approving County Service Area 120 Management Plan and Board of Supervisors December 16, 2008 Agenda Item 89 Conveying Conservation Easements to the County of San Bernardino
6. California Department of Fish and Wildlife Application for Government Entity, Special District, or Nonprofit Organization Requesting to Hold Mitigation Lands and California Department of Fish and Wildlife Mitigation Endowment Facts
7. Letter from Tom Dodson of Tom Dodson and Associates Regarding Environmental Determination; LAFCO Staff Report Dated February 11, 2014 on the Adoption of the Mitigated Negative Declaration for LAFCO 3157`

**REVISED AUDIT FOR
COUNTY SERVICE AREA 120
RECEIVED OCTOBER 8, 2014**

Attachment 3

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 120
NORTH ETIWANDA PRESERVE**

FINANCIAL STATEMENTS

JUNE 30, 2013

RECEIVED
OCT 09 2014

LAFCO
San Bernardino County

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 120
NORTH ETIWANDA PRESERVE
TABLE OF CONTENTS
June 30, 2013

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION:</u>	
Independent Auditors' Report	1
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	3
Statement of Activities	4
Fund Financial Statements	
Balance Sheet - Governmental Fund	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Notes to Financial Statements	8
Required Supplementary Information	
Budgetary Comparison Schedule - Special Revenue Fund (General)	17



An Independent CPA Firm

Board of Supervisors
County of San Bernardino
County of San Bernardino Special
District County Service Area
No. 120 – North Etiwanda Preserve

Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No. 120 – North Etiwanda Preserve (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise CSA's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the CSA, as of June 30, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Board of Supervisors
County of San Bernardino Special
District County Service Area
No. 120 – North Etiwanda Preserve
Page 2

Other Matters

Required Supplementary Information

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

David L. Gruber and Associates, Inc.
David L. Gruber and Associates, Inc.
Huntington Beach, California
November 25, 2013

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 120
NORTH ETIWANDA PRESERVE
Statement of Net Position

June 30, 2013

Assets

Cash and cash equivalents	\$ 1,661,768
Interest receivable	1,239
Capital assets, net of depreciation	<u>1,549,745</u>
Total Assets	<u>3,212,752</u>

Liabilities

Due to other funds	<u>146</u>
Total Liabilities	<u>146</u>

Net position

Invested in capital assets	1,549,745
Unrestricted	<u>1,662,861</u>
Total Net Position	<u>\$ 3,212,606</u>

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 120
NORTH ETIWANDA PRESERVE
Statement of Activities

For the Year Ended June 30, 2013

<u>Expenses</u>	
Salaries and benefits	\$ 1,734
Services and supplies	13,066
Depreciation	86,750
Total Program Expenses	101,550
 <u>Program revenues</u>	
Charges of services	3,339
State assistance	-
Net Program Expense	(98,211)
 <u>General revenues</u>	
Interest earnings	6,952
Net increase in fair value of investments	10,955
Total General Revenues	17,907
Transfer in from County	30,000
Change in net position	(50,304)
Net position at beginning of year	3,262,910
Net position at end of year	\$ 3,212,606

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 120
NORTH ETIWANDA PRESERVE
Balance Sheet
Governmental Funds
June 30, 2013

	Special Revenue Fund	Permanent Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
	General (SOH)	Preserve (VFG)	Etiwanda Preserve (CAT)	
Assets				
Cash and cash equivalents	\$ 38,900	\$ 1,622,866	\$ 2	\$ 1,661,768
Interest receivable	29	1,210	-	1,239
Total Assets	\$ 38,929	\$ 1,624,076	\$ 2	\$ 1,663,007
Liabilities and Fund Balances				
Liabilities				
Due to other funds	146	-	-	146
Total Liabilities	146	-	-	146
Fund balances:				
Non-spendable: Permanent endowment	-	1,624,076		1,624,076
Assigned	38,783	-	2	38,785
Total Fund Balances	38,783	1,624,076	2	1,662,861
Total Liabilities and Fund Balance	\$ 38,929	\$ 1,624,076	\$ 2	\$ 1,663,007
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:				\$ 1,662,861
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				1,549,745
Net Assets of Governmental Activities				\$ 3,212,606

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
 COUNTY SERVICE AREA No. 120
 NORTH ETIWANDA PRESERVE
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2013

	Special Revenue Fund	Permanent Fund	Nonmajor Capital Projects Fund	Total Governmental Funds
	General (SOH)	Preserve (VFG)	Etiwanda Preserve (CAT)	
Revenues				
Interest earnings	\$ 117	\$ 6,844	\$ (9)	\$ 6,952
Net increase in fair value of investments	282	10,673		10,955
State assistance	-	-	-	-
Other services	3,339	-	-	3,339
Total Revenues	<u>3,738</u>	<u>17,517</u>	<u>(9)</u>	<u>21,246</u>
Expenditures				
Salaries and benefits	1,734	-	-	1,734
Services and supplies	13,066	-	-	13,066
Capital outlay:				
Improvements on land	-	-	-	-
Total Expenditures	<u>14,800</u>	<u>-</u>	<u>-</u>	<u>14,800</u>
Excess of Revenues Over (Under) Expenditures	<u>(11,062)</u>	<u>17,517</u>	<u>(9)</u>	<u>6,446</u>
Other Financing Sources (Uses)				
Transfer in from County	30,000	-	-	30,000
Transfer out	5,635			5,635
Transfer out	-	(5,635)	-	(5,635)
Total Other Financing Sources (Uses)	<u>35,635</u>	<u>(5,635)</u>	<u>-</u>	<u>30,000</u>
Net Change in Fund Balance	24,573	11,882	(9)	36,446
Fund Balance - beginning	<u>14,210</u>	<u>1,612,194</u>	<u>11</u>	<u>1,626,415</u>
Fund Balance - ending	<u>\$ 38,783</u>	<u>\$ 1,624,076</u>	<u>\$ 2</u>	<u>\$ 1,662,861</u>

The accompanying notes are an integral part of these financial statements.
 See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 120
NORTH ETIWANDA PRESERVE
Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balance of Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2013

Net Change in Fund Balance - Total Government Funds \$ 36,446

Amounts reported for *governmental activities* in the statement of activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities the cost of those assets is allocated over their estimated useful
lives and reported as depreciation expense. This is the amount by which depreciation
expense (\$86,750) exceeded capital outlay (\$-0-) in the current year.

(86,750)

Change in Net Position of Governmental Activities

\$ (50,304)

The accompanying notes are an integral part of these financial statements.
See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Bernardino Special District County Service Area No. 120 – North Etiwanda Preserve conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Reporting Entity

The County Service Area (CSA) No. 120 – North Etiwanda Preserve was established by an act of the Board of Supervisors of the County of San Bernardino (the County) under Resolution 94-98 on May 17, 1994 to provide for management, protection and operations of 762 acres of a preserved Riversidian Coastal Sage Habitat located north of Rancho Cucamonga and east of Day Creek.

The CSA is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the County Service Area No. 120 – North Etiwanda Preserve of the County of San Bernardino and are not intended to present the financial position of the Count taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2013.

Government-wide and fund financial statements

The government-wide financial statements (e.g., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the reporting entity. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Currently, the CSA does not have a proprietary or fiduciary fund types. Major individual governmental funds are reported as separate columns in the fund financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement focus, basis of accounting, and financial statements presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental fund:

The *special revenue fund* labeled “General” is the government’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contribution, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for us, it is the government’s policy to use restricted resources first, and then unrestricted resources as they are needed.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interfund receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (e.g., the current portion of interfund loans) or “advances to/from other funds” (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.” Currently, the CSA does not have any business-type activities.

Property Taxes

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on March 1 and become delinquent with penalties on August 31.

Inventories and prepaid items

Inventories, if any, are valued at cost using the first-in/first-out method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed.

Property, plant and equipment of the government is depreciated using straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	40-60
Structure and improvements	5-40
Equipment and vehicles	4-15

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity

The CSA implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of the spending constraints placed on the purposes for which the resources can be used:

- *Nonspendable Fund Balance*: Amounts cannot be spent because they are: (a) not in spendable form or (b) legally or contractually required to be maintained intact. Due to the nature or form of the resources, they generally cannot be expected to be converted into cash or a spendable form.
- *Restricted Fund Balance*: Amounts are restricted by external parties, i.e., creditors, grantors, contributors, or laws/regulations of other governments or restricted by law through constitutional provisions or enabling legislation.
- *Committed Fund Balance*: Amounts can only be used for a specific purpose pursuant to constraints imposed by formal action of the government's highest level of decision making authority (the Board of Supervisors). The formal action must occur prior to the end of the reporting period, however, the amount may be determined in the subsequent period. These are self-imposed limitations on available resources. These committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same level of action it employed to previously commit those amounts. These committed amounts would be approved and adopted by formal action of the Board.
- *Assigned Fund Balance*: Amounts are constrained by the government's intent to be used for specific purposes that are neither restricted nor committed. The intent will be expressed by the body or official to which the governing body has delegated the authority, i.e. the County Administrative Office. The County Administrative Office will assign fund balance for specific departmental projects through the use of the respective department's general fund savings. Such projects would not normally be feasible for the department without reserving funding over a multiple year period.
- *Unassigned Fund Balance*: The General Fund, as the principal operating fund, often has net resources in excess of what can properly be classified in one of the four categories already described. Therefore, in order to calculate unassigned fund balance, total fund balance less nonspendable, restricted, committed, or assigned equals unassigned fund balance. This amount is available for any purpose and will be placed in either the General Purpose Reserve, General Fund – Mandatory Contingencies or the General Fund - Uncertainties Contingencies until allocated for a specific purpose by the Board, by a four-fifths vote.

When both restricted and unrestricted resources are available for use when an expenditure is incurred, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed. It is the County's policy to consider committed amounts as being reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund equity (continued)

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Stewardship, compliance and accountability

A. Budgetary information

In accordance with provisions of section 29000-29143 of the Government code of the State of California, commonly known as the County Budget Act, the CSA prepares and adopts a budget on or before August 30 for each fiscal year. Budgets are prepared on the modified accrual basis of accounting. The legal level of budgetary control is the object level and the sub-object level for fixed assets within each fund.

Amendments or transfers of appropriations between funds or departments must be approved by the Board. Transfers at the sub-object level or cost center level may be done at the discretion of the Special District's Administration Department head. Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balances as provided for in the County Budget Act.

B. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end do not constitute expenditures or liabilities because the commitment will be re-appropriated and honored during the subsequent year.

New Accounting Pronouncements

The District adopted Statement on Governmental Accounting Standards (GASB Statement) No. 60, *Accounting and Reporting for Services Concession Arrangements*, GASB Statement No. 61 *Financial Reporting Entity: Omnibus*, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA*, No. 63 *Financial Reporting for Deferred Outflows and Inflows*, and GASB Statement No. 64 *Derivative Instruments*. The adoption of the aforementioned pronouncements did not have a material effect on the District's June 30, 2013 financial statements.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 2: CASH AND DEPOSITS

Cash and cash equivalents includes cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2013.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

Note 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2013 was as follows:

Governmental activities:	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 75,000	\$ -	\$ -	\$ 75,000
Construction in progress	-			-
Total capital assets, not being depreciated	75,000	-	-	75,000
Capital assets, being depreciated:				
Improvements to land	1,171,294	-	-	1,171,294
Structures and improvements	563,700	-	-	563,700
Total capital assets, being depreciated	1,734,994	-	-	1,734,994
Less accumulated depreciation for:				
Improvements to land	(117,129)	(58,565)	-	(175,694)
Structures and improvements	(56,370)	(28,185)	-	(84,555)
Total accumulated depreciation	(173,499)	(86,750)	-	(260,249)
Total capital assets, being depreciated, net	1,561,495	(86,750)	-	1,474,745
Governmental activities capital Assets, net	\$ 1,636,495	\$ (86,750)	\$ -	\$ 1,549,745

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 4: RETIREMENT PLAN

Plan Description

San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost sharing multiple employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Law of 1937 (the 1937 Act). SBCERA provides pensions for 18 active plan sponsors (employers) which are: The County of San Bernardino (and its Special Districts), Barstow Fire Protection District, California Electronic Recording Transaction Network Authority, California State Association of Counties, Crest Forest Fire Protection District, City of Big Bear Lake, City of Chino Hills, Crestline Sanitation District, Department of Water and Power for the City of Big Bear Lake, Hesperia Recreation and Park District, Inland Library System, Law Library for San Bernardino County, Local Agency Formation Commission, Mojave Desert Air Quality Management District, San Bernardino Associated Governments, SBCERA, South Coast Air Quality Management District (SCAQMD) and Superior Court of California County of San Bernardino.

Employees (members) become eligible for membership on their first day of regular employment and members become fully vested after 5 years of service credit. SBCERA administers retirement benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3rd Floor, San Bernardino, California 92415-0014.

Fiduciary Responsibility

SBCERA is controlled by its own board, the Board of Retirement, which acts as a fiduciary agent for the accounting and control of employer and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit.

Funding Policy

Participating active members are required by statute (Government Code sections 31621.6, 31639.25 and 7522.30) to contribute a percentage of covered salary based on certain actuarial assumptions, their age at entry into the Plan and their tier. Participating employers are required by Government Code sections 31453.5 and 31454 to contribute a percentage of covered salary to the Plan. The contribution requirements of participating active members and employers are established and may be amended by the SBCERA Board of Retirement pursuant to Article 1 of the 1937 Act.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their annual pension cost, prepaid asset, required contributions, annual pension cost and net pension asset, for the current year and two preceding years computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2013.

The County, along with the SCAQMD, issued Pension Refunding Bonds (Bonds) in November 1995 with an aggregate amount of \$420,527. These Bonds were issued to allow the County and the SCAQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 4: RETIREMENT PLAN (continued)

Funding Policy (continued)

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070, \$149,825, and \$125,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. In April 2008, the County refunded all of the 2004 Series B.

In April 2008, the County of San Bernardino issued its \$160,900 in Pension Obligation Refunding Bonds (POB), Series 2008 (Series 2008 Bonds).

Note 5: FEDERAL AND STATE GRANTS

From time to time the District may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

Note 6: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$2.5 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$100 million is provided through a combination of insurance policies as recommended by Arthur J. Gallagher & Co., Broker of Record, as follows: Primary Liability coverage \$25 million excess of \$2.5 million self-insured retention with Starr Indemnity & Liability Co.; Excess Liability coverage of \$10 million, excess of \$25 million with Allied World Assurance Co.; and Excess Liability coverage \$25 million, excess of \$35 million with Great American Insurance Company of New York. In addition, Allied World Assurance Co. provides excess liability coverage of \$15 million, excess of \$60 million; and Arch Insurance Co. provides \$25 million in excess of \$75 million. The Workers' Compensation program was restructured to include a cash flow SIR that applies per accident/per payment year as follows: \$2,000,000 1st year; \$1,000,000 2nd year; \$500,000 3rd year and each year thereafter, with coverage provided by Star Insurance Co. for up to \$3 million for employer's liability, and up to \$150 million limits for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with several insurers like Affiliated FM, and Alterra Excess Ins. Co., and Lloyd's of London, among others.

The County supplements its self-insurance for medical malpractice claims with a \$25 million policy with Illinois Union Ins. Co., which provides annual coverage on a claim made form basis with a SIR of \$2 million for each claim. All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 70 – ZONE OS-1
NORTH ETIWANDA FONTANA OPEN
NOTES TO FINANCIAL STATEMENTS
June 30, 2013

Note 6: RISK MANAGEMENT (continued)

securities, with Berkley Regional Insurance Co. with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

The activities related to such programs are accounted for in Risk Management except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR (Incurred But Not Reported) and IBNS (Incurred But Not Settled) liabilities stated on Risk Management’s balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 0.438% and an actuarially-determined 80% confidence level. It is Risk Management’s practice to obtain actuarial studies on an annual basis.

See the County of San Bernardino’s Comprehensive Annual Financial Report (CAFR) for details of their claims liability in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, at June 30, 2013.

Note 7: TRANSFERS IN/OUT

Interfund transfers are transactions used to close out a fund, reimburse an operating fund, and transfer cash between operating funds and capital projects funds. At June 30, 2013, the CSA made the following interfund transfers in and out:

	Transfer In: Major Fund
	Special Revenues (SOH)
Transfer out:	
Major Fund:	
Permanent Fund (VFG)	\$ 5,635

Note 8: CONTINGENCIES

As of June 30, 2013, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

Note 9: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 25, 2013, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the CSA.

REQUIRED SUPPLEMENTARY INFORMATION
COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS
COUNTY SERVICE AREA No. 120
NORTH ETIWANDA PRESERVE
Budgetary Comparison Schedule - Special Revenue Fund (General)
For the Year Ended June 30, 2013

	Special Revenue Fund			
	General (SOH)			
	Original Budget	Final Budget	Actual	Variances with Final Budget Positive (Negative)
Revenues				
Interest earnings	\$ -	\$ -	\$ 117	\$ 117
Net increase in fair value of investments	-	-	282	282
State assistance	20,000	20,000	-	(20,000)
Other services	5,000	(6,000)	3,339	9,339
Total Revenues	<u>25,000</u>	<u>14,000</u>	<u>3,738</u>	<u>(10,262)</u>
Expenditures				
Salaries and benefits	1,734	1,734	1,734	-
Services and supplies	44,001	74,001	13,066	60,935
Reserves and contingencies	4,454	4,454	-	4,454
Total Expenditures	<u>50,189</u>	<u>80,189</u>	<u>14,800</u>	<u>65,389</u>
Excess of Revenues Over (Under) Expenditures	<u>(25,189)</u>	<u>(66,189)</u>	<u>(11,062)</u>	<u>(75,651)</u>
Other Financing Sources (Uses)				
Transfer in	11,000	52,000	35,635	(16,365)
Transfer out	-	-	-	-
Total Other Financing Sources (Uses)	<u>11,000</u>	<u>52,000</u>	<u>35,635</u>	<u>(16,365)</u>
Net Change in Fund Balance	<u>\$ (14,189)</u>	<u>\$ (14,189)</u>	24,573	<u>\$ (92,016)</u>
Fund Balance - beginning			<u>14,210</u>	
Fund Balance - ending			<u>\$ 38,783</u>	

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 9, 2014 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
SAMUEL MARTINEZ, Assistant Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #7: LAFCO 3180 – Reorganization to Include Annexations to County Service Area 54, Detachment from County Service Area SL-1 and Dissolution of County Service Area 73 and Zone A of County Service Area 53 (Streetlight Reorganization for the Mountain Region)

RECOMMENDATION:

The staff recommends that the Commission approve LAFCO 3180 by taking the following actions:

1. For environmental review, certify that LAFCO 3180 is statutorily exempt from the provisions of the California Environmental Quality Act and direct the Executive Officer to file the Notice of Exemption within five (5) days;
2. Approve LAFCO 3180, with the following terms and conditions:
 - a) As a function of the dissolution of County Service Area 53-A, all streetlights currently the responsibility of County Service Area 53-A shall be transferred to County Service Area 54. The County Special Districts Department shall sign the form requesting Bear Valley Electric to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization;
 - b) As a function of the dissolution of County Service Area 73, all streetlights currently the responsibility of County Service Area 73 shall be transferred to County Service Area 54. The County Special Districts Department shall sign the authorization form requesting Southern California Edison to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization;
 - c) As a function of the detachment of the portion of County Service Area SL-1 in Lake Arrowhead, all streetlights currently within said portion of County

Service Area SL-1 shall be transferred to County Service Area 54. The County Special Districts Department shall sign the authorization form requesting Southern California Edison to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization;

- d) As successor agency for County Service Areas 53-A and 73, County Service Area 54 will receive all property tax revenues attributable to both entities per the County Board of Supervisors' Resolution No. 2014-58. In addition, any and all other collections or assets for both County Service Areas 53-A and 73 shall accrue and be transferred to County Service Area 54;
 - e) The appropriation limit currently assigned to County Service Areas 53A and 73, shall be added to that of County Service Area 54;
 - f) Pursuant to Government Code Section 56886.1, public utilities, as defined in Section 216 of the Public Utilities Code, have ninety (90) days following the recording of the Certificate of Completion to make the necessary changes to impacted utility customer accounts; and,
 - g) The standard terms and conditions of approval that include the "hold harmless" clause for potential litigation.
3. Adopt LAFCO Resolution #3192 setting forth the Commission's terms, conditions, and determinations for LAFCO 3180.

BACKGROUND:

On January 14, 2014, the County Board of Supervisors adopted a Resolution of Application requesting a reorganization of all its mountain streetlighting entities. The purpose was to consolidate streetlighting services within the entire mountain region into a single county service area to reduce indirect costs (administrative and other overhead charges) while maintaining the current level of service.

The County Special Districts Department submitted two concurrent proposals – one for the sphere of influence expansion for County Service Area (CSA) 54 (LAFCO 3179), which the Commission approved at its July 2014 Commission hearing, and the reorganization proposal that is now before the Commission for consideration.

The overall reorganization proposal includes annexations to CSA 54, a detachment of an area from CSA SL-1, and the dissolutions of CSA 53 Zone A (53-A) and CSA 73 (see Figure 1 below). The reorganization includes eight (8) specific areas encompassing a total of approximately 8,462 acres. Area 1 is an area being detached from CSA SL-1 and annexed into CSA 54. Area 2 contains the boundaries for CSA 73, which is being dissolved and annexed into CSA 54. Areas 3, 4, and 5 comprises the total area for CSA 53-A, which is also being dissolved and annexed into CSA 54. And finally, Areas 6, 7, and 8 are areas that are simply being annexed into CSA 54. Location and vicinity maps are included as Attachment #1 to this report.

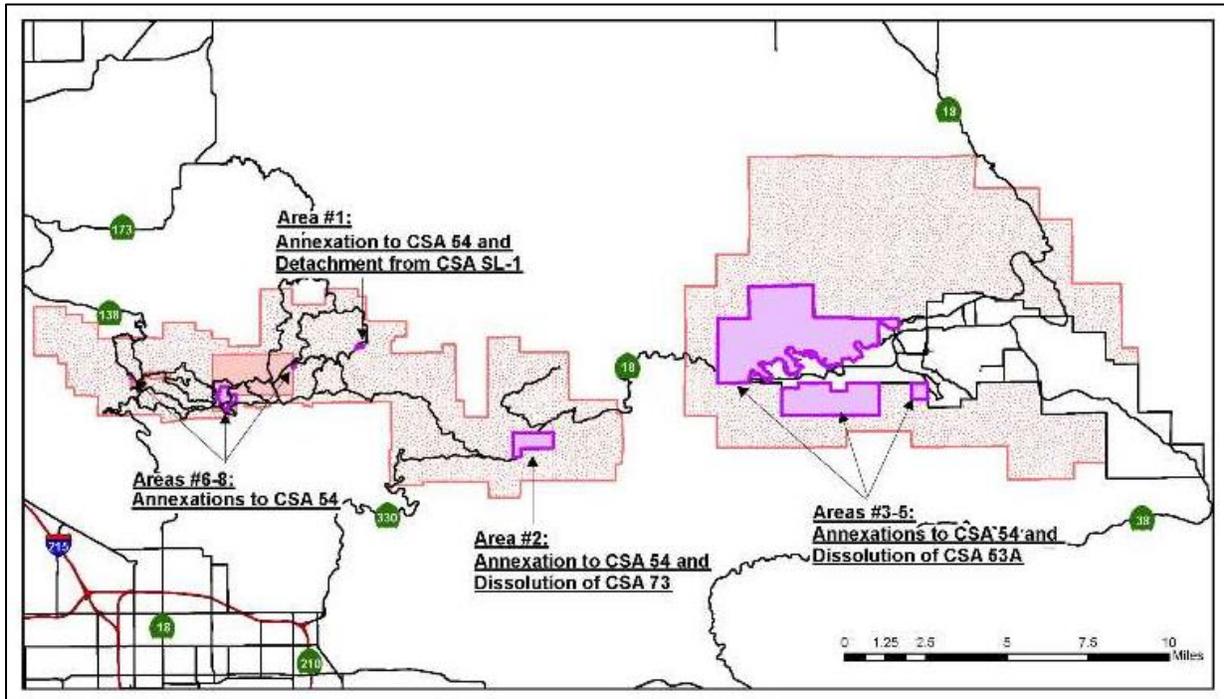


Figure 1 – LAFCO 3180 Reorganization Area

LAFCO staff has been working with the Special Districts Department, Southern California Edison and Bear Valley Electric staff on verifying streetlighting information for the affected entities. In processing this application, LAFCO staff discovered there are streetlights currently located outside of the existing boundaries of the affected entities, which have been funded by them.

For CSA 54, the streetlights identified are all located along the periphery of its boundaries. Therefore, LAFCO staff (with concurrence from the Special Districts Department staff) has modified the proposal to include the annexation of these areas (Areas 6, 7, and 8) into CSA 54 as part of the overall reorganization.

However, one streetlight in the Running Springs area, which is associated with the streetlights funded by CSA 73, is located nowhere near the boundaries of the district. Because of its location—over a mile away from the district’s boundaries—and because the streetlight itself is actually located within the right-of-way easement for State Highway 18, staff is recommending the County consider one of the following options:

1. Transfer of this streetlight to another appropriate entity, such as the California Department of Transportation (CALTRANS) or the County’s Public Works Department; or,
2. If no entity is willing to accept responsibility for the light, the Special Districts Department should shut off the light.

This reorganization proposal will be transferring an estimated total of 38 streetlights from CSA SL-1 (a total of 10 lights), CSA 53-A (a total of 15 lights), and CSA 73 (a total of 15 lights) to CSA 54's existing 174 streetlights. This reorganization will also be annexing the areas that have CSA 54 funded streetlights located outside of its boundaries (12 of the 174 lights). Moving forward, this proposal as modified, will bring CSA 54's total number of streetlights to 224.

As with all reviews for jurisdictional change, the following materials will outline the staff's analysis of the four areas of consideration required: boundaries, land uses, service delivery and financial implications, and environmental considerations. These issues along with additional information are outlined below:

BOUNDARIES:

The reorganization consists of eight (8) individual areas encompassing a total of approximately 8,462 acres located in the San Bernardino Mountain region.

- Area 1 – Detachment from CSA SL-1 and Annexation to CSA 54

Area 1 encompasses approximately 8.46 acres generally located north and south of Hook Creek Road west of State Highway 173, within the unincorporated community of Lake Arrowhead (see Figure 2 below). Area 1 has an estimated total of 10 lights.

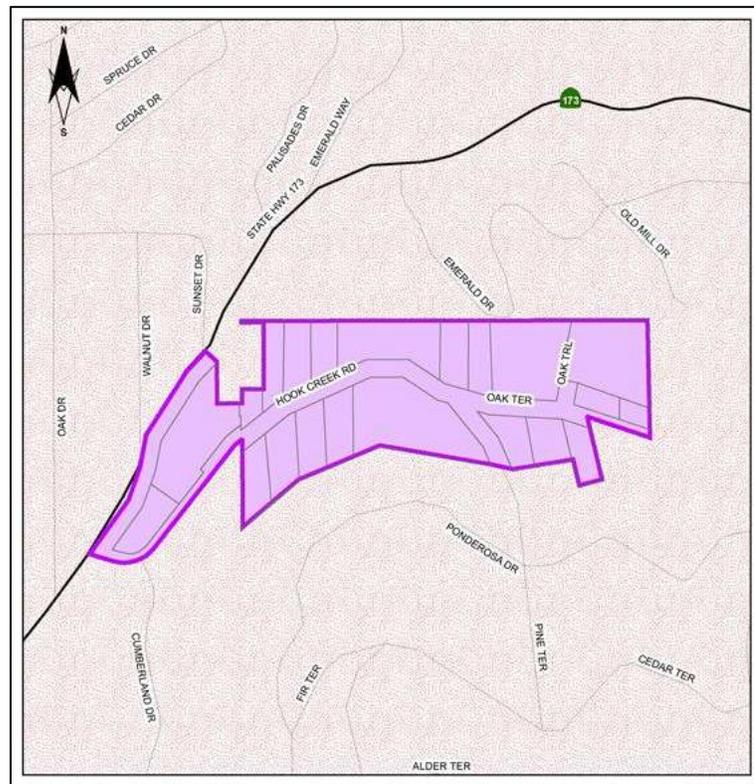


Figure 2 – Detachment from CSA SL-1 and Annexation to CSA 54

- Area 2 – Dissolution of CSA 73 and Annexation to CSA 54

Area 2 encompasses approximately 429 acres and is generally located south of Green Valley Lake, east of Running Springs. Area 2, which includes the unincorporated community of Arrowbear Lake, has an estimated total of 15 lights (see Figure 3 below).

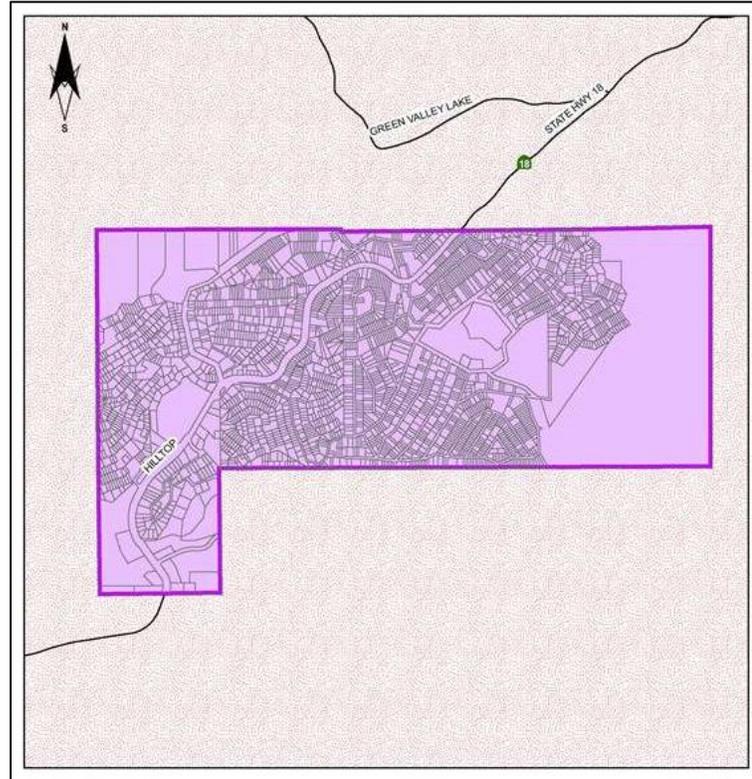


Figure 3 – Dissolution of CSA 73 and Annexation to CSA 54

- Areas 3, 4, & 5 – Dissolution of CSA 53 Zone A and Annexation to CSA 54

Area 3 – encompasses approximately 5,925 acres and is generally located north and west of the City of Big Bear Lake. The area is bordered by a combination of parcel lines and the City of Big Bear Lake on the east and south, and a combination of section lines along the National Forest on the west and north. Area 3, which includes the unincorporated community of Fawnskin and portions of the lake and the National Forest, has an estimated total of 15 lights.

Area 4 – encompasses approximately 1776.4 acres and is generally located south of the City of Big Bear Lake. The area is bordered by a combination of parcel lines and the City of Big Bear Lake on the north, and a combination of section lines on the west, south, and east. The area includes a portion of the National Forest and the Bear Mountain Ski area.

Area 5 – includes a single parcel, APN 0310-251-01 encompassing approximately 157 acres, and is generally located adjacent to the City of Big Bear Lake’s southern boundary.

For areas 3, 4, and 5, see Figure 4 below.

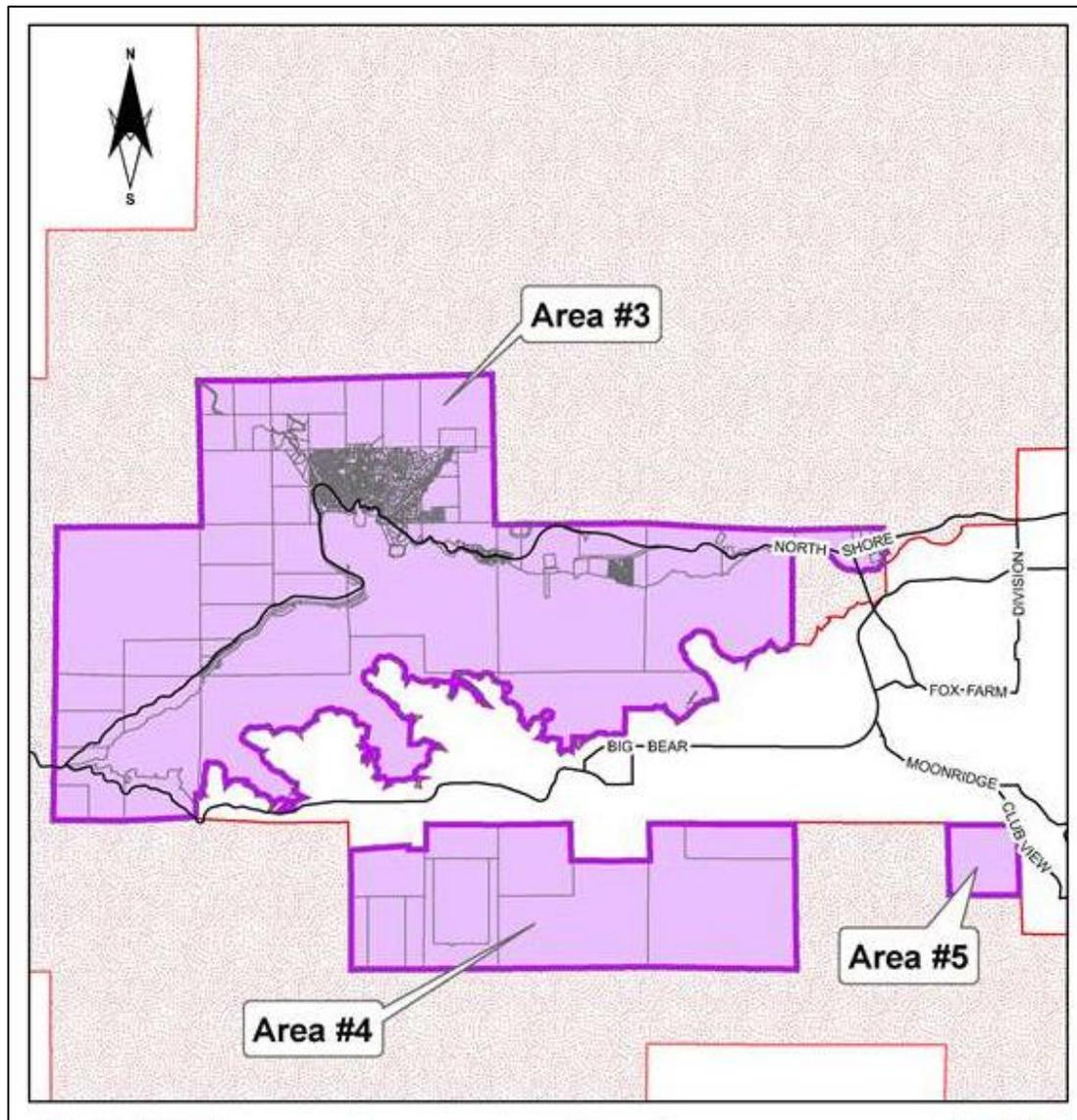


Figure 4 – Dissolution of CSA 53-A and Annexations to CSA 54

- Areas 6, 7 & 8 – Annexations to CSA 54

Area 6 – includes 7 parcels encompassing approximately 0.9 acres and is generally located at the intersection of Seeley Way and Lands End Trail in the Crest Forest community (see Figure 5 below). Area 6 has one (1) light.

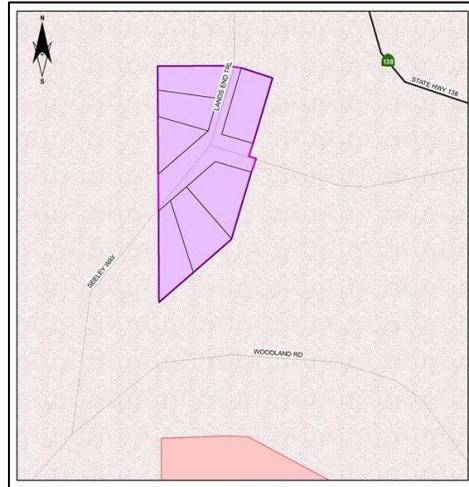


Figure 5 – Area 6: Annexation to CSA 54

Area 7 – encompasses approximately 158.5 acres that include parcels east and west of State Highway 189 between Lake Gregory Drive and Strawberry Lodge in the Crest Forest community (see Figure 6 below). Area 7 has an estimated total of 10 lights.

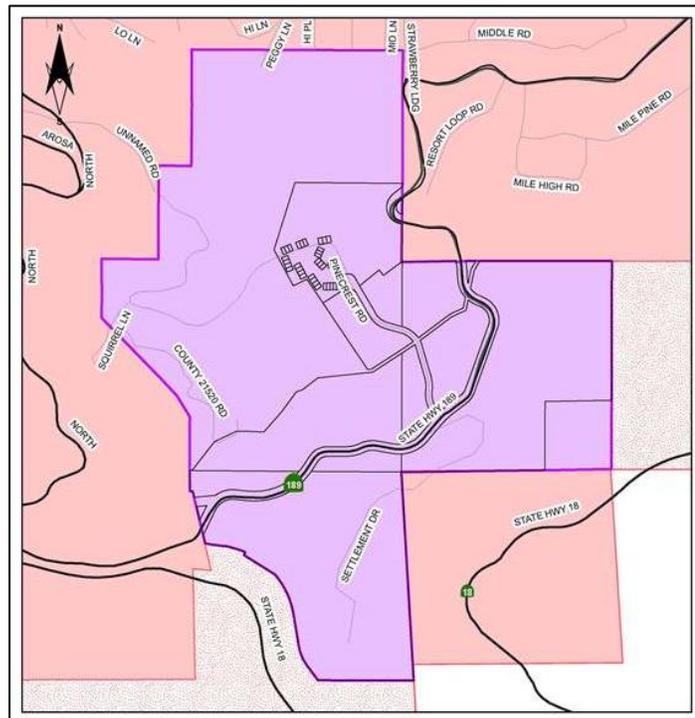


Figure 6 – Area 7: Annexation to CSA 54

Area 8 – includes 4 parcels encompassing approximately 6.65 acres and is generally located at the intersection of State Highway 189 and North Bay Road in the Blue Jay area of the Lake Arrowhead community (see Figure 7 below). Area 8 has one (1) light.

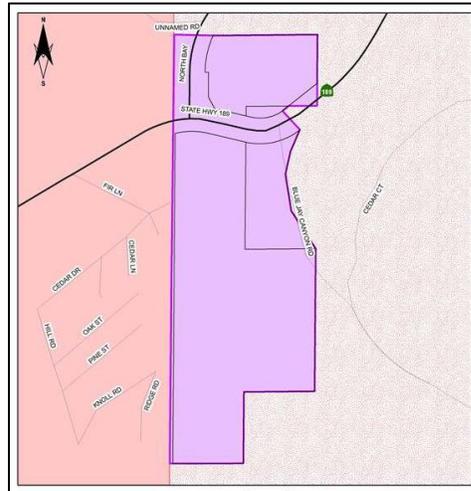


Figure 7 – Area 8: Annexation to CSA 54

For the one streetlight in Running Springs (see Figure 8 below for location), as discussed earlier, LAFCO staff is recommending that the Special Districts Department either transfer the said streetlight to another entity, or if no entity is willing to accept responsibility for the light, the streetlight should be turned-off.

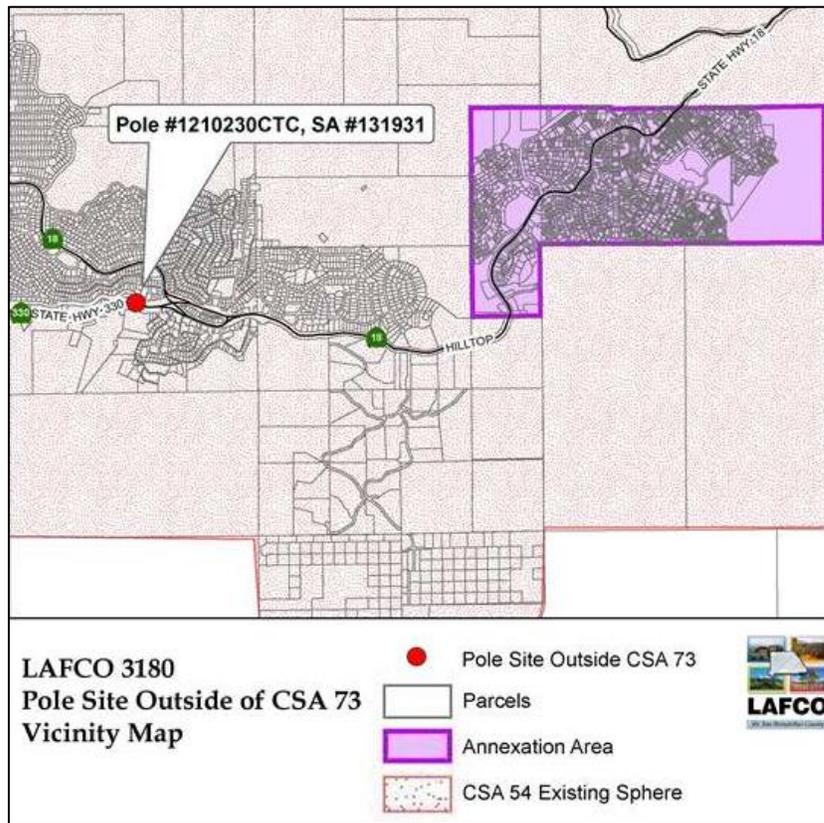


Figure 8 – Location of Streetlight in Running Springs Area

Therefore, the reorganization proposal as modified, presents no boundary concerns since it addresses the consolidation of all the County's streetlighting entities in the mountain region into a single county service area. It includes the dissolution of the two entities that provide streetlighting services (CSAs 53-A and 73), the detachment of the portion of CSA SL-1 that is the only other County streetlighting entity located in the mountain region, the annexation of these areas into CSA 54, including those areas along the periphery of CSA 54.

For these reasons, LAFCO staff supports the reorganization proposal as modified.

LAND USE:

The reorganization proposal is located in the San Bernardino Mountain region. The County designates Area 1, which is within the Lake Arrowhead community, as commercial. Area 2, which is within the Hilltop community, is predominantly designated as residential with portions of the area designated with either commercial, industrial, institutional, and resource conservation land uses. Areas 3, 4, and 5, which are within the Bear Valley community, are primarily designated for resource conservation with the Fawnskin area designated with either residential, commercial, or institutional land uses. Finally, for Areas 6 and 7 (which are within the community of Crest Forest) and Area 8 (which is within the community of Lake Arrowhead), these areas have a residential land use designation assigned to them.

However, the approval of this proposal will have no direct impact on the current County land use designations assigned for these areas. Due to the County's Development Code standards that limit the installation of streetlights in the mountain region as well as its Glare and Outdoor Lighting standards specific to the mountain region, the installation of additional streetlights in the future will be limited. However, approval of LAFCO 3180 will provide for a unified approach in providing streetlighting service within the unincorporated mountain communities.

SERVICE DELIVERY AND FINANCIAL IMPLICATIONS:

CSAs 53-A, 54, and 73 are limited purpose special districts, providing only streetlighting services within its service area. The financial effects of the proposed dissolutions of CSAs 53-A and 73 are that their shares of the ad valorem property tax will be transferred to CSA 54, along with the responsibility for payment of the electricity costs for operation of all the streetlights associated with these districts. The charts below provides a review of the costs and expenses for these districts:

County Service Area 53-A

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	Audit	Audit	Audit	Audit	Audit	Audit
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
Footnote:						
1) FY 2009-10 audit restated the Beginning Fund Balance from \$36,836 to \$12,669.						
<i>Beginning fund balance for the major special revenue fund labeled "Streetlights" has been adjusted to correct an error which overstated property taxes in the prior year. The error has an effect on the change in net assets for the year ended June 30, 2009.</i>						
<i>Accordingly, the beginning fund balance and the beginning net assets have been adjusted as follows:</i>						
Fund Balance - beginning, as previously reported			\$ 36,860			
Prior Period Adjustment			\$ (24,191)			
Fund Balance - beginning, as restated			\$ 12,669			

County Service Area 54

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	Audit	Audit	Audit	Audit	Audit	Audit
REVENUES						
Property Taxes	\$ 34,146	\$ 36,930	\$ 35,807	\$ 34,941	\$ 33,535	\$ 32,444
Other Taxes	\$ 2,362	\$ 1,029	\$ 511	\$ 262	\$ 448	\$ 420
State Assistance	\$ 442	\$ 428	\$ 4,867	\$ 469	\$ 77	\$ 351
Investment Earnings	\$ 292	\$ 419	\$ 264	\$ 176		
Intergovernmental				\$ 8,980		
Other Revenue				\$ 2,218		
Total Revenues	\$ 37,242	\$ 38,806	\$ 41,449	\$ 47,046	\$ 34,060	\$ 33,215
EXPENDITURES						
Salaries and Benefits	\$ 5,789	\$ 5,641	\$ 5,154	\$ 5,295	\$ 5,035	\$ 5,994
Services and Supplies	\$ 22,869	\$ 31,566	\$ 31,556	\$ 43,188	\$ 26,443	\$ 27,923
Total Expenditures	\$ 28,658	\$ 37,207	\$ 36,710	\$ 48,483	\$ 31,478	\$ 33,917
Net Change in Fund Balance	\$ 8,584	\$ 1,599	\$ 4,739	\$ (1,437)	\$ 2,582	\$ (702)
Fund Balance - Beginning	\$ 9,515	\$ 18,099	\$ 19,698	\$ 24,437	\$ 23,000	\$ 25,582
Fund Balance - Ending	\$ 18,099	\$ 19,698	\$ 24,437	\$ 23,000	\$ 25,582	\$ 24,880

County Service Area 73:

	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
	Audit	Audit	Audit	Audit	Audit	Audit
REVENUES						
Property Taxes	\$ 34,146	\$ 36,930	\$ 35,807	\$ 34,941	\$ 33,535	\$ 32,444
Other Taxes	\$ 2,362	\$ 1,029	\$ 511	\$ 262	\$ 448	\$ 420
State Assistance	\$ 442	\$ 428	\$ 4,867	\$ 469	\$ 77	\$ 351
Investment Earnings	\$ 292	\$ 419	\$ 264	\$ 176		
Intergovernmental				\$ 8,980		
Other Revenue				\$ 2,218		
Total Revenues	\$ 37,242	\$ 38,806	\$ 41,449	\$ 47,046	\$ 34,060	\$ 33,215
EXPENDITURES						
Salaries and Benefits	\$ 5,789	\$ 5,641	\$ 5,154	\$ 5,295	\$ 5,035	\$ 5,994
Services and Supplies	\$ 22,869	\$ 31,566	\$ 31,556	\$ 43,188	\$ 26,443	\$ 27,923
Total Expenditures	\$ 28,658	\$ 37,207	\$ 36,710	\$ 48,483	\$ 31,478	\$ 33,917
Net Change in Fund Balance	\$ 8,584	\$ 1,599	\$ 4,739	\$ (1,437)	\$ 2,582	\$ (702)
Fund Balance - Beginning	\$ 9,515	\$ 18,099	\$ 19,698	\$ 24,437	\$ 23,000	\$ 25,582
Fund Balance - Ending	\$ 18,099	\$ 19,698	\$ 24,437	\$ 23,000	\$ 25,582	\$ 24,880

Below is a summary of the audit data for the three county service areas showing the net change in fund balance and the total fund balance - ending:

AUDIT DATA	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13
Net Change in Fund Balance						
CSA 53-A	\$ -	\$ 27,820	\$ 4,614	\$ 3,260	\$ 2,965	\$ (1,242)
CSA 54	\$ 8,584	\$ 1,599	\$ 4,739	\$ (1,437)	\$ 2,582	\$ (702)
CSA 73	\$ 1,433	\$ (334)	\$ (280)	\$ (1,587)	\$ (259)	\$ (179)
Total Net Change in Fund Balance (Mtn Region Streetlighting)	\$ 10,017	\$ 29,085	\$ 9,073	\$ 236	\$ 5,288	\$ (2,123)
AUDIT DATA						
Fund Balance - Ending						
CSA 53-A	\$ -	\$ 36,836	\$ 17,283	\$ 20,542	\$ 23,507	\$ 22,265
CSA 54	\$ 18,099	\$ 19,698	\$ 24,437	\$ 23,000	\$ 25,582	\$ 24,880
CSA 73	\$ 1,621	\$ 1,287	\$ 1,007	\$ 473	\$ 214	\$ 35
Total Fund Balance - Ending (Mtn Region Streetlighting)	\$ 19,720	\$ 57,821	\$ 42,727	\$ 44,015	\$ 49,303	\$ 47,180

In processing the application materials, LAFCO staff had a hard time verifying the information provided by the Southern California Edison (Edison) regarding the streetlights for the districts. There were some instances where the information provided on paper did not match the actual information on the ground (i.e. streetlights on paper were not present on the ground or vice versa). Especially with the funding constraints associated with these districts, LAFCO staff is recommending that the Special Districts department do an accounting of all the streetlights that are being paid for by these districts.

As the successor agency to the operations for CSAs 53-A and 73, CSA 54 will receive the full fund balance from CSA 53-A and CSA 73. Therefore, staff is recommending the

inclusion of conditions of approval to outline this transfer as well as one related to appropriation limit consolidation as follows:

- **As successor agency for County Service Areas 53-A and 73, County Service Area 54 will receive all property tax revenues attributable to both entities per the County Board of Supervisors' Resolution No. 2014-58. In addition, any and all other collections or assets for both County Service Areas 53-A and 73 shall accrue and be transferred to County Service Area 54.**
- **The appropriation limit currently assigned to County Service Areas 53A and 73, shall be added to that of County Service Area 54.**

As a condition of approval, the County, on behalf of CSA 54, will be required to sign the documents necessary to accept the obligation for operation of the streetlights currently funded by CSA 53A, CSA 73, and the portion of CSA SL-1 being detached and transferred to CSA 54. The conditions shall read as follows:

- **As a function of the dissolution of County Service Area 53A, all streetlights currently the responsibility of County Service Area 53A shall be transferred to County Service Area 54. The County Special Districts Department shall sign the authorization form requesting Bear Valley Electric to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization.**
- **As a function of the dissolution of County Service Area 73, all streetlights currently the responsibility of County Service Area 73 shall be transferred to County Service Area 54. The County Special Districts Department shall sign the authorization form requesting Southern California Edison to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization.**
- **As a function of the detachment of the portion of County Service Area SL-1 in the Lake Arrowhead area, all streetlights currently within said portion of County Service Area SL-1 shall be transferred to County Service Area 54. The County Special Districts Department shall sign the authorization form requesting Southern California Edison to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization.**

Therefore, upon the effective date of the reorganization, CSA 54 will succeed to maintaining and operating all lights currently funded by CSA 53-A, CSA 73, and the portion of CSA SL-1 being detached and transferred to CSA 54.

As required by Commission policy and State law, the plan for service submitted by the County Special Districts Department indicates that the extension of services within the reorganization area will maintain current service levels provided through the County and its special districts. In addition, the 5-year projection submitted by the County also indicates that the

reorganization will allow CSA 54 to continue to provide streetlighting services in the mountain region at current level of service.

ENVIRONMENTAL CONSIDERATIONS:

As the CEQA lead agency, the Commission's Environmental Consultant, Tom Dodson from Tom Dodson and Associates, has indicated that the review of LAFCO 3180 is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that the Commission's approval of the reorganization has no potential to cause any adverse effect on the environment. The reorganization proposal will support existing streetlights by consolidating the entities into a single county service area to oversee long-term management of existing and/or future streetlighting in the mountain region. Therefore, the proposal is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). A copy of Mr. Dodson's analysis is included as Attachment #3 to this report.

CONCLUSION:

The primary purpose of the reorganization was to consolidate streetlighting services within the entire mountain region into a single county service area to reduce indirect costs (administrative and other overhead charges) while maintaining the current level of service.

Staff supports approval of LAFCO 3180 for the following reasons:

- The reorganization accomplishes the County's goal to consolidate all of the County's mountain region streetlighting service providers into a single county area; and,
- Through the reorganization, there is the potential to reduce indirect costs and continue to maintain the current level of service.

For these reasons, and those outlined throughout the staff report, the staff supports the approval of LAFCO 3180.

DETERMINATIONS:

The following determinations are required to be provided by Commission policy and Government Code Section 56668 for any change of organization/reorganization proposal:

1. The County Registrar of Voters Office has determined that the reorganization area is legally inhabited, containing 774 registered voters as of April 29, 2014 (for Areas 1 thru 5) and subsequently on October 14, 2014 (for Areas 6 thru 8).

Area 1 -- 6 registered voters
Area 2 -- 387 registered voters
Area 3 -- 376 registered voters
Area 4 -- 5 registered voters
Area 5 -- 0 registered voters
Area 6 -- registered voters

Area 7 -- registered voters
Area 8 -- registered voters

2. The County Assessor has determined that the total assessed value of land and improvements within the reorganization area is \$328,576,853. The breakdown of assessed value of land and improvements for each of the eight separate areas are as follows:

Area 1 -- \$	3,646,663	(land - \$	1,103,369; improvements - \$	2,543,294)
Area 2 -- \$	93,313,285	(land - \$	24,543,752; improvements - \$	68,769,533)
Area 3 -- \$	217,322,556	(land - \$	100,408,660; improvements - \$	116,913,896)
Area 4 -- \$	1,428,899	(land - \$	167,462; improvements - \$	1,261,437)
Area 5 -- \$	0	(land - \$	0; improvements - \$	0)
Area 6 -- \$	519,870	(land - \$	82,285; improvements - \$	437,585)
Area 7 -- \$	13,774,479	(land - \$	2,606,929; improvements - \$	11,167,550)
Area 8 -- \$	0	(land - \$	0; improvements - \$	0)

3. The reorganization area is within the sphere of influence assigned for County Service Area 54 through approval of LAFCO 3179.
4. Notice of Commission review of this proposal has been advertised in *The Sun*, a newspaper of general circulation within the reorganization area. Individual notice has been provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notification. Comments received have been reviewed and considered by the Commission in making its determination.

In addition, individual notice of the original May 21, 2014 LAFCO hearing was provided to landowners and registered voters within the original area for LAFCO 3180 (totaling 3,811 notices).

5. The County's land use designations for the reorganization area include a mix of residential, commercial, industrial, institutional, and resource conservation.

Pursuant to the provision of Government Code Section 56668(g), this reorganization proposal has no direct effect on the Southern California Associated Governments (SCAG) adopted Regional Transportation Plan and Sustainable Community Strategy nor does it have any direct effect on the County's General Plan land use designations assigned for the area.

6. The Commission's Environmental Consultant, Tom Dodson and Associates, has recommended that this proposal is statutorily exempt from environmental review based on the finding that the Commission's approval of the reorganization has no potential to cause any adverse effect on the environment; and therefore, the proposal is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). Mr. Dodson recommends that the Commission adopt the Statutory Exemption and direct its Executive Officer to file a Notice of

Exemption within five (5) days. A copy of Mr. Dodson's response letter is included as Attachment #3 to this report.

8. The areas within the reorganization area are served, in whole or in part, by the following local agencies:

County of San Bernardino
Inland Empire Resource Conservation District
Mojave Desert Resource Conservation District
San Bernardino County Fire Protection District and its Mountain Service Zone
Crestline-Lake Arrowhead Water Agency
Rim of the World Recreation and Park District
Lake Arrowhead Community Services District
Crestline Village Water District
Crestline Sanitation District
Crest Forest Fire Protection District
Arrowbear Park County Water District
San Bernardino Mountains Community Healthcare District
Big Bear Lake Fire Protection District
Big Bear Municipal Water District
Big Bear Valley Recreation and Park District
Big Bear Airport District
Bear Valley Community Healthcare District
County Service Area SL-1 (Lake Arrowhead portion)
County Service Area 73
County Service Area 53
County Service Area 53 Zone A
County Service Area 53 Zone B
County Service Area 53 Zone C
County Service Area 54
County Service Area 70 Zone D-1
County Service Area 70 (multi-function)

The agencies directly affected by this proposal are County Service Area 53 Zone A, County Service Area 54, County Service Area 73, and County Service Area SL-1. None of the other agencies will be affected by this proposal.

9. The County of San Bernardino, through its Special Districts Department, has submitted a plan for services for the provision of streetlighting services through County Service Area 54. This plan is attached for Commission review, and it indicates that the range and level of such services can be maintained following the reorganization.
10. The area in question can benefit, and has benefited, from the provision of streetlighting services and will continue to do so following the transfer of responsibility to County Service Area 54 as outlined in the plan for services at current service levels.

11. This reorganization proposal and its anticipated effects conform with adopted Commission policies and directives of state law that promote the simplification of the government.
12. Pursuant to the provision of Government Code Section 56668(o), the reorganization proposal to consolidate streetlighting services within the entire mountain region will not result in the unfair treatment of any person, based upon race, culture or income.
13. The County Board of Supervisors has successfully concluded the property tax negotiations required by Section 99 of the Revenue and Taxation Code.
14. The map and legal description, as revised, are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.

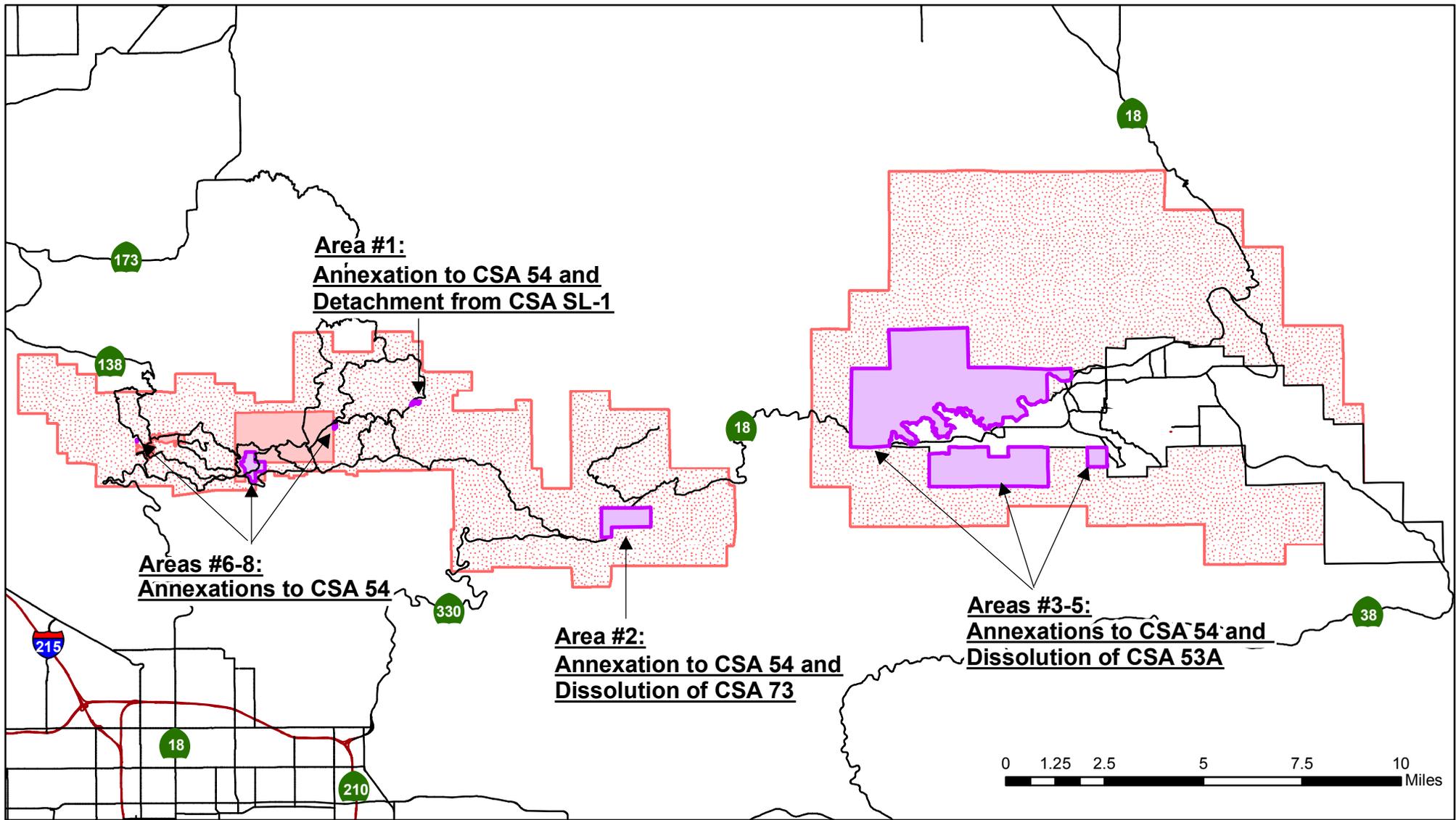
KRM/sm

Attachments:

1. Maps—Vicinity and Location
2. Application including Board of Supervisors Resolution
3. Response from the Commission's Environmental Consultant, Tom Dodson and Associates, on Environmental Determination
4. Draft LAFCO Resolution #3192

Maps – Vicinity and Location

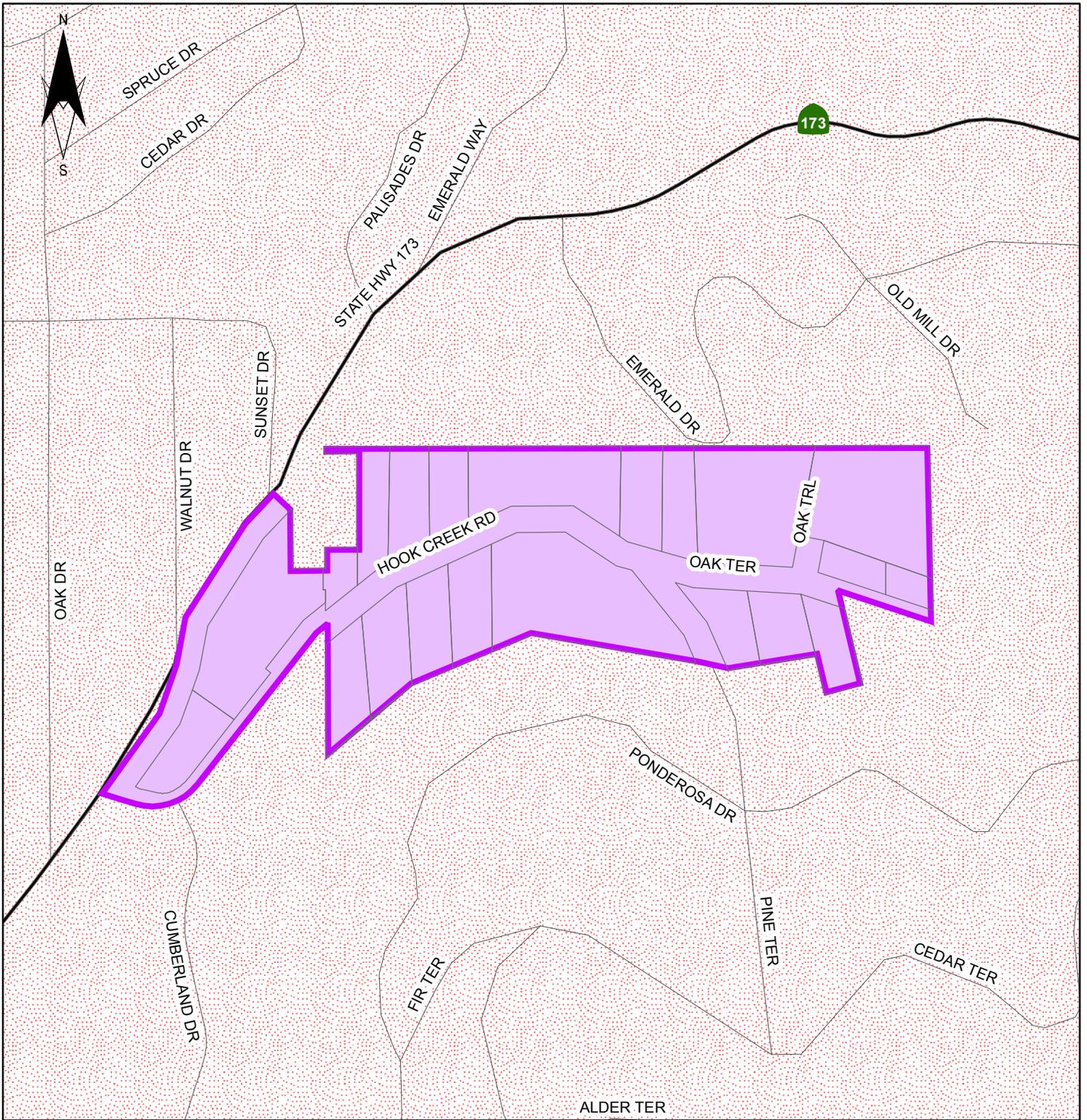
Attachment 1



LAFCO 3180 - Reorganization to Include Annexations to County Service Area 54, Detachment from County Service Area SL-1 and Dissolution of County Service Area 73 and Zone A of County Service Area 53 (Streetlight Reorganization for the Mountain Region)

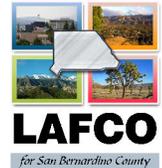
- | | | | |
|---|-------------------------|--|-------------------------------|
|  | CSA 54 Service Boundary |  | Areas to be annexed to CSA 54 |
|  | CSA 54 Existing Sphere |  | Areas Excluded from Proposal |

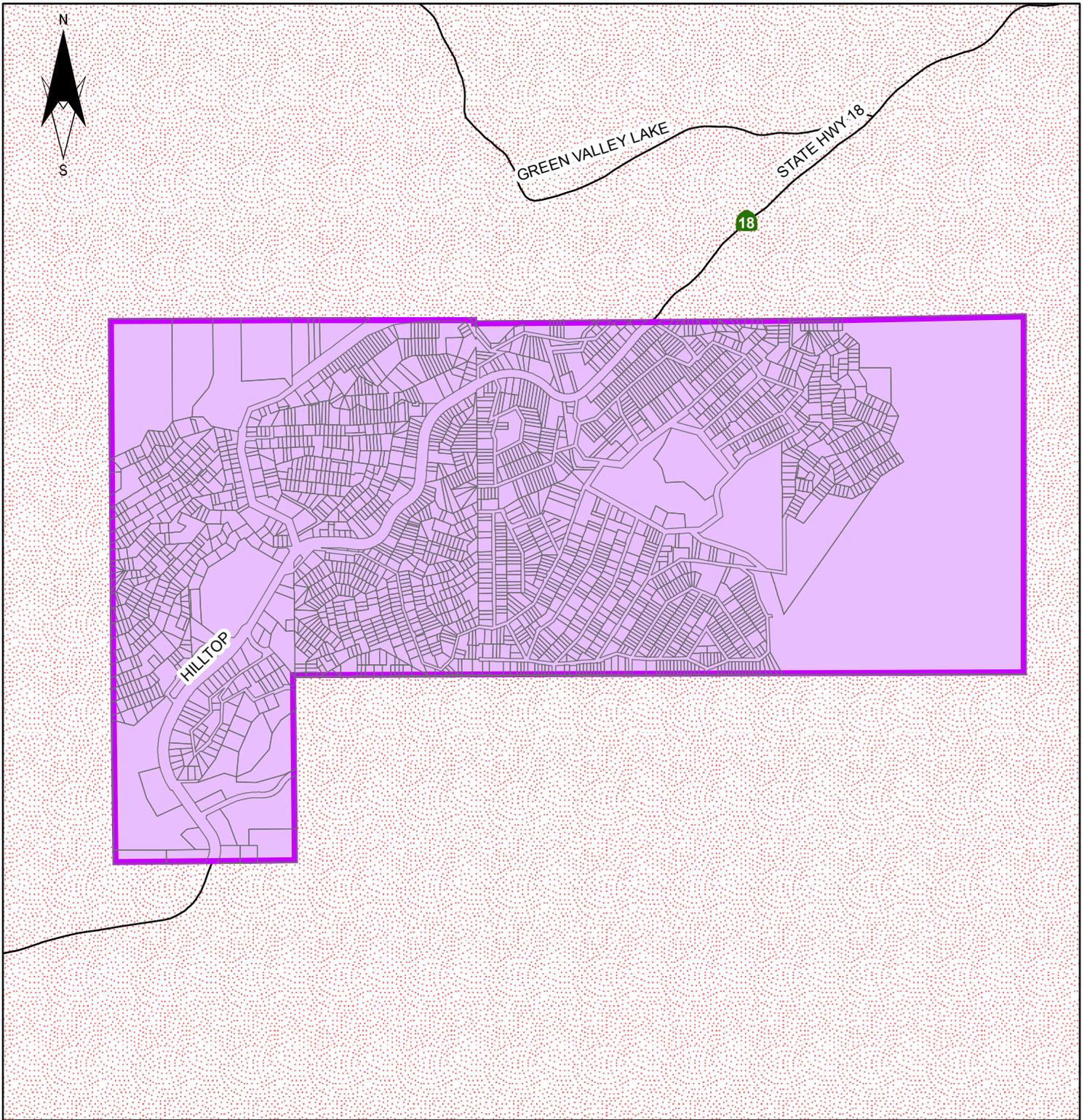




LAFCO 3180
Area #1: Annexation to CSA 54
and Detachment from CSA SL-1
Vicinity Map

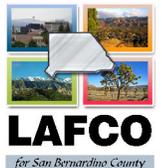
-  Parcels
-  Annexation Area
-  CSA 54 Existing Sphere

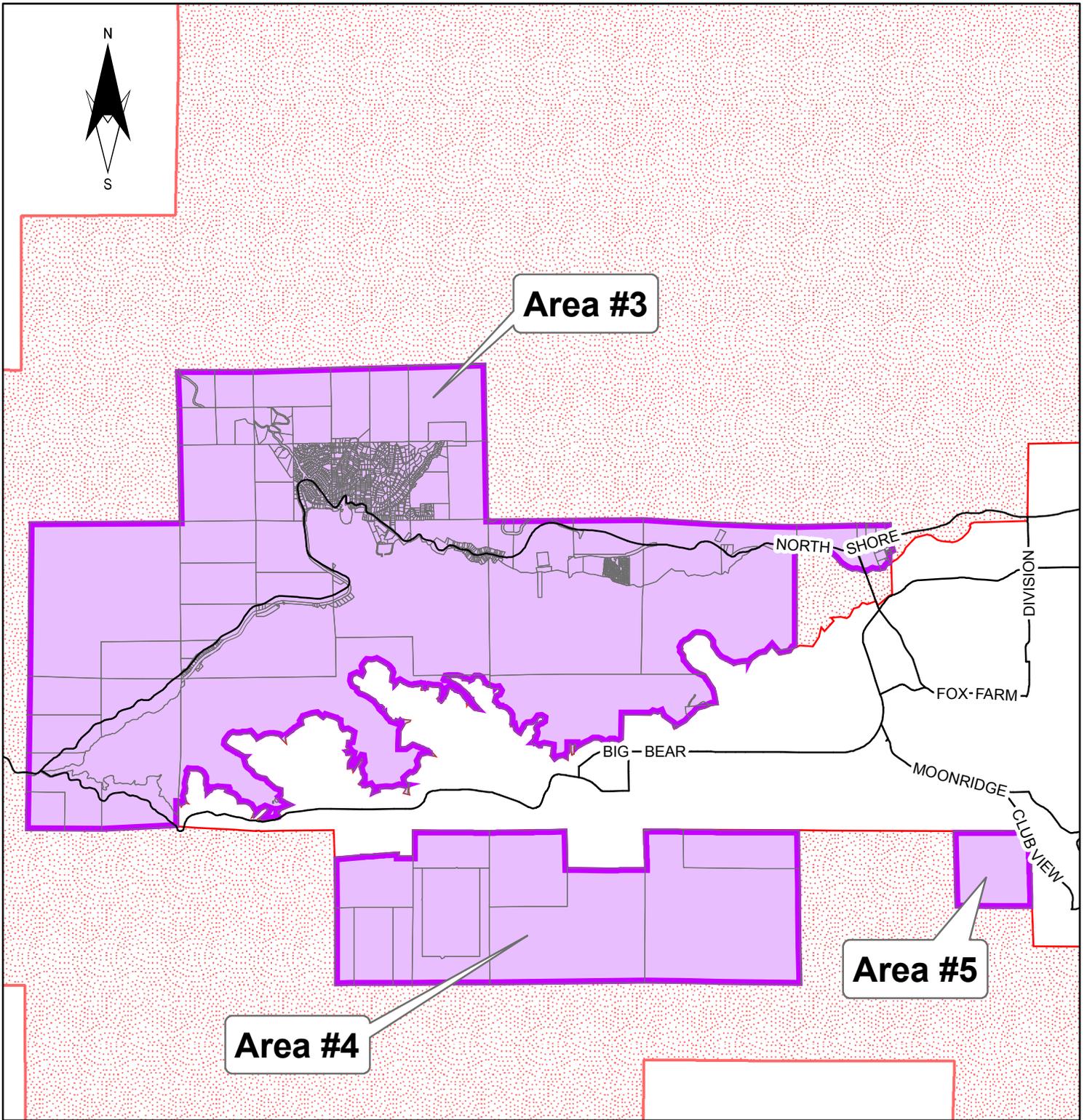




LAFCO 3180
Area #2: Annexation to CSA 54
and Dissolution of CSA 73
Vicinity Map

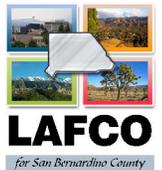
-  Parcels
-  Annexation Area
-  CSA 54 Existing Sphere

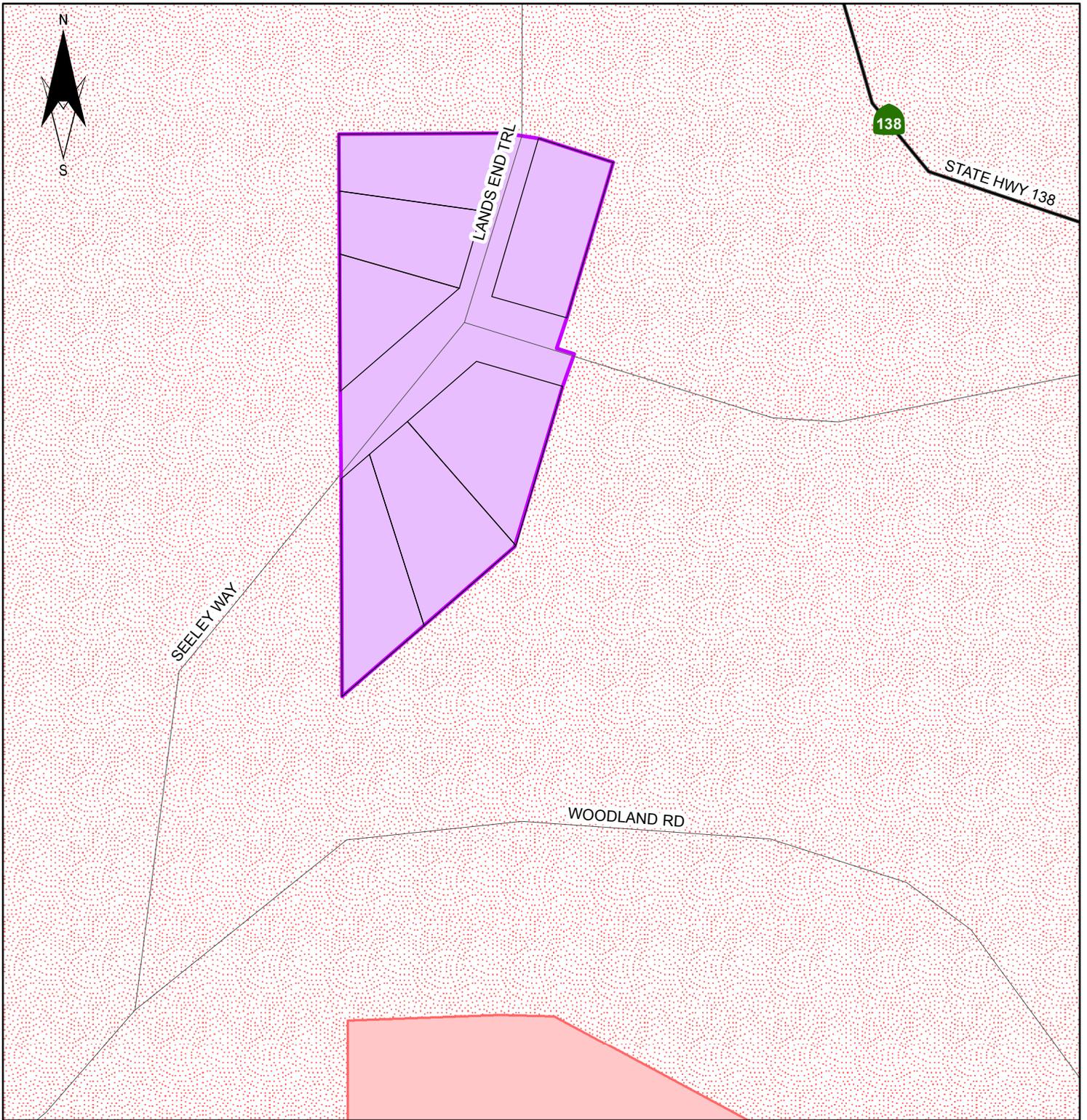




LAFCO 3180
Areas #3-5: Annexation to CSA 54
and Dissolution of CSA 53A
Vicinity Map

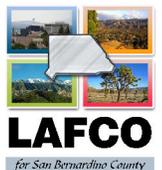
-  Parcels
-  Annexation Area
-  CSA 54 Existing Sphere

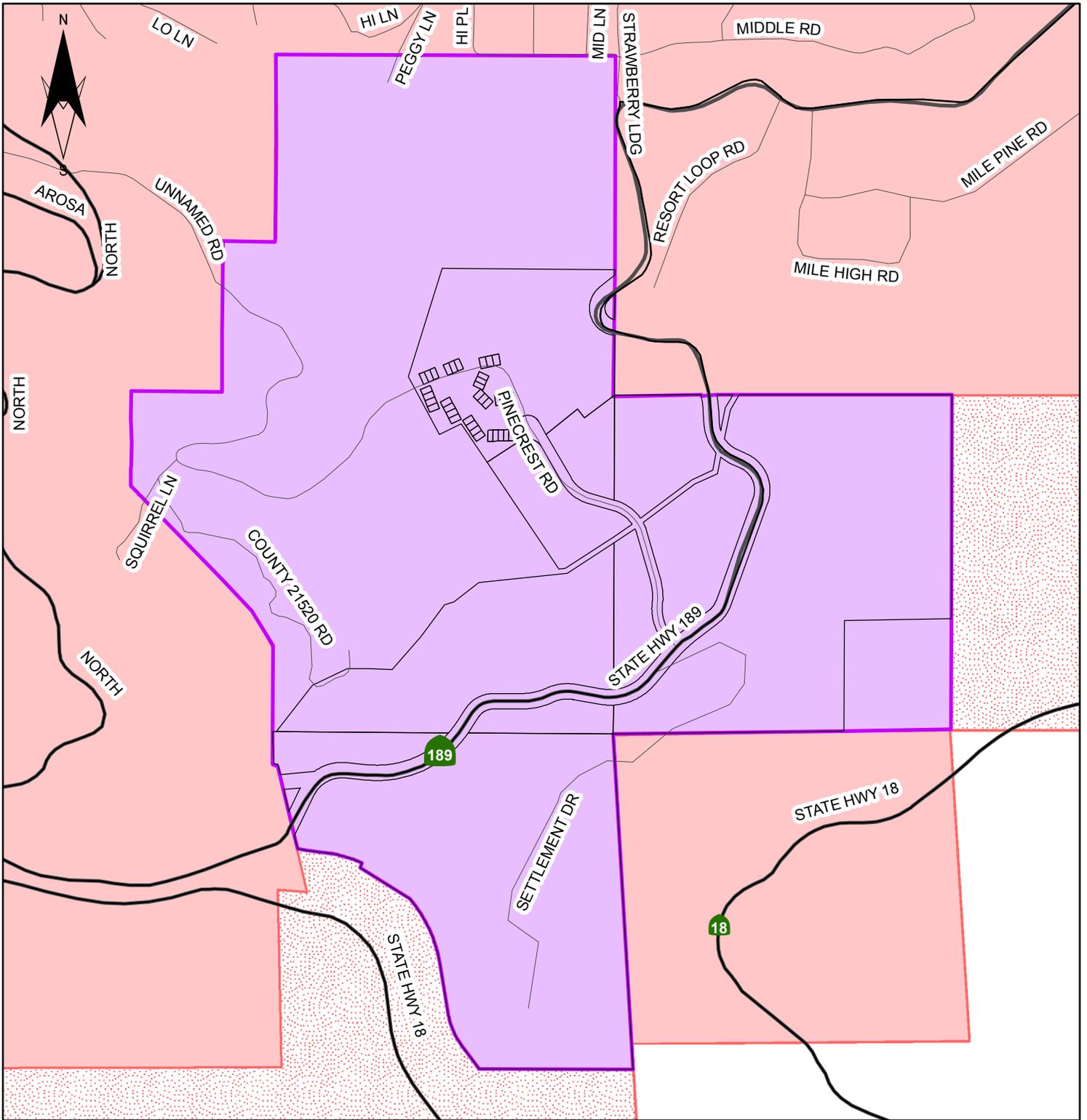




**LAFCO 3180
Area #6: Annexation to CSA 54
Vicinity Map**

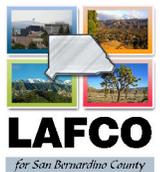
-  Parcels
-  Annexation Area
-  CSA 54 Service Boundary
-  CSA 54 Existing Sphere

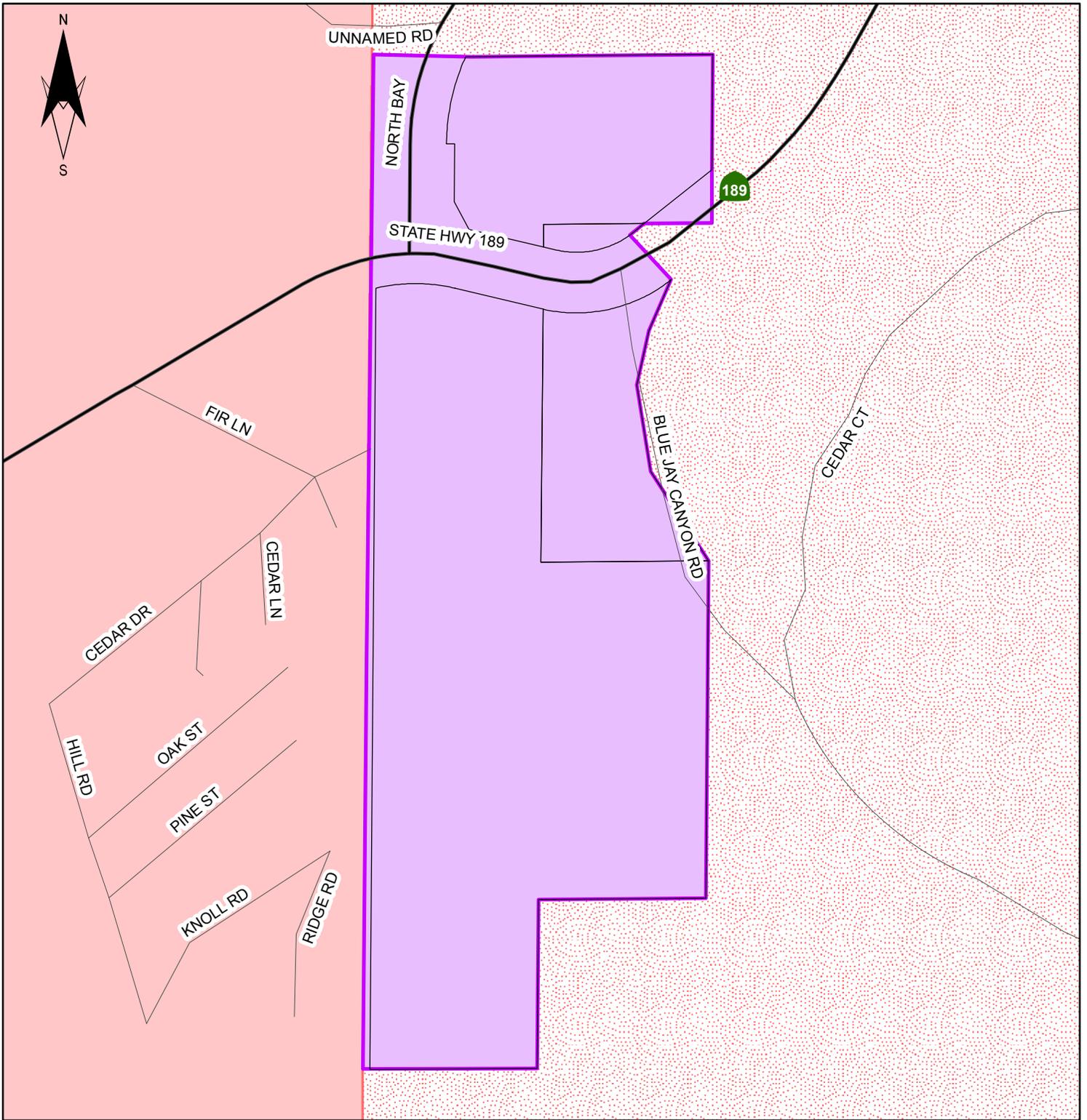




LAFCO 3180
Area #7: Annexation to CSA 54
Vicinity Map

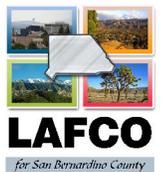
-  Parcels
-  Annexation Area
-  CSA 54 Service Boundary
-  CSA 54 Existing Sphere





LAFCO 3180
Area #8: Annexation to CSA 54
Vicinity Map

-  Parcels
-  Annexation Area
-  CSA 54 Service Boundary
-  CSA 54 Existing Sphere



**Application including
Board of Supervisors Resolution**

Attachment 2

SAN BERNARDINO LAFCO APPLICATION AND PRELIMINARY ENVIRONMENTAL DESCRIPTION FORM

INTRODUCTION: The questions on this form and its supplements are designed to obtain enough data about the proposed project site to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, or attach any relevant documents.

GENERAL INFORMATION

1. NAME OF PROPOSAL: Sphere of Influence Expansion or CSA 54 and Reorganization to include Annexations to CSA 54, Detachment from CSA SL-1, and Dissolutions of CSA 73 and CSA 53 Zone A (Streetlight Reorganization for the Mountain area)

2. NAME OF APPLICANT: Special Districts Department
MAILING ADDRESS: 157 W 5th Street, San Bernardino CA 92415

PHONE: (909) 387-5940

FAX: (909) 387-5542

E-MAIL ADDRESS: PVandervoort@SDD.SBCounty.gov

3. GENERAL LOCATION OF PROPOSAL: Mountain communities including Crest Forest, Lake Arrowhead, Hilltop and Bear Valley

4. Does the application possess 100% written consent of each landowner in the subject territory?
YES ___ NO x If YES, provide written authorization for change.

5. Indicate the reasons that the proposed action has been requested.
The action is being requested for cost reduction and increase efficiencies for providing streetlight services to the mountain communities.

6. Would the proposal create a totally or substantially surrounded island of unincorporated territory?
YES ___ NO X If YES, please provide a written justification for the proposed boundary configuration.

LAND USE AND DEVELOPMENT POTENTIAL

1. Total land area (defined in acres): Please see attached table.

2. Current dwelling units in area classified by type (Single Family detached, multi-family (duplex, four-plex, 10-unit), apartments): Please see attached table.

3. Approximate current population in area: Please see attached table.

4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s): Not applicable

San Bernardino County General Plan designation(s) and uses permitted by this designation(s):

Please see attached table.

5. Describe any special land use concerns expressed in the above plans. In addition, for a City Annexation or Reorganization, provide a discussion of the land use plan's consistency with the regional transportation plan as adopted pursuant to Government Code Section 65080 for the subject territory:

There are no special land use concerns.

6. Indicate the existing land use.

Please see attached table.

What is the proposed land use?

There are no changes to the existing land use.

7. For a city annexation, State law requires pre-zoning of the territory proposed for annexation. Provide a response to the following: N/A

a. Has pre-zoning been completed? YES ___ NO ___

b. If the response to "a" is NO, is the area in the process of pre-zoning? YES ___ NO ___

Identify below the pre-zoning classification, title, and densities permitted. If the pre-zoning process is underway, identify the timing for completion of the process.

8. Will the proposal require public services from any agency or district which is currently operating at or near capacity (including sewer, water, police, fire, or schools)? YES ___ NO X If YES, please explain.

9. On the following list, indicate if any portion of the territory contains the following by placing a checkmark next to the item:

- Agricultural Land Uses
- Williamson Act Contract
- Any other unusual features of the area or permits required: _____
- Agricultural Preserve Designation
- Area where Special Permits are Required

10. If a Williamson Act Contract(s) exists within the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest to the contract filed with the County by the City. Please provide an outline of the City's anticipated actions with regard to this contract.

Not applicable.

11. Provide a narrative response to the following factor of consideration as identified in §56668(o): *The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services:*

This reorganization is for existing facilities. No new facilities will be added or proposed.

ENVIRONMENTAL INFORMATION

1. Provide general description of topography.

The topography is mountainous in nature, with rolling hills, meadows, and areas of steep slopes.

2. Describe any existing improvements on the site as % of total area. See attached summary.

Residential _____%	Agricultural _____%
Commercial _____%	Vacant _____%
Industrial _____%	Other _____%

3. Describe the surrounding land uses: See attached summary.

NORTH _____

EAST _____

SOUTH _____

WEST _____

4. Describe site alterations that will be produced by improvement projects associated with this proposed action (installation of water facilities, sewer facilities, grading, flow channelization, etc.).

None

5. Will service extensions accomplished by this proposal induce growth on this site? YES ___
NO X Adjacent sites? YES ___ NO X Unincorporated ___ Incorporated ___

6. Are there any existing out-of-agency service contracts/agreements within the area? YES ___
NO X If YES, please identify.

7. Is this project a part of a larger project or series of projects? YES ___ NO X If YES, please explain.

NOTICES

Please provide the names and addresses of persons who are to be furnished mailed notice of the hearing(s) and receive copies of the agenda and staff report.

NAME Pam Vandervoort TELEPHONE NO. 909 387-5940

ADDRESS:
157 W 5th Street, 2nd Floor, San Bernardino CA 92415

NAME Jeff Rigney TELEPHONE NO. 909 387-5967

ADDRESS:
see above

NAME _____ TELEPHONE NO. _____

ADDRESS:

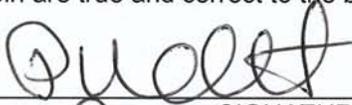
CERTIFICATION

As a part of this application, the city of _____, or the County Service Area 53a, County Service Area 73 and County Service Area SL-1 district, County Service Area 53a, County Service Area 73 and County Service Area SL-1 (the applicant) and/or the _____ (real party in interest: subject landowner and/or registered voter) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I/We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

As the proponent, I/We acknowledge that annexation to the city of _____ or the County Service Area 54 may result in the imposition of taxes, fees, and assessments existing within the (city or district) on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIII C and XIII D of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.

I hereby certify that the statements furnished above and in the attached supplements and exhibits present the data and information required for this initial evaluation to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE 2/16/13


SIGNATURE OF APPLICANT
Pamela Underwood
PRINTED NAME OF APPLICANT
Regional Manager
TITLE

PLEASE CHECK SUPPLEMENTAL FORMS ATTACHED:

- ANNEXATION, DETACHMENT, REORGANIZATION SUPPLEMENT
- SPHERE OF INFLUENCE CHANGE SUPPLEMENT
- CITY INCORPORATION SUPPLEMENT
- FORMATION OF A SPECIAL DISTRICT SUPPLEMENT
- ACTIVATION OR DIVESTITURE OF FUNCTIONS AND/OR SERVICES FOR SPECIAL DISTRICTS SUPPLEMENT

Application and Preliminary Environmental Description Form

Land Use and Development Potential

1. Total Land Area

Area	Acreage
CSA SL-1 Cedar Glen Area	9
CSA 73	429
CSA 53A	7859

2. Current Dwelling Units

Area	Single Family Residence	Duplex	Triplex
CSA SL-1 Cedar Glen Area	3		
CSA 73	933		
CSA 53A	812	10	9

3. Population

Area	Population
CSA SL-1 Cedar Glen Area	8
CSA 73	704
CSA 53A	1495

4. General Plan Designation

Area	Designation
CSA SL-1 Cedar Glen Area	CG
CSA 73	CG, CS, IC, IN, RC, RM, RS, SD
CSA 53A	CG, FW, IN, RC, RL, RM, RS, SD

6. Designated Land Use

Area	Land Use
CSA SL-1 Cedar Glen Area	Residential, Commercial, Vacant lands
CSA 73	Residential, Commercial, Industrial, Vacant
CSA 53A	Residential, Commercial, Industrial, Vacant

**SAN BERNARDINO LAFCO
APPLICATION AND PRELIMINARY
ENVIRONMENTAL DESCRIPTION FORM**

ENVIRONMENTAL INFORMATION

2. Describe any existing improvements on the site as % of total area.

CSA SL-1, Cedar Glen (total acreage: ± 9 ac)

Residential: 1 ac., 11.1 %
Commercial: 3 ac., 33.3 %
Industrial: 0 ac., 0%
Agricultural: 0 ac., 0%
Vacant: 2 ac., 22.2 %
Other: 3 ac., 33.3%

CSA 73 (total acreage: 429 ac.)

Residential: 124 ac., 29%
Commercial: 25 ac., 5.8%
Industrial: 7 ac., 1.6%
Agricultural: 0, 0%
Vacant: 228 ac., 53.1%
Other: 45 ac., 10.5%

CSA 53a (total acreage of all three areas: 7859 ac)

CSA 53a Area 1 (Total acreage: 5925.3)

Residential: 322.7 ac., 5.4%
Commercial: 4.5 ac., .06%
Industrial: 3.6 ac., .04%
Agricultural: 0 ac., 0%
Vacant: 4909.5 ac., 82.9%
Other: 685 ac., 11.6%

CSA 53a Area 2 (Total acreage: 1776.4)

Residential: 0 ac., 0%
Commercial: 0 ac., 0%
Industrial: 0 ac, 0%.
Agricultural: 0 ac., 0%
Vacant: 1667.2 ac., 94%
Other: 109.2 ac., 6%

CSA 53a Area 3 (Total acreage: 157.3)

Residential: 0 ac., 0%

Commercial: 0 ac., 0%

Industrial: 0 ac., 0%

Agricultural: 0 ac., 0%

Vacant: 157.3 ac., 100%

Other: 0 ac., 0%

3. Describe the surrounding land uses:

CSA SL-1, Cedar Glen (total acreage: ± 9 ac)

North = Low density residential and vacant

South = Low density res., vacant with small amount of industrial & commercial

East = Vacant, low density res

West = Low density res.

CSA 73 (total acreage: 429 ac.)

North = Vacant and organized camp

South = Vacant

East = Vacant

West = Vacant & low density residential

CSA 53a (total acreage of all three areas: 7859 ac)

CSA 53a Area 1 (Total acreage: 5925.3)

North = Vacant

South = Lake, residential, mixed use

East = Lake, vacant, residential, mixed use

West = Vacant

CSA 53a Area 2 (Total acreage: 1776.4)

North = Residential and mixed use

South = Vacant

East = Recreation (ski resort)

West = Vacant

CSA 53a Area 3 (Total acreage: 157.3)

North = Vacant, low density res.

South = Vacant

East = Vacant, low density res.

West = Vacant

**SUPPLEMENT
ANNEXATION, DETACHMENT, REORGANIZATION PROPOSALS**

INTRODUCTION: The questions on this form are designed to obtain data about the specific annexation, detachment and/or reorganization proposal to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, and/or include any relevant documents.

1. Please identify the agencies involved in the proposal by proposed action:

ANNEXED TO <u>CSA 54</u> <hr/> <hr/> <hr/>	DETACHED FROM <u>CSA SL-1</u> <hr/> <u>CSA 73 Dissolution</u> <hr/> <u>CSA 53A Dissolution</u> <hr/>
--	--

2. Will the territory proposed for change be subject to any new or additional special taxes, any new assessment districts, or fees?

No each area receives a portion of the ad valorem property taxes to be used for streetlighting.

3. Will the territory be relieved of any existing special taxes, assessments, district charges or fees required by the agencies to be detached?

There will be only one audit fee and no additional administrative charges for the detaching/dissolving areas.

4. Provide a description of how the proposed change will assist the annexing agency in achieving its fair share of regional housing needs as determined by SCAG.

Not applicable.

5. **PLAN FOR SERVICES:**

For each item identified for a change in service provider, a narrative "Plan for Service" (required by Government Code Section 56653) must be submitted. This plan shall, at a minimum, respond to each of the following questions and be signed and certified by an official of the annexing agency or agencies.

1. A description of the level and range of each service to be provided to the affected territory.

Streetlight services only are provided by CSA 54 only. The services will continue at the existing level of service.

2. An indication of when the service can be feasibly extended to the affected territory.

There will be no interruption or discontinuation of services.

3. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.

Southern California Edison owns the streetlights and they determine any upgrades to the structures. No additional streetlights will be installed as a result of this reorganization. The reorganization will ensure that streetlights can continue to be provided at the existing level of service.

4. The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.

Please see attached five year projection of revenues and expenditures with the reorganization and for the individual CSAs. The reorganization will allow CSA 54 to continue to provide streetlighting in the mountain areas at the current level of service.

5. An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.

None are proposed.

6. If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

N/A

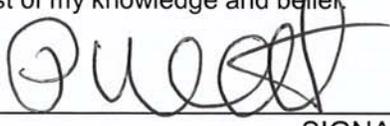
CERTIFICATION

As a part of this application, the city of _____, or the County Service Area 53A, County Service Area 73 and County Service Area SL-1 district, County Service Area 53A, County Service Area 73 and County Service Area SL-1 (the applicant) and/or the _____ (real party in interest: subject landowner and/or registered voter) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I/We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

As the proponent, I/We acknowledge that annexation to the city of _____ or the County Service A 54 may result in the imposition of taxes, fees, and assessments existing within the (city or district) on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIII C and XIII D of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.

I hereby certify that the statements furnished above and the documents attached to this form present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE 12/13/13


SIGNATURE OF APPLICANT

/REVISED: krm - 8/15/2012

SUPPLEMENT
ANNEXATION, DETACHMENT, REORGANIZATION PROPOSALS
5 YEAR PROJECTION

EXISTING:

CSA 73	14	15	16	17	18
ENERGY	\$ 1,735.94	\$ 1,770.66	\$ 1,806.07	\$ 1,842.19	\$ 1,879.04
INDIRECT	\$ 2,337.00	\$ 2,407.11	\$ 2,479.32	\$ 2,553.70	\$ 2,630.31
REV	\$ 3,815.24	\$ 3,891.54	\$ 3,969.37	\$ 4,048.76	\$ 4,129.74

CSA 53A	14	15	16	17	18
ENERGY	\$ 3,877.88	\$ 3,955.43	\$ 4,034.54	\$ 4,115.23	\$ 4,197.54
INDIRECT	\$ 2,494.00	\$ 2,568.82	\$ 2,645.88	\$ 2,725.26	\$ 2,807.02
REV	\$ 9,150.56	\$ 9,333.57	\$ 9,520.25	\$ 9,710.65	\$ 9,904.86

CSA SL1 (CG)	14	15	16	17	18
ENERGY	\$ 1,468.74	\$ 1,498.11	\$ 1,528.08	\$ 1,558.64	\$ 1,589.81
INDIRECT	\$ -	\$ -	\$ -	\$ -	\$ -
REV	\$ 544.50	\$ 555.39	\$ 566.50	\$ 577.83	\$ 589.38

CSA 54	14	15	16	17	18
ENERGY	\$ 24,261.00	\$ 24,746.22	\$ 25,241.14	\$ 25,745.97	\$ 26,260.89
INDIRECT	\$ 4,871.00	\$ 6,196.51	\$ 6,382.40	\$ 6,573.87	\$ 6,771.09
REV	\$ 33,547.50	\$ 34,218.45	\$ 34,902.82	\$ 35,600.88	\$ 36,312.90

PROPOSED CONSOLIDATED CSA 54

CONSOLIDATED	14	15	16	17	18
Expenses *	\$ 36,214.55	\$ 38,166.93	\$ 38,992.24	\$ 39,835.90	\$ 40,698.36
Revenues *	\$ 47,057.80	\$ 47,998.96	\$ 48,958.94	\$ 49,938.12	\$ 50,936.88

* Revenues and Expense estimates referenced above for the combined district reflect a 2% annual increase in energy costs and a 2% increase in property values increasing revenue received from taxes

RESOLUTION NO. 2014-03

A RESOLUTION OF APPLICATION BY THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN BERNARDINO, REQUESTING THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY TO INITIATE PROCEEDINGS FOR THE EXPANSION OF THE SPHERE OF INFLUENCE FOR COUNTY SERVICE AREA 54 AND REORGANIZATION TO INCLUDE ANNEXATIONS OF TERRITORY TO COUNTY SERVICE AREA 54, DETACHMENT FROM COUNTY SERVICE AREA SL-1, AND DISSOLUTIONS OF COUNTY SERVICE AREAS 73 AND 53 ZONE A

On Tuesday January 14, 2014, on motion of Supervisor Gonzales, duly seconded by Supervisor Ramos and carried, the following resolution is adopted by the Board of Supervisors of San Bernardino County, State of California.

SECTION 1. The Board of Supervisors of the County of San Bernardino hereby finds and determines:

(a) That on this date, this Board, acting in its capacity as the governing body of County Service Area 54, desires to initiate proceedings for the expansion of its sphere of influence and a reorganization to include annexation of territory to County Service Area 54, detachment from County Service Area SL-1, and Dissolution of County Service Areas 73 and 53 Zone A pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 commencing with Section 56000 et seq.

(b) Whereas, the reason for the Sphere of Influence expansion and the reorganization is to consolidate streetlighting service within the entire mountain region under a single County Service Area (CSA).

(c) Whereas, a description of the boundaries related to the area proposed to be added into CSA 54's sphere of influence and the areas proposed to be reorganized is attached hereto as Exhibits A (Legal Descriptions) and Exhibit B (Maps) and by this reference incorporated herein.

(d) Whereas, the proposed Sphere of Influence expansion currently conflicts with the existing spheres of influence for CSAs 73 and 53; however, a companion reorganization proposal for CSA 54 proposes to dissolve CSAs 73 and 53 Zone A, which will remove any conflicting sphere of influence for agencies that provide streetlighting service.

(e) Whereas, the proposed reorganization will be subject to the standard terms and conditions imposed by the Local Agency Formation Commission.

SECTION 2. The Board of Supervisors of the County of San Bernardino, acting in its capacity as the governing body of County Service Area 54, therefore, hereby resolves and orders:

(a) That this Resolution of Application is hereby adopted and approved by the Board of Supervisors of the County of San Bernardino as the governing body of County Service Area 54.

(b) That the Local Agency Formation Commission for San Bernardino County is hereby requested to take proceedings for the sphere of influence expansion and reorganization as described in the attached Exhibits.

(c) The County of San Bernardino acknowledges and agrees to the Local Agency Formation Commission requirement for imposing legal indemnification as outlined in Policies 10 and 11 of its Accounting and Financial Division of its Policy and Procedure Manual adopted June 2012.

(d) Be it further resolved, that the Clerk of the Board of Supervisors is hereby authorized and directed to transmit to the Executive Officer of the Local Agency Formation Commission a certified copy of this Resolution.

PASSED AND ADOPTED by the Board of Supervisors of the County of San Bernardino, State of California, by the following vote:

AYES:	SUPERVISORS:	Lovingood, Rutherford, Ramos, Ovitt, Gonzales
NOES:	SUPERVISORS:	NONE
ABSENT:	SUPERVISORS:	NONE

* * * * *

STATE OF CALIFORNIA)
)
COUNTY OF SAN BERNARDINO) ss.

I, **LAURA H. WELCH**, Clerk of the Board of Supervisors of the County of San Bernardino, State of California, hereby certify the foregoing to be a full, true and correct copy of the record of the action taken by the Board of Supervisors, by vote of the members present, as the same appears in the Official Minutes of said Board at its meeting of January 14, 2014. #45ss

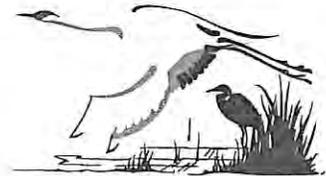
LAURA H. WELCH
Clerk of the Board of Supervisors
By 


**Response from the Commission's
Environmental Consultant,
Tom Dodson & Associates, on
Environmental Determination**

Attachment 3

TOM DODSON & ASSOCIATES

2150 N. ARROWHEAD AVENUE
SAN BERNARDINO, CA 92405
TEL (909) 882-3612 • FAX (909) 882-7015
E-MAIL tda@tdaenv.com



October 8, 2014

Ms. Kathleen Rollings-McDonald
Local Agency Formation Commission
215 North "D" Street, Suite 205
San Bernardino, CA 92415-0490

RECEIVED
OCT 08 2014

LAFCO
San Bernardino County

Dear Kathy:

LAFCO 3180 consists of a proposed reorganization to include annexations to County Service Area 54; detachment from County Service Area SL-1; and dissolution of County Service Area 73 and Zone A of County Service Area 53 (Streetlight reorganization for the Mountain Region). The intent of this reorganization is to establish a single agency to oversee all street lighting services in the San Bernardino mountains, excluding the City of Big Bear Lake and Big Bear City Community Services District. The territory proposed for reorganization includes eight (8) individual areas encompassing a total of approximately 8,462 acres located in the San Bernardino mountain region. The eight areas are:

- Area 1: Detachment from County Service Areas SL-1 and Annexation to County Service Area 54
Area 1 encompasses approximately 8.46 acres generally located north and south of Hook Creek Road west of State Highway 173, within the unincorporated community of Lake Arrowhead.
- Areas 2: Dissolution of County Service Area 73 and Annexation to County Service Area 54
Area 2 encompasses approximately 429 acres and is generally located south of Green Valley Lake, east of Running Springs. The area includes the unincorporated community of Arrowbear Lake.
- Areas 3,
4 & 5: Dissolution of County Service Area 53 Zone A and Annexation to County Service Area 54
Area 3: Encompasses approximately 5,925 acres is generally located north and west of the City of Big Bear Lake. The area is bordered by a combination of parcel lines and the City of Big Bear Lake on the east and south, and a combination of section lines along the National Forest on the west and north. The area includes the unincorporated community of Fawnskin and portions of the lake and National Forest.
Area 4: Encompasses approximately 1,776.4 acres is generally located south of the City of Big Bear Lake. The area is bordered by a combination of parcel lines and the City of Big Bear Lake on the north, and a combination of section lines on the west, south, and east. The area includes a portion of the National Forest and Bear Mountain Ski Area.
Area 5: Includes a single parcel, APN 0310-251-01 encompassing approximately 157 acres, and is generally located adjacent to the City of Big Bear Lake's southern boundary.
- Area 6,
7 & 8: The following territories are proposed to be annexed to County Service Area 54 as part of LAFCO 3180
Area 6: Includes 7 parcels encompassing approximately 0.9 acre which is generally located at the intersection of Seeley Way and Lands End Trail in the Crestline Area.

Area 7: Encompasses approximately 159 acres that include parcels east and west of State Highway 189 between Lake Gregory Drive and Strawberry Lodge in Crest Forest.

Area 8: Includes 4 parcels encompassing approximately 6.65 acres and is generally located at the intersection of State Highway 189 and North Bay Road in the Blue Jay area of Lake Arrowhead.

Based on the data contained in the reorganization application for LAFCO 3180, the proposed annexation does not appear to have any potential for causing physical changes in the environment. The reorganization will support existing street light systems and consolidate within one agency to oversee long-term management of existing and future street lights. Therefore, I recommend that the Commission find that a General Rule Statutory Exemption (as defined in the California Environmental Quality Act, CEQA) applies to LAFCO 3180 under Section 15061 (b)(3) of the State CEQA Guidelines, which states: "A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." It is my opinion and recommendation to the Commission, that this circumstance applies to LAFCO 3180.

Based on a review of LAFCO 3180 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that this action does not constitute a project under CEQA and adoption of the General Rule Statutory Exemption and filing of a Notice of Exemption is the most appropriate determination to comply with the CEQA process for this action. The Commission can approve the identified action proposed under this application as statutorily exempt from CEQA for the reasons outlined above and in the State CEQA Guideline section cited above. The Commission needs to file a Notice of Exemption with the County Clerk to the Board for this action once the hearing is completed.

A copy of this exemption should be retained in LAFCO's project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in cursive script that reads "Tom Dodson".

Tom Dodson

Draft LAFCO Resolution #3192

Attachment 4

PROPOSAL NO.: LAFCO 3180

HEARING DATE: OCTOBER 22, 2014

RESOLUTION NO. 3192

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3180 – REORGANIZATION TO INCLUDE ANNEXATIONS TO COUNTY SERVICE AREA 54, DETACHMENT FROM COUNTY SERVICE AREA SL-1 AND DISSOLUTION OF COUNTY SERVICE AREA 73 AND ZONE A OF COUNTY SERVICE AREA 53 (STREETLIGHT REORGANIZATION FOR THE MOUNTAIN REGION). The reorganization area includes eight separate areas encompassing a total of approximately 8,462 acres generally located within the mountain communities of Crest Forest, Lake Arrowhead, Hilltop, and Bear Valley. Area 1 is an area being detached from CSA SL-1 and annexed into CSA 54. Area 2 contains the boundaries for CSA 73, which is being dissolved and annexed into CSA 54. Areas 3, 4, and 5 comprises the total area for CSA 53-A, which is also being dissolved and annexed into CSA 54. And finally, Areas 6, 7, and 8 are areas that are simply being annexed into CSA 54.

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 dissolution 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 the Executive Officer has examined the application and executed her certificate in accordance with law, determining and certifying that the filings are sufficient; 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, to September 17, 2014, and to October 22, 2014 at the time and place specified in the order continuing the hearing; and,

RESOLUTION NO. 3192

WHEREAS, at the hearing, this Commission heard and received all oral and written support and/or opposition; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; 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.

NOW, THEREFORE, BE IT RESOLVED, that the Commission does hereby determine, find, resolve, and order as follows:

DETERMINATIONS:

SECTION 1. The proposal is approved subject to the terms and conditions hereinafter specified:

CONDITIONS:

Condition No. 1. The boundaries of this change of organization are approved as set forth in Exhibits "A" and "A-1" attached;

Condition No. 2. The following distinctive short-form designation shall be used through this proceeding: LAFCO 3180;

Condition No. 3. The effective date of this dissolution shall be the date of issuance of the Certificate of Completion;

Condition No. 4. As successor agency for County Service Areas 53-A and 73, County Service Area 54 will receive all property tax revenues attributable to both entities per the County Board of Supervisors' Resolution No. 2014-58. In addition, any and all other collections or assets for both County Service Areas 53-A and 73 shall accrue and be transferred to County Service Area 54;

Condition No. 5. As a function of the dissolution of County Service Area 53A, all streetlights currently the responsibility of County Service Area 53A shall be transferred to County Service Area 54. The County Special Districts Department shall sign the authorization form requesting Bear Valley Electric to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization;

Condition No. 6. As a function of the dissolution of County Service Area 73, all streetlights currently the responsibility of County Service Area 73 shall be transferred to County Service Area 54. The County Special Districts Department shall sign the authorization form requesting Southern California Edison to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization;

Condition No. 7. As a function of the detachment of the portion of County Service Area SL-1 in the Lake Arrowhead area, all streetlights currently within said portion of County Service Area SL-1 shall be transferred to County Service Area 54. The County Special Districts Department shall sign the authorization form requesting Southern California Edison to transfer the streetlights to County Service Area 54 upon successful completion of the reorganization;

RESOLUTION NO. 3192

Condition No. 8. The appropriation limit currently assigned to County Service Areas 53A and 73, shall be added to that of County Service Area 54.

Condition No. 9. All previously authorized charges, fees, assessments, and/or taxes of County Service Area 17 shall be continued and assumed by the Town of Apple Valley, as the successor agency, in the same manner as provided in the original authorization pursuant to the provisions of Government Code Section 56886(t).

Condition No. 10. Pursuant to Government Code Section 56886.1, public utilities, as defined in Section 216 of the Public Utilities Code, have ninety (90) days following the recording of the Certificate of Completion to make the necessary changes to impacted utility customer accounts.

Condition No. 11. The County of San Bernardino, applicant, 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.

SECTION 2. DETERMINATIONS. The following determinations are required to be provided by Commission policy and Government Code Section 56668:

1. The reorganization area is legally inhabited, containing 774 registered voters as determined by the County Registrar of Voters Office as of April 29, 2014 (for Areas 1 thru 5) and subsequently on October 14, 2014 (for Areas 6 through 8).

Area 1 -- 6 registered voters
Area 2 -- 387 registered voters
Area 3 -- 376 registered voters
Area 4 -- 5 registered voters
Area 5 -- 0 registered voters
Area 6 -- registered voters
Area 7 -- registered voters
Area 8 -- registered voters

2. The County Assessor has determined that the total assessed value of land and improvements within the reorganization area is \$328,576,853. The breakdown of assessed value of land and improvements for each of the eight separate areas are as follows:

Area 1 -- \$	3,646,663	(land - \$	1,103,369; improvements - \$	2,543,294)
Area 2 -- \$	93,313,285	(land - \$	24,543,752; improvements - \$	68,769,533)
Area 3 -- \$	217,322,556	(land - \$	100,408,660; improvements - \$	116,913,896)
Area 4 -- \$	1,428,899	(land - \$	167,462; improvements - \$	1,261,437)
Area 5 -- \$	0	(land - \$	0; improvements - \$	0)
Area 6 -- \$	519,870	(land - \$	82,285; improvements - \$	437,585)
Area 7 -- \$	13,774,479	(land - \$	2,606,929; improvements - \$	11,167,550)
Area 8 -- \$	0	(land - \$	0; improvements - \$	0)

RESOLUTION NO. 3192

3. The reorganization area is within the sphere of influence assigned for County Service Area 54 through approval of LAFCO 3179.
4. Notice of Commission review of this proposal has been advertised in The Sun, a newspaper of general circulation within the reorganization area. Individual notice has been provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notification. Comments received have been reviewed and considered by the Commission in making its determination.

In addition, individual notice of the original May 21, 2014 LAFCO hearing was provided to landowners and registered voters within the original area for LAFCO 3180 totaling 3,811 notices.

5. The County's land use designations for the reorganization area include a mix of residential, commercial, industrial, institutional, and resource conservation.

Pursuant to the provision of Government Code Section 56668(g), this reorganization proposal has no direct effect on the Southern California Associated Governments (SCAG) adopted Regional Transportation Plan and Sustainable Community Strategy nor does it have any direct effect on the County's General Plan land use designations assigned for the area.

6. The Local Agency Formation Commission has determined that this proposal is statutorily exempt from environmental review. This recommendation is based on the finding that the Commission's approval of the reorganization has no potential to cause any adverse effect on the environment. The reorganization proposal will support existing streetlights by consolidating the entities into a single county service area to oversee long-term management of existing and/or future streetlighting in the mountain region.; therefore, the proposal is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b) (3). The Commission directs its Executive Officer to file a Notice Exemption within five (5) working days with the San Bernardino County Clerk of the Board of Supervisors.

7. The areas within the reorganization area are served by the following local agencies: County of San Bernardino, Inland Empire Resource Conservation District, Mojave Desert Resource Conservation District, San Bernardino County Fire Protection District and its Mountain Service Zone, Crestline-Lake Arrowhead Water Agency, Rim of the World Recreation and Park District, Lake Arrowhead Community Services District, Crestline Village Water District, Crestline Sanitation District, Crest Forest Fire Protection District, Arrowbear Park County Water District, San Bernardino Mountains Community Healthcare District, Big Bear Lake Fire Protection District, Big Bear Municipal Water District, Big Bear Valley Recreation and Park District, Big Bear Airport District, Bear Valley Community Healthcare District, County Service Area SL-1 (Lake Arrowhead portion), County Service Area 73, County Service Area 53 and its Zones A, B, and C, County Service Area 54, County Service Area 70 Zone D-1, and County Service Area 70 (multi-function).

The agencies directly affected by this proposal are County Service Area 53 Zone A, County Service Area 54, County Service Area 73, and County Service Area SL-1. None of the other agencies will be affected by this proposal.

RESOLUTION NO. 3192

8. The County of San Bernardino, through its Special Districts Department, has submitted a plan for services for the provision of streetlighting services through County Service Area 54. This plan is attached for Commission review, and it indicates that the range and level of such services can be maintained following the reorganization.
9. The area in question can benefit, and has benefited, from the provision of streetlighting services and will continue to do so following the transfer of responsibility to County Service Area 54 as outlined in the plan for services at current service levels.
11. This reorganization proposal and its anticipated effects conform with adopted Commission policies and directives of state law that promote the simplification of the government.
12. Pursuant to the provision of Government Code Section 56668(o), the reorganization proposal to consolidate streetlighting services within the entire mountain region will not result in the unfair treatment of any person, based upon race, culture or income.
13. The County Board of Supervisors has successfully concluded the property tax negotiations required by Section 99 of the Revenue and Taxation Code.
14. The map and legal description, as revised, are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.

SECTION 3. Approval by the Local Agency Formation Commission indicates that completion of this proposal would accomplish the proposed change of organization in a reasonable manner with a maximum chance of success and a minimum disruption of service to the functions of other local agencies in the area.

SECTION 4. The Executive Officer is hereby authorized and directed to mail certified copies of this resolution in the manner provided by Section 56882 of the Government Code.

SECTION 5. The Commission hereby directs that, following completion of the reconsideration period specified by Government Code Section 56895(b), the Executive Officer is hereby directed to initiate protest proceedings in compliance with this resolution and State law.

SECTION 6. Upon conclusion of the protest proceedings, the Executive Officer shall adopt a resolution setting forth her determination on the levels of protest filed and not withdrawn and setting forth the action on the proposal considered.

SECTION 7. Upon adoption of the final resolution by the Executive Officer, either a Certificate of Completion or a Certificate of Termination, as required by Government Code Sections 57176 through 57203, and a Statement of Boundary Change, as required by Government Code Section 57204, shall be prepared and filed for the proposal.

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

RESOLUTION NO. 3192

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

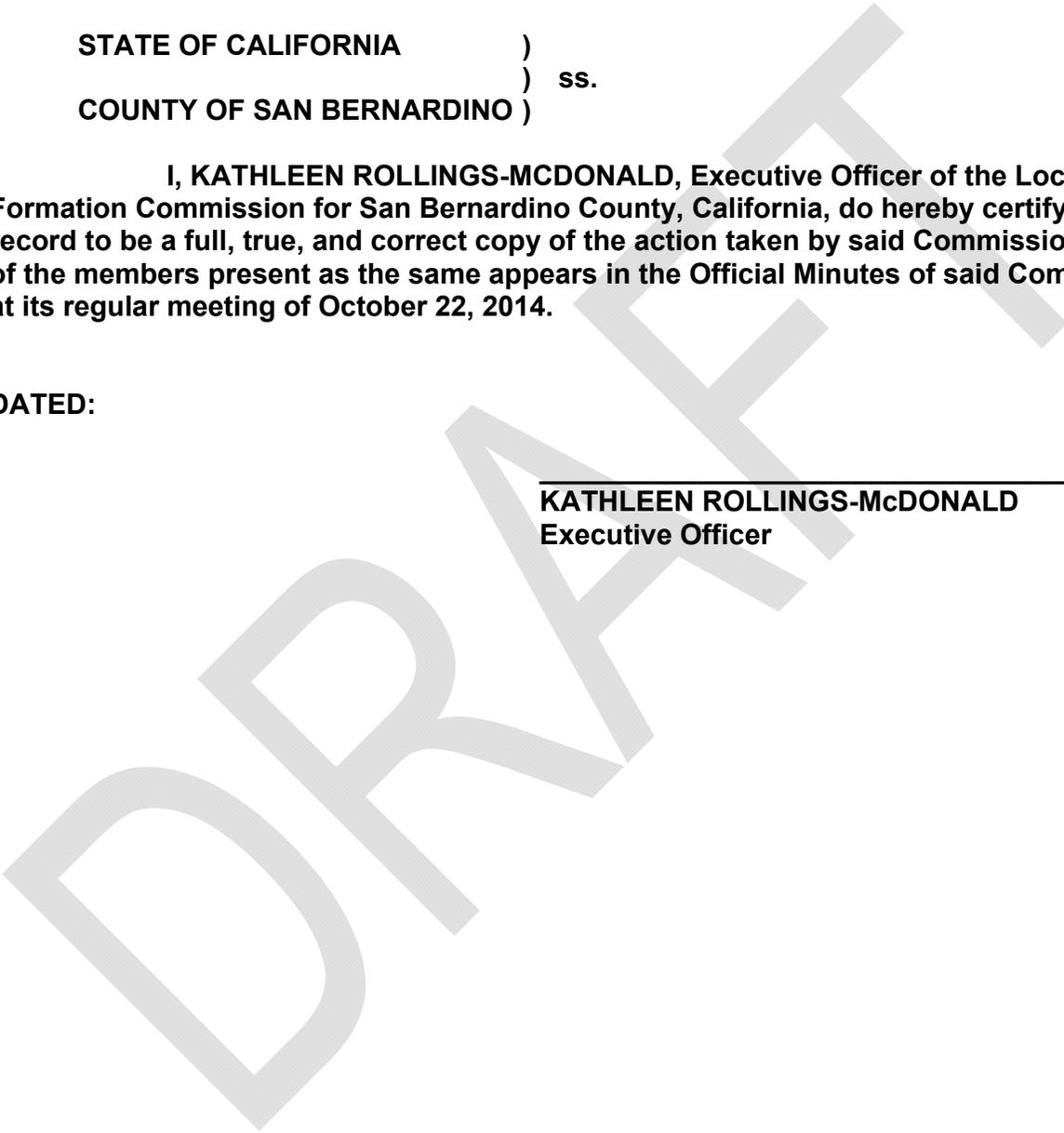
ABSENT: COMMISSIONERS:

STATE OF CALIFORNIA)
)
) ss.
COUNTY OF SAN BERNARDINO)

I, KATHLEEN ROLLINGS-MCDONALD, Executive Officer of the Local Agency Formation Commission for San Bernardino County, 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 October 22, 2014.

DATED:

KATHLEEN ROLLINGS-McDONALD
Executive Officer



LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 14, 2014 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item 8 – Proposed Amendments to LAFCO Policy and Procedure Manual

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. For environmental assessment certify that the proposed additions and amendments, to the Policy and Procedure Manual are statutorily exempt from the provisions of the California Environmental Quality Act and instruct the Executive Officer to file a Notice of Exemption within five (5) days of this action; and,
2. Approve the following revisions and amendments to the Commission's Policy and Procedure Manual:

A. Update the Accounting and Financial Policies as follows:

Introduction:

The following is intended to provide an overview of the accounting and financial policies and procedures applicable to San Bernardino LAFCO. San Bernardino LAFCO has entered into agreements with the County of San Bernardino to perform Information Technology (IT) support and financial and accounting services as follows:

- a) Production Support Agreement with the San Bernardino County Information Services Department. San Bernardino LAFCO contracts for the provision of IT services from the County for its network system, computer operations, and geographic information systems services. The current contract was entered into October 2012 and continues until terminated or amended. LAFCO pre-approves all projects and maintenance prior to any Information Services Department (ISD) time being expended for such purposes. ISD provides LAFCO with an itemized monthly bill for services rendered per the Board of

Supervisors' approved fees, and processes payment monthly via an interdepartmental transfer.

...

B. Update the Human Resources Personnel Policies and Procedures as follows:

Policy 302 Vacation; Section E is added

New employees hired into SB LAFCO in regular positions who have been employed by a public jurisdiction or private sector in a comparable position or a position which has prepared such employees for an assignment may receive credit for such previous experience in the former agency(s) in determining their vacation accrual rate. Such determination as to the comparability of previous experience and amount of credit to be granted rests solely with the appointing authority. Requests for prior service credit should be made at the time of hire or as soon as possible thereafter but in no event later than one year from the employee's hire date.

Policy 202 Compensation is amended to read:

...

B. Effective March 22, 2014, the following shall be the salary ranges for LAFCO positions *(Added June 16, 2011; Amended May 16, 2012; Amended September 17, 2014):*

Position	Hourly Range	Annual Range
Executive Officer	As determined by the Commission	
Assistant Executive Officer	\$38.58 to \$49.33	\$80,246 to \$102,606
Project Manager	\$30.17 to \$38.58	\$62,754 to \$80,246
LAFCO Analyst	\$21.44 to \$27.39	\$44,595 to \$56,971
Clerk to the Commission/Office Manager	\$22.51 to \$28.73	\$46,821 to \$59,758
Administrative Assistant	\$18.52 to \$23.64	\$38,521 to \$49,171

...

BENEFIT PLAN Section 1; Section C is amended as follows:

...

C. BENEFIT PLAN GROUPS

For the purpose of this Benefits Plan, employees shall be divided into the following groups: *(Added June 16, 2011; Amended September 17, 2014)*

1. Group A. Executive Officer
2. Group B. All SB LAFCO Employees not in Groups A or C
3. Group C. Administrative Assistant (hired after September 17, 2014)

C. Updates to Section 4 – Project/Application Processing:

Add Policy 14 – Campaign Disclosure Requirements:

1. Definitions

- a. "Contribution" as used herein shall have the same definition as provided in Government Code Section 82015, as amended.
- b. "Expenditure" as used herein shall have the same definition as provided in Government Code Section 82025, as amended.
- c. "Independent expenditure" as used herein shall have the same definition as provided in Government Code Section 82031, as amended, except that the term "measure" as used in Section 82031 shall be replaced with the term "proposal for organization or reorganization."
- d. "Political Purposes" as used herein shall mean for the purpose(s) of:
 - (i) Influencing public opinion;
 - (ii) Lobbying public officials; and/or,
 - (iii) Influencing legislative or administrative action as defined in Government Code § 82032.

It shall not include for the purpose(s) of complying with legal requirements and LAFCO rules for the processing of a proposal, including, but not limited to and by way of example only, preparation of a comprehensive fiscal analysis for an incorporation (Government Code Section 56800) or documents necessary to comply with the California Environmental Quality Act, Public Resources Code Section 21000 et seq., such as a mitigated negative declaration or environmental impact report.

2. Disclosure Requirements for Petitions for Proposals for Organization or Reorganization

- a. Any person or combination of persons who directly or indirectly makes an expenditure or independent expenditure for political purposes of \$1,000 or more in support of, or in opposition to, a change of organization or reorganization submitted to the commission to which Government Code Section 56700.1 applies, shall comply with the reporting and disclosure requirements of the Political Reform Act (Government Code §§ 81000 et seq.), to the same extent and subject to the same requirements as for local initiative measures. Such reporting and disclosure requirements, except as otherwise excluded herein, extend to those required by the Fair Political Practices Commission Regulations regarding such disclosures and shall include disclosure of contributions, expenditures and independent expenditures.
- b. Disclosures made pursuant to this Section shall be filed with the Fair Political Practices Commission as designated in Section 5 below.

- c. For purposes of determining the deadlines by which such reports and disclosures must be filed, the term “election” as used in the Political Reform Act for determining such deadlines shall mean the date of the originally scheduled commission hearing on a proposal for organization or reorganization. If no hearing date has been scheduled at the time a person becomes subject to disclosure under this policy, he or she shall request that the Fair Political Practices Commission establish a date to serve as the “election” date for this purpose.
 - d. In the event the originally scheduled hearing date for the proposal for organization or reorganization is rescheduled or continued to a later date, the obligation to file continues. Reports shall be filed on or before the 10th day of each month following the original hearing date with respect to contributions and expenditures received in the previous calendar month up to and including the third calendar month following final action by the commission on the proposal.
3. Disclosure Requirements for Conducting Authority Proceedings
- a. Any person or combination of persons who directly or indirectly makes an expenditure for political purposes of \$1,000 or more related to conducting authority proceedings for a change of organization or reorganization to which Government Code Section 57009 applies, or in support of or in opposition to those conducting authority proceedings, shall comply with the reporting and disclosure requirements of the Political Reform Act (Government Code §§ 81000 et seq.), to the same extent and subject to the same requirements as for local initiative measures. Such reporting and disclosure requirements, except as otherwise excluded herein, extend to those required by the Fair Political Practices Commission Regulations regarding such disclosures and shall include disclosure of contributions, expenditures and independent expenditures.
 - b. Disclosures made pursuant to this Section shall be filed with the Fair Political Practices Commission as designated in Section 5 below.
 - c. For purposes of determining the deadlines by which such reports and disclosures must be filed, the term “election” as used in the Political Reform Act for determining such deadlines shall mean the date of the originally scheduled conducting authority hearing on the proposal for organization or reorganization. If no hearing date has been scheduled at the time a person becomes subject to disclosure under this policy, he or she shall request that the Fair Political Practices Commission establish a date to serve as the “election” date for this purpose.
 - d. In the event the originally scheduled conducting authority hearing date for a proposal for organization or reorganization is rescheduled or continued

to a later date, the obligation to file continues and reports shall be filed on or before the 10th day of each month following the original hearing date with respect to contributions and expenditures received in the previous calendar month up to and including the third calendar month following final action by the commission on the proposal.

4. Certain Reports and Disclosures Excluded

This policy requires only that the persons subject to it disclose via reports to the Fair Political Practices Commission contributions, expenditures and independent expenditures with respect to expenditures for political purposes related to a petition to the commission for a proposal for an organization or reorganization and does not impose on such persons the regulations regarding the names of campaign committees, disclosures of the sources of mass mailings, and disclosures of the source of automated telephone calls under Government Code Sections 84501 et seq. and the regulations of the Fair Political Practices Commission implementing those sections.

5. Where to File

All reports and disclosures required hereunder shall be filed with the Fair Political Practices Commission.

Amend Policy 9 -- INDIVIDUAL NOTICE OF COMMISSION HEARINGS TO LANDOWNERS AND REGISTERED VOTERS (*Adopted February 19, 1997; Amended February 17, 1999, February 21, 2001{legislatively required}, April 17, 2002, January 17, 2007, April 21, 2010, and October 22, 2014*)

...

The adopted procedure for Individual Notice is as follows:

- a. LAFCO staff shall prepare landowner information within and surrounding the proposal for change of organization, sphere of influence change or development-related service contract through data included on the most current Assessment Roll prepared by the County Assessor's office. LAFCO staff shall also utilize the parcel information to coordinate with the Registrar of Voters office to provide information on the registered voters within and surrounding the area proposed for change.
- b. The parameters for preparing the notice for surrounding landowners and registered voters by LAFCO staff shall include the distance requirement, or number of parcels, in a linear direction from all points of the area proposed for change.
- c. The individual notice of Commission proceedings shall be provided for all changes of organization, sphere of influence changes or

development-related service contracts. Exceptions to this requirement are noted in Items 2 and 3 below.

...

Amend Policy 13 - Disadvantaged Unincorporated Community Annexation
(Adopted June 20, 2012, Amended October 22, 2014)

...

- a) LAFCO shall utilize the ESRI Community Analyst Online, a web-based application, to develop the demographic data needed to define a “disadvantaged unincorporated community” as outlined in Government Code Section 56033.5. In addition, a community, as identified in this section, shall be defined as meaning an inhabited area that is comprised of no less than 10 dwellings adjacent or in close proximity to one another.

...

D. Updates to Section 6 – Special Districts:

Amend the Exhibit “A” Listing of Special Districts Functions and Services to reorganize to reflect changes in the definition of dependent and independent special districts, effective January 1, 2012.

E. Updates to Section 7 – Forms:

Approve the updated Forms for use by the Commission in its activities for:

- Application Submission Checklist
- Landowner Protest Form
- Registered Voter Protest Form
- Campaign Disclosure Form

And Eliminate the *Listing of Assessor Parcel Number within Area Proposal for Change*

3. Adopt LAFCO Resolution No. 3188 reflecting the changes to the Policy and Procedure Manual and direct the Executive Officer to distribute to affected and interested parties and to update the Commission Website.

BACKGROUND:

At the June 2012 Commission hearing, the LAFCO Policy and Procedure Manual was reorganized and updated. As a part of that discussion, Item #7 of the recommendation was to:

Establish an annual review of the Policy and Procedure Manual to be undertaken in August or September of every year to ensure that the document remains current and relevant.

Since there was no August hearing, the matter was originally placed on the September hearing scheduled. However, the matter was not advertised correctly and was, therefore, continued to the October hearing. Today we are presenting items for updates and amendments to the Commission's Policy and Procedure Manual identified during the prior fiscal year.

**A. Update to Section 2
Accounting and Financial Policies**

In July of 2012 the County notified the Commission of its desire to terminate the existing Information Services contract and to enter into a new contractual relationship. In October 2012 the Commission authorized the signing of the new agreement which provided for annual payments of charges and the removal from the Countywide Cost Allocation Plan (COWCAP) of the services performed for LAFCO. The following updates the Introduction to the Accounting and Financial Policies outlining this relationship:

- ...
- a. *Production Support Agreement with the San Bernardino County Information Services Department. San Bernardino LAFCO contracts for the provision of IT services from the County for its network system, computer operations, and geographic information systems services. The current contract was entered into October 2012 and continues until terminated or amended. LAFCO pre-approves all projects and maintenance prior to any Information Services Department (ISD) time being expended for such purposes. ISD provides LAFCO with an itemized monthly bill for services rendered per the Board of Supervisors' approved fees, and processes payment monthly via an interdepartmental transfer.*
- ...

**B. Updates to Section 3:
Human Resources Policies and Procedures and Benefit Plan**

Readopt Policy for Prior Service Credit

In September 2004 the Commission contracted with Alcock and McFadden, the Commission's human resources consultant, to review the LAFCO Terms of Employment. Their recommendation was to divide it into three separate documents; which was subsequently approved. The staff report at the time identified that the division of the Terms of Employment into three documents did not change any of the then-current provisions for LAFCO employees, nor provide any additional benefits. Inadvertently, the policy related to determining the vacation accrual rate for employees with prior service (adopted in 2002) was not included in the 2004 documents. The policy as taken from the 2002 Terms of Employment read as follows:

LAFCO employees, who have previously been employed by a public jurisdiction in a comparable position, or position which has prepared such employee for an assignment to a position in LAFCO, may receive credit for such previous experience in the former agency or agencies in determining their vacation accrual rate. Such determination as to comparability of previous experience and amount of credit to be granted rests solely with the Commission.

In 2014 LAFCO staff referred to the San Bernardino LAFCO Policy Manual to utilize the provision to provide credit for the vacation accrual rate for the most recently hired employee, who has prior public service experience. To our chagrin, the policy was absent; although staff verified its 2002 adoption. In addition, San Bernardino LAFCO mirrors the County's Exempt Compensation Plan which contains an updated version of the same policy (Leave Provisions, Section P-4). To clear up this matter, LAFCO staff recommends that the Commission readopt the following policy in the Human Resources Policies and Procedures:

Human Resources Policies and Procedures
Section 302: Vacation Leave, Subsection E: Prior Service Time

New employees hired into SB LAFCO in regular positions who have been employed by a public jurisdiction or private sector in a comparable position or a position which has prepared such employees for an assignment may receive credit for such previous experience in the former agency(s) in determining their vacation accrual rate. Such determination as to the comparability of previous experience and amount of credit to be granted rests solely with the appointing authority. Requests for prior service credit should be made at the time of hire or as soon as possible thereafter but in no event later than one year from the employee's hire date.

...

Amend Policies Related to Staff Restructuring

Due to changes in responsibilities assigned in the LAFCO office, the staffing structure was reorganized as part of the annual 2014-15 budget review and approval process. The reorganization included:

- Deletion of the Deputy Clerk to the Commission and Secretary positions
- Addition of the LAFCO Analyst and Administrative Assistant positions

Due to the reorganization, two amendments are required; one in the Human Resources Policies and one in the Benefit plan. The first amendment reflects the active staff positions and related compensation tables. The second amendment updates the authorized positions for Benefit Group C. The changes include additions shown in bold and deletion shown with a strikethrough text.

1. **Amend Section 202 (Compensation) to Human Resources Policies and Procedures**

...

- B. Effective March 22, 2014, the following shall be the salary ranges for LAFCO positions (*Added June 16, 2011; Amended May 16, 2012; Amended September 17, 2014*):

Position	Hourly Range	Annual Range
Executive Officer	As determined by the Commission	
Assistant Executive Officer	\$38.58 to \$49.33	\$80,246 to \$102,606
Project Manager	\$30.17 to \$38.58	\$62,754 to \$80,246
LAFCO Analyst	\$21.44 to \$27.39	\$44,595 to \$56,971
Clerk to the Commission/Office Manager	\$22.51 to \$28.73	\$46,821 to \$59,758
Administrative Assistant	\$18.52 to \$23.64	\$38,521 to \$49,171
Deputy Clerk to the Commission	\$18.52 to \$23.64	\$38,522 to \$49,171
LAFCO Secretary	\$17.22 to \$21.99	\$35,818 to \$45,739

...

2. **Amend Section 1 (Introduction) to Benefit Plan**

...

2 BENEFIT PLAN GROUPS

For the purpose of this Benefits Plan, employees shall be divided into the following groups: (*Added June 16, 2011; Amended September 17, 2014*)

1. Group A. Executive Officer
2. Group B. All SB LAFCO Employees not in Groups A or C
3. Group C. **Administrative Assistant (hired after September 17, 2014)**
Deputy Clerk to the Commission (hired after July 7, 2007) and LAFCO Secretary

C. **Updates to Section 4:
Project/Application Processing**

Readopt Policy for Campaign Disclosure

Effective January 1, 2008 the Cortese-Knox-Hertzberg Local Government Reorganization Act was amended to address issues related to campaign disclosure requirements for LAFCO proceedings. To implement the statutory amendments, in November 2007 the Commission adopted a policy titled "Campaign Disclosure Requirements". In January of 2009 amendments were made to the reporting requirements directing that the filing was to be with the Fair Political Practices Commission and not LAFCO, but it did not change the existing obligations upon the groups which have sought to influence the outcome of an application. The direction of the Commission was for staff to amend its operational procedures and inadvertently this was translated into a removal of the Commission policy. At this time staff is recommending that the Commission readopt its policy related to

Campaign Disclosure Requirements as amended to reflect the filing is to be provided to the Fair Political Practices Commission not LAFCO and add it as Policy #14 to the Guidelines for Evaluating Proposals, Project/Application Processing. The new policy reads as follows:

Policy 14 – Campaign Disclosure Requirements:

1. Definitions

- a. *“Contribution” as used herein shall have the same definition as provided in Government Code Section 82015, as amended.*
- b. *“Expenditure” as used herein shall have the same definition as provided in Government Code Section 82025, as amended.*
- c. *“Independent expenditure” as used herein shall have the same definition as provided in Government Code Section 82031, as amended, except that the term “measure” as used in Section 82031 shall be replaced with the term “proposal for organization or reorganization.”*
- d. *“Political Purposes” as used herein shall mean for the purpose(s) of:*
 - (i) Influencing public opinion;*
 - (ii) Lobbying public officials; and/or,*
 - (iii) Influencing legislative or administrative action as defined in Government Code § 82032.*

It shall not include for the purpose(s) of complying with legal requirements and LAFCO rules for the processing of a proposal, including, but not limited to and by way of example only, preparation of a comprehensive fiscal analysis for an incorporation (Government Code Section 56800) or documents necessary to comply with the California Environmental Quality Act, Public Resources Code Section 21000 et seq., such as a mitigated negative declaration or environmental impact report.

2. Disclosure Requirements for Petitions for Proposals for Organization or Reorganization

- a. *Any person or combination of persons who directly or indirectly makes an expenditure or independent expenditure for political purposes of \$1,000 or more in support of, or in opposition to, a change of organization or reorganization submitted to the commission to which Government Code Section 56700.1 applies, shall comply with the reporting and disclosure requirements of the Political Reform Act (Government Code §§ 81000 et seq.), to the same extent and subject to the same requirements as for local initiative measures. Such reporting and disclosure requirements, except as otherwise excluded herein, extend to those required by the Fair Political Practices Commission Regulations regarding such disclosures*

and shall include disclosure of contributions, expenditures and independent expenditures.

- b. Disclosures made pursuant to this Section shall be filed with the Fair Political Practices Commission as designated in Section 5 below.*
 - c. For purposes of determining the deadlines by which such reports and disclosures must be filed, the term "election" as used in the Political Reform Act for determining such deadlines shall mean the date of the originally scheduled commission hearing on a proposal for organization or reorganization. If no hearing date has been scheduled at the time a person becomes subject to disclosure under this policy, he or she shall request that the Fair Political Practices Commission establish a date to serve as the "election" date for this purpose.*
 - d. In the event the originally scheduled hearing date for the proposal for organization or reorganization is rescheduled or continued to a later date, the obligation to file continues. Reports shall be filed on or before the 10th day of each month following the original hearing date with respect to contributions and expenditures received in the previous calendar month up to and including the third calendar month following final action by the commission on the proposal.*
- 3. Disclosure Requirements for Conducting Authority Proceedings*
- a. Any person or combination of persons who directly or indirectly makes an expenditure for political purposes of \$1,000 or more related to conducting authority proceedings for a change of organization or reorganization to which Government Code Section 57009 applies, or in support of or in opposition to those conducting authority proceedings, shall comply with the reporting and disclosure requirements of the Political Reform Act (Government Code §§ 81000 et seq.), to the same extent and subject to the same requirements as for local initiative measures. Such reporting and disclosure requirements, except as otherwise excluded herein, extend to those required by the Fair Political Practices Commission Regulations regarding such disclosures and shall include disclosure of contributions, expenditures and independent expenditures.*
 - b. Disclosures made pursuant to this Section shall be filed with the Fair Political Practices Commission as designated in Section 5 below.*
 - c. For purposes of determining the deadlines by which such reports and disclosures must be filed, the term "election" as used in the Political Reform Act for determining such deadlines shall mean the date of the originally scheduled conducting authority hearing on the proposal for organization or reorganization. If no hearing date has been scheduled at the time a person becomes subject to disclosure under this policy, he or*

she shall request that the Fair Political Practices Commission establish a date to serve as the “election” date for this purpose.

- d. In the event the originally scheduled conducting authority hearing date for a proposal for organization or reorganization is rescheduled or continued to a later date, the obligation to file continues and reports shall be filed on or before the 10th day of each month following the original hearing date with respect to contributions and expenditures received in the previous calendar month up to and including the third calendar month following final action by the commission on the proposal.*

4. Certain Reports and Disclosures Excluded

This policy requires only that the persons subject to it disclose via reports to the Fair Political Practices Commission contributions, expenditures and independent expenditures with respect to expenditures for political purposes related to a petition to the commission for a proposal for an organization or reorganization and does not impose on such persons the regulations regarding the names of campaign committees, disclosures of the sources of mass mailings, and disclosures of the source of automated telephone calls under Government Code Sections 84501 et seq. and the regulations of the Fair Political Practices Commission implementing those sections.

5. Where to File

All reports and disclosures required hereunder shall be filed with the Fair Political Practices Commission.

Amend Policy 9 for Individual Notice

When the Commission amended its individual notice policy it identified that in order to implement these requirements, the completion of an “Assessor Parcel Number Listing” form would be required. This was required since LAFCO staff did not have the technological tools to develop the listing in-house. Since 2002, technological improvements in the staff office have provided the needed expertise and access to data to perform this task more accurately and expeditiously by LAFCO staff without the provision of data from the applicant. Therefore, staff is amending the Notice policy to reflect the methods for developing the data for delivery of those notices. Additionally, a subsequent action to be taken as a part of this review for Section 7 – Forms will eliminate the “Assessor Parcel Number Listing” form. The amended language would read as follows:

- 9. INDIVIDUAL NOTICE OF COMMISSION HEARINGS TO LANDOWNERS AND REGISTERED VOTERS** *(Adopted February 19, 1997; Amended February 17, 1999, February 21, 2001{legislatively required}, April 17, 2002, January 17, 2007, April 21, 2010, and October 22, 2014)*

1. INDIVIDUAL NOTICE

In implementing the provisions of Government Code Section 56157, the Commission determines that LAFCO staff shall provide individual notice to all landowners and registered voters of Commission hearings within the boundaries of a proposal for change of organization, sphere of influence change, or development-related service contract. In addition, the distance requirements for providing notice to landowners and registered voters surrounding the exterior boundaries, as required by Section 56157, will be determined according to the following criteria:

<u>PROPOSAL AREA</u>	<u>DISTANCE</u>
Less than 20 acres	Four (4) parcels or 700 feet
20 acres or more	Four (4) parcels or 1,350 feet

For the periodic sphere of influence review and update program required by Government Code Section 56425, notice will be limited to the manner required by law unless specific sphere changes are identified.

The adopted procedure for Individual Notice is as follows:

- a. LAFCO staff shall prepare landowner information within and surrounding the proposal for change of organization, sphere of influence change or development-related service contract through data included on the most current Assessment Roll prepared by the County Assessor's office. LAFCO staff shall also utilize the parcel information to coordinate with the Registrar of Voters office to provide information on the registered voters within and surrounding the area proposed for change.
- b. The parameters for preparing the notice for surrounding landowners and registered voters by LAFCO staff shall include the distance requirement, or number of parcels, in a linear direction from all points of the area proposed for change.
- c. The individual notice of Commission proceedings shall be provided for all changes of organization, sphere of influence changes or development-related service contracts. Exceptions to this requirement are noted in Items 2 and 3 below.

Amend Policy for Disadvantaged Unincorporated Community Annexation

When the Commission adopted the policy for annexing disadvantaged unincorporated communities (DUCs) in 2012, the demographic data needed to define a DUC was obtained from ESRI's Business Analyst application. Through LAFCO's relationship with the County's Information Service Department (ISD), LAFCO has access to the sister application of Business Analyst – Community Analyst. The applications have significant overlap, and include the same source

data. There is no need to have access and pay for two similar applications, so LAFCO staff is choosing Community Analyst to meet our data needs. In order to recognize this change, staff recommends updating the policy to reflect the application change as shown below:

13. Disadvantaged Unincorporated Community Annexation (Adopted June 20, 2012; Amended September 17, 2014)

- (a) LAFCO shall utilize the ESRI ~~Community Business~~ Analyst Online, a web-based application, to develop the demographic data needed to define a “disadvantaged unincorporated community” as outlined in Government Code Section 56033.5. In addition, a community, as identified in this section, shall be defined as meaning an inhabited area that is comprised of no less than 10 dwellings adjacent or in close proximity to one another.

**D. Updates to Section 6:
Special Districts**

Amend Definition of Dependent Special District

Effective January 1, 2012, the Cortese-Knox-Hertzberg Local Government Reorganization Act definitions for special district and the differences between a dependent special district and an independent special district were amended. This change affects the organization of the Commission’s “Exhibit A” which provides a listing of the function and services authorized the special districts under LAFCO purview.

Amend Exhibit A Listing

Exhibit A to Section 6 lists the functions and services that each special district under LAFCO’s purview is authorized by the Commission to provide. Since “dependent special district” and “independent special district” are now defined, LAFCO staff recommends that Exhibit A be organized in a similar manner as follows:

- Independent Special Districts
- Dependent Special Districts
 - Governed by City Councils - Subsidiary Districts
 - Governed by County Board of Supervisors

**E. Updates to Section 7:
Forms**

The Commission is required to adopt its forms for use, at a minimum, to address the submission of protest. For San Bernardino LAFCO, the Commission has reviewed and adopted the full range of forms used in application processing. Several of the forms used by the Commission require updating and the following outlines staff’s recommended changes:

1. Application Submission Checklist: Updates to the outline of the submission requirements and the elimination of the form entitled “*Listing of Assessor Parcel Number*”

Within Area Proposed for Change”.

2. Landowner and Registered Voter Protest Forms to correct printing error on Residence Address for submission.
3. Campaign Disclosure Form and Information Sheet: As outlined in the Application Processing Section, the Campaign Disclosure Form was not included in the original adoption of the Forms Section in 2012. The attached Form and Information Sheet will assist those affected in completing the filing requirements for campaign disclosure.

ENVIRONMENTAL CONSIDERATION:

At the September 17, 2014 hearing, staff identified that the review of the changes to the Commission’s Policy and Procedure Manual with the Commission’s Environmental Consultant, Tom Dodson, resulted in the recommendation that an environmental assessment of the project be undertaken. This prompted the need to continue the matter to the October hearing for that consideration and the required legal advertisement. Mr. Dodson has reviewed the actions proposed to amend and update the Policy and Procedure Manual and has indicated that it is his recommendation that the matters are statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that the changes proposed for the Commission’s approval are not projects as defined by CEQA and can be implemented without effect upon the physical environment; therefore, the project is exempt from the requirements of CEQA as outlined in the State CEQA Guidelines, Section 15378(b)(2) and the Commission’s Environmental Guidelines. It is recommended that the Commission adopt the Statutory Exemption for this project and direct the Executive Officer to file a Notice of Exemption with the appropriate agency within five days.

CONCLUSION:

Staff recommends that the Commission adopt the proposed amendments, additions and updates to its Policy and Procedure Manual. Staff will be happy to answer any questions prior to or at the Commission hearing.

KRM

Attachments:

1. Exhibit A—Listing of Special Districts Functions and Services
2. Forms:
 - b. Application Submission Checklist
 - c. Landowner Protest Form
 - d. Registered Voter Protest Form
 - e. Campaign Disclosure Form
3. Letter Dated October 8, 2014 from Tom Dodson of Tom Dodson and Associates for Environmental Assessment
4. Draft LAFCO Resolution No. 3188

**Exhibit A – Listing of Special Districts
Functions and Services**

Attachment 1

EXHIBIT "A"

LISTING OF SPECIAL DISTRICTS FUNCTIONS AND SERVICES

(Reference to Section 2 of Said Rules and Regulations)
(Updated October 2014)

Independent Districts

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
<u>AIRPORT DISTRICTS</u>		
Big Bear	Airport	Operations and maintenance
Yucca Valley	Airport	Operations and maintenance
<u>CEMETERY DISTRICTS</u>		
Barstow	Cemetery	Burials, selling plots, opening and closing of graves
Twentynine Palms (amended 11/21/12)	Cemetery	Interment, burials, selling plots, opening and closing of graves
<u>COMMUNITY SERVICES DISTRICTS</u>		
Baker (amended 7/18/13)	Water	Supply water for any beneficial use as outlined in the Municipal Water District Law of 1911 (commencing with Section 71000) of the Water Code
	Sewer	Collect, treat, or dispose of sewage, wastewater, recycled water, and storm water, in the same manner as a sanitary district formed pursuant to the Sanitary District Act of 1923 (commencing with Section 6400 of the Health and Safety Code)
	Fire Protection	Volunteer, structural, watershed, ambulance and health related services

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
	Park and Recreation	Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code
	Streetlighting	Acquire, construct, improve, maintain and operate street lighting and landscaping on public property, public rights-of-way, and public easements
	TV Translator	Acquire, construct, improve, maintain, and operate television translator facilities
	Solid Waste	Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 4000), and consistent with Section 41821.2 of the Public Resources Code
Barstow Heights (amended 1/18/06)	Park and Recreation	Maintenance
Big Bear City (amended 9/29/11)	Water	Retail, domestic, agriculture, replenishment
	Sewer	Collection, transportation
	Streetlighting	Streetlighting
	Fire Protection	Structural, watershed, suppression, prevention, paramedic, ambulance, rescue, first aid
	Solid Waste	Collection and disposal
	Park and Recreation	Local park development

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
Big River (amended 4/16/09)	Park and Recreation	Acquisition, maintenance
	Police	Security patrol
Daggett (amended 7/16/09)	Water	Retail, wholesale, domestic, industrial, irrigation, fire protection, sanitation
	Streetlighting	Streetlighting
	Park and Recreation	Local park development, operation, maintenance
	Fire Protection	Structural, watershed, suppression, prevention
Helendale (District formed 12/4/06)	Water	Supply water for any beneficial use as outlined in the Municipal Water District Law of 1911 (commencing with Section 71000) of the Water Code
	Sewer	Collect, treat, or dispose of sewage, wastewater, recycled water, and storm water, in the same manner as a sanitary district formed pursuant to the Sanitary District Act of 1923 (commencing with Section 6400 of the Health and Safety Code).
	Streetlighting	Acquire, construct, improve, maintain and operate street lighting and landscaping on public property, public rights-of-way, and public easements.
	Refuse Collection	Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 4000), and consistent with Section 41821.2 of the Public Resources Code.

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
	Recreation and Parks	Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code.
	Graffiti Abatement	Abate graffiti
Lake Arrowhead (amended 12/9/10)	Water	Retail, domestic, operation of water, conservation, reclaimed water for irrigation purposes
	Sewer	Collection, transportation, treatment, reclamation, disposal
Morongo Valley (amended 11/21/12)	Fire Protection	Structural, watershed, prevention, first aid, paramedic, rescue
	Park and Recreation	Local park development, operation, maintenance
	Streetlighting	Streetlighting
	Library Service	Library service
Newberry (amended 7/16/09)	Water	Management, domestic use, irrigation, sanitation, industrial, fire protection, recreation
	Fire Protection	Structural, watershed, suppression, prevention
	Streetlighting	Streetlighting
	Park and Recreation	Local park development, operation, maintenance
	Sewer	Planning and engineering
Phelan Piñon Hills (District formed 3/18/08; amended 2/16/12)	Water	Supply water for any beneficial use as outlined in the Municipal Water District law of 1911 (commencing with Section 71000) of the Water Code

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
	Park and Recreation	Acquire, construct, improve, maintain and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code
	Streetlighting	Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public right-of-way, and public easements
	Solid Waste and Recycling	Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30 (commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.
Yermo (amended 8/20/2009)	Fire Protection	Structural, watershed, suppression, prevention
	Streetlighting	Streetlighting
	Park and Recreation	Local park development, operation, maintenance
	Water	Supply water for any beneficial use as outlined in Municipal Water District Law (commencing with Section 71000) of the Water Code
<u>FIRE PROTECTION DISTRICTS</u>		
Apple Valley	Fire Protection	Structural, watershed, rescue, ambulance, paramedic, suppression, prevention

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
Chino Valley Independent	Fire Protection	Protection, structural, watershed, inspection, suppression, paramedic
Crest Forest (amended 12/9/10)	Fire Protection	Structural, watershed, suppression, prevention, rescue, communications, ambulance, paramedic
Victorville (District dissolved effective 5/18/2009; City of Victorville successor agency.)		

HEALTH CARE DISTRICTS

Bear Valley Community (amended 2/16/12)	Healthcare	Establish, acquire, maintain and/or operate one or more healthcare facilities; operation of acute care and continual care hospital facility
Hi-Desert Memorial (amended 5/17/12)	Hospital	Establish, acquire, maintain and/or operate one or more healthcare facilities; operation of acute care and continual care hospital facility
San Bernardino Mountains Community (amended 2/16/12)	Healthcare	Establish, acquire, maintain and/or operate one or more healthcare facilities; operation of acute care and continual care hospital facility

MOSQUITO ABATEMENT DISTRICTS

West Valley Vector Control	Vector Extermination	Extermination of mosquitoes, flies, or other insects, rats or other rodents
-----------------------------------	----------------------	---

RECREATION AND PARK DISTRICTS

Hesperia	Park and Recreation	Local park development, operation, recreation
	Streetlighting	Streetlighting

Parker Dam
(District dissolved effective October 20, 2006; San Bernardino County successor agency.)

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
Rim of the World (amended 7/21/10)	Park and Recreation	Local park development, operation, maintenance, recreation, child care
Victorville (District dissolved effective 5/18/2009; City of Victorville successor agency.)		

RESOURCE CONSERVATION DISTRICT

Inland Empire	Resource Conservation	Control of runoff, prevention of soil erosion, development and distribution of water and improvement of land capabilities
East Valley and Inland Empire West RCDs (consolidation effective July 1, 2005 consolidated East Valley RCD and Inland Empire West RCD into successor Inland Empire RCD)		

Mojave Desert (amended 2/20/08)	Resource Conservation	Control of runoff, prevention of soil erosion, development and distribution of water, improvement of land capabilities, and habitat preservation
Riverside-Corona	Resource Conservation	Control of runoff, prevention of soil erosion, development and distribution of water and improvement of land capabilities

SANITARY DISTRICT

Victorville (District dissolved effective 9/16/08; City of Victorville successor agency.)		
---	--	--

SANITATION DISTRICT

Crestline (District became an independent special district effective 10/1/10; amended 4/19/12)	Sewer	Collect, treat, and/or dispose of sewage, wastewater, recycled water, and storm water
--	-------	---

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
<u>WATER CONSERVATION DISTRICTS</u>		
Chino Basin	Water Conservation	Water conservation
San Bernardino Valley (amended 3/15/06)	Water Conservation	Appropriation, acquisition, and conservation of water and water rights for any useful purpose. Acquisition and construction of dams, reservoirs, canals, conduits, spreading basins, and sinking basin in order to conserve, store, spread and sink water.
	Surveys of Water Supply and Resources	Make surveys and investigation of the water supply and resources of the Water Conservation District. (added 3/15/06)
<u>WATER DISTRICTS</u>		
Apple Valley Foothill	Water	Domestic, retail, agricultural, replenishment
Apple Valley Heights	Water	Retail, domestic
Arrowbear Park (amended 4/22/11)	Water	Retail, domestic, wholesale, conservation
	Sewer	Collection, transportation
	Fire Protection	Structural, watershed, suppression, prevention, first aid, rescue
	Park and Recreation	Operation, maintenance
	Sanitation	Refuse collection at parks
Baldy Mesa (Consolidation effective 8/15/07 consolidated Baldy Mesa Water District and Victor Valley Water District into successor agency Victorville Water District.)		
Crestline Village (amended 1/20/11)	Water	Retail, domestic, operation of water, conservation, reclamation

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
Cucamonga Valley	Water	Retail, agricultural, domestic, replenishment, wholesale, treatment
	Sewer	Collection, source control, reclamation
East Valley	Water	Retail, agricultural, domestic, replenishment
	Sewer	Collection
	Park and Recreation	Development, maintenance
Hi-Desert (amended 2/18/10)	Water	Retail, agricultural, domestic, replenishment, fire flow, fire hydrants
	Sewer	Collection, transportation, treatment, reclamation, disposal, planning and engineering
	Park and Recreation	Engineering, planning
Joshua Basin (amended 8/15/07)	Water	Retail, agricultural, domestic, replenishment
	Sewer	Operation of Package Treatment Plans defined as consisting of units or modules designed for construction, assembly, connection and installation at the site for treatment of sewage and are to be operated for a limited area, including but not limited to a residential subdivision Planning and engineering for regional sewer service
Juniper Riviera	Water	Retail and domestic
Mariana Ranchos	Water	Sale of domestic water
Monte Vista	Water	Agricultural, domestic replenishment, retail

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
Running Springs (amended 4/22/11)	Park and Recreation	Local park development
	Water	Domestic, retail, wholesale, conservation
	Sewer	Collection, transportation, treatment
	Fire Protection	Structural, watershed, suppression, prevention, first aid, advance life support, ambulance, rescue
	Park and Recreation	Local park and recreation
Thunderbird	Sanitation	Collection, transportation, waste and trash disposal
	Water	Domestic
Twentynine Palms (amended 6/20/12)	Water	Retail, agricultural, domestic, replenishment
	Sewer	Planning and engineering
	Fire	Structural, watershed, first aid, rescue, prevention, inspection
Victor Valley (consolidation effective 8/15/07 consolidated Baldy Mesa Water District and Victor Valley Water District into successor agency Victorville Water District.)		
West Valley	Water	Domestic, irrigation, spreading
	Sewer	Collection
Yucaipa Valley	Water	Retail, agricultural, domestic, replenishment, wholesale
	Sewer	Sewage collection, treatment, wastewater reclamation
<u>MUNICIPAL WATER DISTRICTS</u>		
Big Bear (amended 9/29/11)	Water	Acquisition of facilities, recreation, conservation, retail
	Sewer	Reclamation

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
	Park and Recreation	Development, operation, maintenance
	Fire Protection	Structural, watershed, first aid, rescue, prevention, inspection, lake patrol
Inland Empire Utilities Agency (formerly known as Chino Basin Municipal Water District)	Water	Wholesale, reclamation, wastewater collection, planning, replenishment
	Sewer	Regional treatment, collection
	Total Basin Management	Planning for Chino hydrological basin
San Bernardino Valley	Water	Wholesale, retail, agricultural, domestic, replenishment, conservation
	Sewer	Collection, transportation, treatment, reclamation, disposal
	Power	Generation, distribution
	Park and Recreation	Development, operation, recreation
	Electrical Production	
	Electrical Transmission	
<u>SPECIAL ACT WATER AGENCIES</u>		
Bighorn-Desert View	Water	Acquisition, retail, distribution
Crestline-Lake Arrowhead	Water	Acquisition, wholesale, retail, domestic
Mojave Water	Water	Acquisition, wholesale, retail, replenishment, conservation, basin management
	Sewer	Regional treatment, wastewater reclamation

Dependent Districts:
Governed by City Councils – Subsidiary Districts

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
<u>FIRE PROTECTION DISTRICTS</u>		
Barstow (established as a subsidiary district November 17, 2010)	Fire Protection	Suppression, prevention, structural, watershed, first aid, rescue, paramedic, ambulance
Big Bear Lake	Fire Protection	Structural, watershed, suppression, prevention, rescue, first aid
Fontana (established as a subsidiary district July 1, 2008) (formerly named Central Valley Fire Protection District)	Fire Protection	Structural, watershed, prevention, inspection, suppression, weed abatement, hazardous materials services, rescue, first aid, paramedic, emergency response, and disaster preparedness planning
Hesperia	Fire Protection	Structural, watershed, suppression, prevention, ambulance, paramedic
Rancho Cucamonga (formerly named Foothill FPD)	Fire Protection	Structural, suppression, watershed, prevention, protection, first aid, rescue
<u>WATER DISTRICTS</u>		
Hesperia	Water	Wholesale, retail, agricultural, domestic replenishment
	Sewer	Engineering, planning, operations, maintenance, construction
	Park and Recreation	Park and recreation limited to trout farm, construction

Victorville
(amended 12/21/11)

Water

Retail, agricultural, domestic, replenishment, conservation, reclaimed water for irrigation/cooling towers for power plant

Sewer

Collect, treat, and/or dispose of sewage, wastewater, recycled water, and storm water

SPECIAL ACT WATER AGENCIES

Odessa Water District
(Board of Directors is City Council of the City of Barstow)

Water

Acquisition, retail, wholesale

Dependent Districts:
Governed by the County Board of Supervisors

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
<u>COUNTY SERVICE AREAS</u>		
CSA 9 (Phelan) (District dissolved effective 3/18/08; Phelan-Pinon Hills Community Services District is successor agency)		
CSA 17 (Apple Valley) (District dissolved effective 11/17/10; Town of Apple Valley is successor agency)		
CSA 18 (Cedarpines Park) (amended 1/20/11)	Road	Road maintenance as defined in Government Code Section 25213(i) which includes snow removal
	Water	Water
	Park and Recreation	Development, operation, recreation, maintenance
CSA 20 (Joshua Tree) (amended 7/1/08)	Streetlighting	Streetlighting
	Roads	Street improvements, curbs, gutters
	Park and Recreation	Development, operation, recreation
CSA 29 (Lucerne Valley) (amended 7/1/08)	Cemetery	Cemetery
	TV Translator	Television translation
	Park and Recreation	Development, operation, recreation
	Streetlighting	Streetlighting
	Water	Domestic
	Sewer	Engineering and Planning
CSA 30 (Red Mountain) (amended 4/27/10)	Streetlighting	Streetlighting
CSA 38 (District dissolved effective 7/1/08, San Bernardino County Fire Protection District is successor agency)		
CSA 40 (Elephant Mountain)	TV Translator	Television translation

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
CSA 42 (Oro Grande) (amended 12/16/08)	Park and Recreation	Park and recreation
	Water	Water distribution and treatment
	Sewer	Sewer distribution and treatment
	Streetlighting	Streetlighting
CSA 53 (Big Bear) (amended 9/29/11)	Streetlighting	Streetlighting
	Sewer	Collection and transportation
	Road	Road maintenance
	Water	Water distribution and treatment
CSA 54 (Crest Forest & Crestline)	Streetlighting	Streetlighting
CSA 56 (Wrightwood) (amended 7/1/08)	Streetlighting	Streetlighting
	Park and Recreation	Park and recreation
	Sewer	Sewer
CSA 59 (Deer Lodge Park) (amended 5/16/13)	Roads	Road Maintenance as defined in Government Code Section 25213(i) which includes snow removal
CSA 60 (Victor Valley)	Airport	Airport operation and maintenance
CSA 63 (Oak Glen/Crafton) (amended 7/1/08)	Sanitation	Sanitation
	Streetlighting	Streetlighting
	Park and Recreation	Park and recreation
	Roads	Street maintenance, signs, improvements, curbs, gutters
CSA 64 (Spring Valley Lake) (amended 1/21/09)	Water	Retail and domestic (amended 1/21/09)
	Sewer	Collection and transportation (amended 1/21/09)

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
	Roads	Acquisition, construction, improvement and maintenance of public streets, roads and any incidental works (amended 1/21/09)
	Street Sweeping	Street Sweeping (Confirmed January 21, 2004)
	Parkway Maintenance	Acquisition, construction, improvement and maintenance of landscaping on public property, rights-of-way, and easement (added 1/21/09)
CSA 69 (Lake Arrowhead) (amended 5/16/13)	Roads	Road Maintenance as defined in Government Code Section 25213(i) which includes snow removal
CSA 68 (Valley of the Moon) (amended 5/16/13; amended 11/6/13 as required by Board of Supervisors Resolution 2013-225)	Roads	Snow Removal as authorized in Government Code Section 25213(i)
CSA 70 (Countywide) (amended 2/16/12)	Weed abatement	Weed abatement
	Sewer	Sewer distribution and treatment
	Water	Water distribution and treatment
	Police	Police protection
	Extension of Utility Lines	Installation of electric power lines
	Streetlighting	Streetlighting
	Dam Construction	Dam construction
	Roads	Road maintenance as defined in Government Code Section 25213(i) which includes snow removal (Confirmed 2/16/12)
	Park and Recreation	Development, operation, maintenance
	Animal control	Animal control

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
	Pest control	Pest control
	TV Translator	Television translation
	Flood Control	Flood control
	Street Sweeping	Street sweeping
	Open-space and Habitat Conservation	Acquisition and preservation of land for the purpose of protecting unique, sensitive, threatened, or endangered species, or historical or culturally significant lands that are deemed to be in need of protection by the county board of supervisors (Confirmed 11/17/04)
CSA 73 (Arrowbear lake)	Park and Recreation	Park and recreation
	Streetlighting	Streetlighting
CSA 77 (Mariana Ranchos) (District dissolved effective October 31, 2003)		
CSA 79 (Green Valley Lake) (amended 4/22/11)	Sewer	Collection, transportation
	Water	Water
	Roads	Road maintenance as defined in Government Code Section 25213(i) which includes snow removal
CSA 82 (Searles Valley) (amended 4/27/10)	Park and Recreation	Park and recreation
	Streetlighting	Streetlighting
	Cemetery	Cemetery
	Sewer	Collection, treatment
CSA 110 (I-10 Corridor) (District dissolved effective July 15, 2005.)		

<u>DISTRICT</u>	<u>FUNCTIONS</u>	<u>SERVICES</u>
CSA 120 (District formed 7/1/2009)	Open space and habitat conservation	Open space and habitat conservation including, but not limited to, the acquisition, preservation, maintenance, and operation of land to protect unique, sensitive, threatened, or endangered species, or historical or culturally significant properties. Any setback or buffer requirements to protect open-space or habitat lands shall be owned by a public agency and maintained by the county service area so as not to infringe on the customary husbandry practices of any neighboring commercially productive agricultural, timber or livestock operations.
CSA SL-1 (Valley-wide)	Streetlighting	Streetlighting

FIRE PROTECTION DISTRICTS

Central Valley

(effective 7/1/08 became Fontana Fire Protection District, subsidiary district of the City of Fontana.)

Forest Falls

(District dissolved effective 7/1/08, San Bernardino County Fire Protection District is successor agency)

Lake Arrowhead

(District dissolved effective 7/1/08, San Bernardino County Fire Protection District is successor agency)

Monte Vista

(District dissolved effective 9/16/05; City of Montclair successor agency.)

San Bernardino County
(amended 7/1/08; formerly known as Yucca Valley Fire Protection District)

Fire

Structural, watershed, prevention, inspection, suppression, weed abatement, hazardous materials services, rescue, first aid, ambulance transportation, emergency response, and disaster preparedness planning

RECREATION AND PARK DISTRICTS

Big Bear Valley (amended 9/29/11)	Park and Recreation	Local park development, operation, maintenance, recreation, child care, including the operation and maintenance of the Moonridge Animal Park
Bloomington	Park and Recreation	Development, operation, recreation

Forms:

- a. Application Submission Checklist**
- b. Landowner Protest Form**
- c. Registered Voter Protest Form**
- d. Campaign Disclosure Form**

Attachment 2

APPLICATION SUBMISSION CHECKLIST

- Initiating Document:
 - Resolution of Application (2 certified copies with original signature of Clerk/Secretary)
 - If proposal is anticipated to be processed as having 100% landowner consent, two copies of the signed consent form will be required.
 - OR**
 - Landowner or Registered Voter Petition Initiating Change (completed original petition plus one copy) with a copy of the "Notice of Intention to Circulate".
- LAFCO Application and Preliminary Environmental Description Form (3 hard copies and one electronic copy) with one of the following supplements:
 - Annexation, Detachment, Reorganization Supplement Form (3 copies)
 - Sphere of Influence Change Supplement Form (3 copies)
 - City Incorporation Supplement Form (3 copies)
 - Formation of a Special District Supplement Form (3 copies)
 - Activation of Latent Powers for Special Districts Supplement Form (3 copies)
- Map and Legal Description (7 copies of the map, 2 copies of the legal description and an electronic copy of each in compliance with LAFCO Standards)
- Campaign Disclosure Form (2 copies)
- Pre-zoning resolution or ordinance, including a full copy of the City Council agenda item (2 copies)
- Environmental Review Documents (two sets required unless otherwise indicated and electronic copy) - minimum submission requirements for environmental review documents are:
 - CEQA Exemption** - Copy of stamped Notice of Exemption;
 - Negative Declaration** - Initial Study, Notice of Availability with Distribution Listing, Negative Declaration, Mitigation Monitoring Plan (if applicable), and a copy of stamped Notice of Determination including a copy of receipt showing payment of State Department of Fish and Wildlife filing fees.
 - Environmental Impact Report** - Initial Study, Notice of Preparation, Draft EIR, Final EIR, Mitigation Monitoring Plan, Statement of Overriding Considerations, Resolution Certifying the Final EIR, and a copy of stamped Notice of Determination including a copy of receipt showing payment of State Department of Fish and Wildlife filing fees.
- Filing Fees as calculated below:
-
-

WORKSHEET TO CALCULATE LAFCO FILING FEES
(Use in conjunction with LAFCO Schedule of Fees and Charges)

1. LAFCO Fee (Dependent on Proposal Type/Acreage) \$ _____

Annexation, detachment, reorganization and sphere of influence fees are assessed for each area within a proposal based upon acreage. A single area means any separate geographical area requiring a legal description. A "single area" does not include two areas that are contiguous only at a point, or two or more areas that are contiguous to an existing boundary of a city or district, but not to each other.

(Example for City: Annexation of 18 acres on the east side of a City and 161 acres on the west side to be annexed in one proposal – calculation – 1 x \$5,500 (under 20 acres) plus 1 x \$9,000 (over 150 acres) = \$14,500 fee)

# of Areas _____	x	\$ _____ (Appropriate acreage fee)	=	\$ _____
# of Areas _____	x	\$ _____ (Appropriate acreage fee)	=	\$ _____
# of Areas _____	x	\$ _____ (Appropriate acreage fee)	=	\$ _____

2. Individual Notice Deposit \$700

4. Environmental Review Deposit/Fee \$750

5. Legal Fee Deposit \$ _____

Calculation:

\$1,150 -- Jurisdictional Change (applicable to actions identified under Item A, #1 through #7, except as noted below)

\$ 575 – Jurisdictional Change (City island annexations pursuant to Government Code Section 56375.3 and Service Contracts Item B #1, #2, #4)

\$ 0 – Jurisdictional Change (Item A #3c)

TOTAL FEES DUE AT TIME OF APPLICATION SUBMISSION: \$ _____

(If you need help in determining your fees, please contact the LAFCO staff for assistance at (909) 383-9900. All checks to be made payable to LAFCO.)

Please note: Disclosure of contributions in support of or in opposition to any LAFCO proposal is required by State law. The Fair Political Practices Commission (FPPC) is responsible for enforcement of these disclosure requirements. Questions may be directed to the FPPC at:

Fair Political Practices Commission
428 J Street, Suite 620
Sacramento, CA 95814
1-866-ASK-FPPC (1-866-275-3722)
www.fppc.ca.gov

LANDOWNER PROTEST PETITION

I, (We), the undersigned Landowner(s) in accordance with the provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Government Code Section 56000, do hereby protest:

Each of the Undersigned states:

1. I personally signed this protest petition.
2. I am a landowner within the affected territory.
3. I personally affixed hereto the date of my signing and the Assessor's Parcel Number(s) such that the location of the property is readily ascertainable.

The landowner must sign his/her name, provide the residence address, and the date of signing in his/her own handwriting. The parcel number of the land included within the proposal for which protest is provided must be included. If signing on behalf of a business or corporation, documentation must be attached showing ability to sign as legal representative for that enterprise.

SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____
SIGN NAME _____ PRINT NAME _____	ADDRESS _____	DATE _____	PARCEL NUMBER _____

CONTINUATION PAGE FOR LANDOWNER PROTEST PETITION

SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER
SIGN NAME _____ PRINT NAME _____	ADDRESS	DATE	PARCEL NUMBER

REGISTERED VOTER PROTEST PETITION

I (We), the undersigned registered voter(s), in accordance with the provisions of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Government Code Section 56000, do hereby protest :

Each of the Undersigned states:

1. I personally signed this protest petition.
2. I am a registered voter within the affected territory.
3. I personally affixed hereto the date of my signing and my residence address on this petition.

The voter must sign his/her name exactly as it appears on the voter registration rolls, residence address, and the date of signing in his/her own handwriting. RESIDENCE means a number and a street address or description sufficient for the Registrar of Voters to locate property on a map. Post Office Box numbers or Route numbers CANNOT BE USED AND WILL NOT BE ACCEPTED.

SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____	RESIDENCE ADDRESS _____	DATE _____	FOR ROV USE ONLY

CONTINUATION PAGE FOR REGISTERED VOTER PROTEST PETITION

SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY
SIGN NAME _____ PRINT NAME _____ _____	RESIDENCE ADDRESS	DATE	FOR ROV USE ONLY

Disclosure of Political Expenditures

Effective January 1, 2008, political expenditures related to a proposal for a change of organization or reorganization that will be or has been submitted to LAFCO are subject to the reporting and disclosure requirements of the Political Reform Act of 1974 and the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

Please read carefully the following information to determine if reporting and disclosure provisions apply to you.

- Any person or combination of persons who, for political purposes, directly or indirectly contributes \$1,000 or more, or expends \$1,000 or more in support of, or in opposition to a proposal for a change of organization or reorganization that will be submitted to the Commission, shall disclose and report the contribution to the Commission pursuant to the requirements of the Political Reform Act of 1974 (Government Code Section 81000 *et seq.*) as provided for local initiative measures, and Section 56700.1 of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.
- Pursuant to Government Code Section 57009, any person or combination of persons who directly or indirectly contributes \$1,000 or more, or expends \$1,000 or more in support of, or in opposition to, the conducting authority proceedings for a change of organization or reorganization, must comply with the disclosure requirements of the Political Reform Act of 1974, (Government Code section 81000 *et seq.*). Applicable reports must be filed with the Secretary of the State and the appropriate city or county clerk. Copies of the report must also be filed with the San Bernardino County Executive Officer for LAFCO.

Evaluation Checklist for Disclosure of Political Expenditures

The following checklist is provided to assist you in determining if the requirements of Government Code Sections 81000 *et seq.* apply to you. For further assistance contact the Fair Political Practices Commission at 428 J Street, Suite 450, Sacramento, CA 95814, (866) 275-3772, or at <http://www.fppc.ca.gov>.

1. Have you directly or indirectly made a contribution or expenditure of \$1,000 or more related to the support or opposition of a proposal that has been or will be submitted to LAFCO?

Yes

No

Date of contribution: _____

Amount: _____

Name/ Ref. No of LAFCO Proposal: _____

Date proposal was submitted to LAFCO: _____

2. Have you, in combination with other person(s), directly or indirectly contributed or expended \$1,000 or more related to the support or opposition of a proposal that has been or will be submitted to LAFCO?

Yes

No

Date of contribution: _____

Amount: _____

Name/ Ref. No of LAFCO Proposal: _____

Date proposal was submitted to LAFCO: _____

3. If you have filed a report in accordance with FPPC requirements, has a copy of the report been filed with San Bernardino County LAFCO?

Yes

No

CAMPAIGN DISCLOSURE REQUIREMENTS

1. Definitions

- a. "Contribution" as used herein shall have the same definition as provided in Government Code Section 82015, as amended.
- b. "Expenditure" as used herein shall have the same definition as provided in Government Code Section 82025, as amended.
- c. "Independent expenditure" as used herein shall have the same definition as provided in Government Code Section 82031, as amended, except that the term "measure" as used in Section 82031 shall be replaced with the term "proposal for organization or reorganization."
- d. "Political Purposes" as used herein shall mean for the purpose(s) of:
 - (i) Influencing public opinion;
 - (ii) Lobbying public officials; and/or,
 - (iii) Influencing legislative or administrative action as defined in Government Code § 82032.

It shall not include for the purpose(s) of complying with legal requirements and LAFCO rules for the processing of a proposal, including, but not limited to and by way of example only, preparation of a comprehensive fiscal analysis for an incorporation (Government Code Section 56800) or documents necessary to comply with the California Environmental Quality Act, Public Resources Code Section 21000 et seq., such as a mitigated negative declaration or environmental impact report.

2. Disclosure Requirements for Petitions for Proposals for Organization or Reorganization

- a. Any person or combination of persons who directly or indirectly makes an expenditure or independent expenditure for political purposes of \$1,000 or more in support of, or in opposition to, a change of organization or reorganization submitted to the commission to which Government Code Section 56700.1 applies, shall comply with the reporting and disclosure requirements of the Political Reform Act (Government Code §§ 81000 et seq.), to the same extent and subject to the same requirements as for local initiative measures. Such reporting and disclosure requirements, except as otherwise excluded herein, extend to those required by the Fair Political Practices Commission Regulations regarding such disclosures and shall include disclosure of contributions, expenditures and independent expenditures.
- b. Disclosures made pursuant to this Section shall be filed with the commission's executive officer as designated in Section 5 below.
- c. For purposes of determining the deadlines by which such reports and disclosures must be filed, the term "election" as used in the Political Reform Act for determining such deadlines shall mean the date of the originally scheduled commission hearing on a proposal for organization or reorganization. If no hearing date has been scheduled at the time a person becomes subject to disclosure under this policy, he or she shall request that the executive officer establish a date to serve as the "election" date for this purpose. The executive officer shall establish a date, such as, but not limited to, the date which is six (6) months after the first filing with the commission regarding the proposal, and inform the requestor of that date in writing.
- d. In the event the originally scheduled hearing date for the proposal for organization or reorganization is rescheduled or continued to a later date, the obligation to file continues. Reports shall be filed on or before the 10th day of each month following the original hearing date with respect to contributions and expenditures received in the previous calendar month up to and including the third calendar month following final action by the commission on the proposal.

3. Certain Reports and Disclosures Excluded

This policy requires only that the persons subject to it disclose via reports to the commission's executive officer contributions, expenditures and independent expenditures with respect to expenditures for political purposes related to a petition to the commission for a proposal for an organization or reorganization and does not impose on such persons the regulations regarding the names of campaign committees, disclosures of the sources of mass mailings, and disclosures of the source of automated telephone calls under Government Code Sections 84501 et seq. and the regulations of the Fair Political Practices Commission implementing those sections.

4. Where to File

All reports and disclosures required hereunder shall be filed with the commission's executive officer.

**Letter Dated October 8, 2014 from
Tom Dodson of
Tom Dodson and Associates for
Environmental Assessment**

Attachment 3

TOM DODSON & ASSOCIATES
2150 N. ARROWHEAD AVENUE
SAN BERNARDINO, CA 92405
TEL (909) 882-3612 • FAX (909) 882-7015
E-MAIL tda@tdaenv.com



October 8, 2014

Ms. Kathleen Rollings-McDonald
Local Agency Formation Commission
215 North "D" Street, Suite 204
San Bernardino, CA 92415-0490

RECEIVED
OCT 09 2014

LAFCO
San Bernardino County

Dear Kathy:

The Local Agency Formation Commission (LAFCO) Staff proposes to update, revise and consolidate the Commission's Policy and Procedures Manual. This Manual is comprised of a mix of procedures that have no potential to affect the environment and policies, none of which establish criteria that can affect the physical Environment. The Policy and Procedures Manual consists of the following sections:

1. Mission Statement and Commission Operations
2. Accounting and Financial Policies for San Bernardino LAFCO
3. Human Resources Policies and Procedures and Benefit Plan
4. Guidelines for Evaluating Proposals
5. Environmental Review: Administrative Guidelines, Policies, and Procedures
6. Special Districts: Special District Representation
7. Forms

Many of the section, such as the Human Resources Policies and Procedures and Benefit Plan are defined by CEQA as not being a "Project." As an example, Section 15378(b)(2) states: *Project does not include: (2) Continuing administrative or maintenance activities, such as purchases for supplies, personnel-related action, general policy and procedure making...* The Human Resources policies appear to fall under this type of exemption. Other actions may be ministerial, i.e. "Section 15268 Ministerial Projects" are those for which there is no discretionary decision on the part of the agency making the decisions. The Policy and Procedures Manual will incorporate recent changes in LAFCO policies that are mandated by law, which for the Commission means that they are ministerial since the Commission must implement them.

After meeting with the LAFCO Staff it was determined that aside from those changes mandated by law, the Manual does not incorporate any changes in policies that may have an effect on the physical environment. That is, the policies remain the same as that found in previous policies.

Those policies and procedures that will be modified with this October 2014 update include:

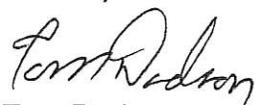
1. Update Section 2, Accounting and Financial Policies and Procedures – Introduction
2. Update Section 3, Human Resources Personnel Policies and Procedures and LAFCO Benefit Plan - Add Policy 302 Vacation, Section E Prior Service Credit, Amend Policy 202 for Compensation; and Amend Benefit Plan Section I Item C.
3. Update Section 4, Application/Project Processing -Add Policy 14 – Campaign Disclosure Policy, Amend Policy 9 – Individual Notice of Commission Hearings to Landowners and Registered Voters, and Amend Policy 13(a) – Disadvantaged Unincorporated Community Annexation Policy
4. Update Section 6, Special District Representation Policies and Procedures – Amend Exhibit A Listing to reflect statutory changes
5. Update Section 7, Forms – Amend Application Submission Checklist, Amend Landowner and Registered Voter Protest Forms, and Add Campaign Disclosure Form

Therefore, the adoption of the updated and revised Policy and Procedures Manual does not have any potential to cause physical changes in the environment. Thus, based on the proposed updates and revisions, I conclude that the Manual changes can be implemented without causing any physical changes to the environment or any adverse environmental impacts. This finding is based on the continuation of existing policies or incorporation of the mandated changes to LAFCO policies.

Therefore, I recommend that the Commission find that the revised and updated LAFCO Policy and Procedures Manual is Statutorily Exemption under Sections 15268 and 15378. It is my opinion and recommendation to the Commission that these sections of the State CEQA Guidelines apply to consideration and approval if the proposed Manual changes.. The Commission can approve the review and findings for this action and I recommend that you notice consideration and approval of the LAFCO Policy and Procedures Manual as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline section cited above. The Commission needs to file a Notice of Exemption with the County Clerk to the Board for this action once the hearing is completed.

A copy of this exemption recommendation should be retained in LAFCO's project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,



Tom Dodson

Draft LAFCO Resolution No. 3188

Attachment 4

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

RESOLUTION NO. 3188

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY, STATE OF CALIFORNIA, REVISING ITS POLICY AND PROCEDURE MANUAL,

On Wednesday, October 22, 2014, on motion of Commissioner _____, duly seconded by Commissioner _____, and carried, the Local Agency Formation Commission adopts the following resolution:

SECTION 1. The Local Agency Formation Commission for San Bernardino County, State of California (hereafter shown as "LAFCO"), hereby finds and determines that it wishes to revise and amend its Policy and Procedure Manual approved by the Commission at its June 20, 2012 hearing. Revisions include: a) annual updates, b) readopt the Prior Service Credit Policy of the Human Resources Section, c) Make necessary amendments to reflect staff restructuring, d) readopt Campaign Disclosure Requirements Policy and Procedure, and e) update forms adopted by the Commission.

SECTION 2. A statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that the changes proposed for the Policy and Procedure Manual are statutorily exempt from CEQA and such exemption was adopted by this Commission on October 22, 2014. The Executive Officer was directed to file a Notice of Exemption within five working days of its adoption.

SECTION 3. The Local Agency Formation Commission for San Bernardino County therefore resolves and orders that the following changes to the Policy and Procedure Manual are approved:

RESOLUTION NO. 3188

A. Update the Accounting and Financial Policies as follows:

...
Introduction:

The following is intended to provide an overview of the accounting and financial policies and procedures applicable to San Bernardino LAFCO. San Bernardino LAFCO has entered into agreements with the County of San Bernardino to perform Information Technology (IT) support and financial and accounting services as follows:

- a) Production Support Agreement with the San Bernardino County Information Services Department. San Bernardino LAFCO contracts for the provision of IT services from the County for its network system, computer operations, and geographic information systems services. The current contract was entered into October 2012 and continues until terminated or amended. LAFCO pre-approves all projects and maintenance prior to any Information Services Department (ISD) time being expended for such purposes. ISD provides LAFCO with an itemized monthly bill for services rendered per the Board of Supervisors' approved fees, and processes payment monthly via an interdepartmental transfer.

...
B. Update the Human Resources Personnel Policies and Procedures as follows:

Policy 302 Vacation; Section E is added

- E. New employees hired into SB LAFCO in regular positions who have been employed by a public jurisdiction or private sector in a comparable position or a position which has prepared such employees for an assignment may receive credit for such previous experience in the former agency(s) in determining their vacation accrual rate. Such determination as to the comparability of previous experience and amount of credit to be granted rests solely with the appointing authority. Requests for prior service credit should be made at the time of hire or as soon as possible thereafter but in no event later than one year from the employee's hire date.

Policy 202 Compensation is amended to read:

- ...
B. Effective March 22, 2014, the following shall be the salary ranges for LAFCO positions (*Added June 16, 2011; Amended May 16, 2012; Amended October 22, 2014*):

Position	Hourly Range	Annual Range
Executive Officer	As determined by the Commission	
Assistant Executive Officer	\$38.58 to \$49.33	\$80,246 to \$102,606
Project Manager	\$30.17 to \$38.58	\$62,754 to \$80,246
LAFCO Analyst	\$21.44 to \$27.39	\$44,595 to \$56,971
Clerk to the Commission/Office Manager	\$22.51 to \$28.73	\$46,821 to \$59,758
Administrative Assistant	\$18.52 to \$23.64	\$38,521 to \$49,171

RESOLUTION NO. 3188

BENEFIT PLAN Section 1; Subsection C is amended as follows:

...

C. BENEFIT PLAN GROUPS

For the purpose of this Benefits Plan, employees shall be divided into the following groups: *(Added June 16, 2011; Amended October 22, 2014)*

1. Group A. Executive Officer
2. Group B. All SB LAFCO Employees not in Groups A or C
3. Group C. Administrative Assistant (hired after September 17, 2014)

C. Updates to Section 4 – Project/Application Processing:

Add Policy 14 – Campaign Disclosure Requirements:

1. Definitions

- a. “Contribution” as used herein shall have the same definition as provided in Government Code Section 82015, as amended.
- b. “Expenditure” as used herein shall have the same definition as provided in Government Code Section 82025, as amended.
- c. “Independent expenditure” as used herein shall have the same definition as provided in Government Code Section 82031, as amended, except that the term “measure” as used in Section 82031 shall be replaced with the term “proposal for organization or reorganization.”
- d. “Political Purposes” as used herein shall mean for the purpose(s) of:
 - (i) Influencing public opinion;
 - (ii) Lobbying public officials; and/or,
 - (iii) Influencing legislative or administrative action as defined in Government Code § 82032.

It shall not include for the purpose(s) of complying with legal requirements and LAFCO rules for the processing of a proposal, including, but not limited to and by way of example only, preparation of a comprehensive fiscal analysis for an incorporation (Government Code Section 56800) or documents necessary to comply with the California Environmental Quality Act, Public Resources Code Section 21000 et seq., such as a mitigated negative declaration or environmental impact report.

RESOLUTION NO. 3188

2. Disclosure Requirements for Petitions for Proposals for Organization or Reorganization

- a. Any person or combination of persons who directly or indirectly makes an expenditure or independent expenditure for political purposes of \$1,000 or more in support of, or in opposition to, a change of organization or reorganization submitted to the commission to which Government Code Section 56700.1 applies, shall comply with the reporting and disclosure requirements of the Political Reform Act (Government Code §§ 81000 et seq.), to the same extent and subject to the same requirements as for local initiative measures. Such reporting and disclosure requirements, except as otherwise excluded herein, extend to those required by the Fair Political Practices Commission Regulations regarding such disclosures and shall include disclosure of contributions, expenditures and independent expenditures.
- b. Disclosures made pursuant to this Section shall be filed with the Fair Political Practices Commission as designated in Section 5 below.
- c. For purposes of determining the deadlines by which such reports and disclosures must be filed, the term "election" as used in the Political Reform Act for determining such deadlines shall mean the date of the originally scheduled commission hearing on a proposal for organization or reorganization. If no hearing date has been scheduled at the time a person becomes subject to disclosure under this policy, he or she shall request that the Fair Political Practices Commission establish a date to serve as the "election" date for this purpose.
- d. In the event the originally scheduled hearing date for the proposal for organization or reorganization is rescheduled or continued to a later date, the obligation to file continues. Reports shall be filed on or before the 10th day of each month following the original hearing date with respect to contributions and expenditures received in the previous calendar month up to and including the third calendar month following final action by the commission on the proposal.

3. Disclosure Requirements for Conducting Authority Proceedings

- a. Any person or combination of persons who directly or indirectly makes an expenditure for political purposes of \$1,000 or more related to conducting authority proceedings for a change of organization or reorganization to which Government Code Section 57009 applies, or in support of or in opposition to those conducting authority proceedings, shall comply with the reporting and disclosure requirements of the Political Reform Act (Government Code §§ 81000 et seq.), to the same extent and subject to the same requirements as for local initiative measures. Such reporting and disclosure requirements, except as otherwise excluded herein, extend to those required by the Fair Political Practices Commission Regulations regarding such disclosures and shall include disclosure of contributions, expenditures and independent expenditures.

RESOLUTION NO. 3188

- b. Disclosures made pursuant to this Section shall be filed with the Fair Political Practices Commission as designated in Section 5 below.
- c. For purposes of determining the deadlines by which such reports and disclosures must be filed, the term "election" as used in the Political Reform Act for determining such deadlines shall mean the date of the originally scheduled conducting authority hearing on the proposal for organization or reorganization. If no hearing date has been scheduled at the time a person becomes subject to disclosure under this policy, he or she shall request that the Fair Political Practices Commission establish a date to serve as the "election" date for this purpose.
- d. In the event the originally scheduled conducting authority hearing date for a proposal for organization or reorganization is rescheduled or continued to a later date, the obligation to file continues and reports shall be filed on or before the 10th day of each month following the original hearing date with respect to contributions and expenditures received in the previous calendar month up to and including the third calendar month following final action by the commission on the proposal.

4. Certain Reports and Disclosures Excluded

This policy requires only that the persons subject to it disclose via reports to the Fair Political Practices Commission contributions, expenditures and independent expenditures with respect to expenditures for political purposes related to a petition to the commission for a proposal for an organization or reorganization and does not impose on such persons the regulations regarding the names of campaign committees, disclosures of the sources of mass mailings, and disclosures of the source of automated telephone calls under Government Code Sections 84501 et seq. and the regulations of the Fair Political Practices Commission implementing those sections.

5. Where to File

All reports and disclosures required hereunder shall be filed with the Fair Political Practices Commission.

Amend Policy 9 -- INDIVIDUAL NOTICE OF COMMISSION HEARINGS TO LANDOWNERS AND REGISTERED VOTERS (Adopted February 19, 1997; Amended February 17, 1999, February 21, 2001{legislatively required}, April 17, 2002, January 17, 2007, April 21, 2010, and October 22, 2014)

...

The adopted procedure for Individual Notice is as follows:

- a. LAFCO staff shall prepare landowner information within and surrounding the proposal for change of organization, sphere of influence change or development-related service contract through data included on the most current Assessment

RESOLUTION NO. 3188

Roll prepared by the County Assessor's office. LAFCO staff shall also utilize the parcel information to coordinate with the Registrar of Voters office to provide information on the registered voters within and surrounding the area proposed for change.

- b. The parameters for preparing the notice for surrounding landowners and registered voters by LAFCO staff shall include the distance requirement, or number of parcels, in a linear direction from all points of the area proposed for change.
- c. The individual notice of Commission proceedings shall be provided for all changes of organization, sphere of influence changes or development-related service contracts. Exceptions to this requirement are noted in Items 2 and 3 below.

...

Amend Policy 13 - Disadvantaged Unincorporated Community Annexation (Adopted June 20, 2012, Amended October 22, 2014)

...

- a) LAFCO shall utilize the ESRI Community Analyst Online, a web-based application, to develop the demographic data needed to define a "disadvantaged unincorporated community" as outlined in Government Code Section 56033.5. In addition, a community, as identified in this section, shall be defined as meaning an inhabited area that is comprised of no less than 10 dwellings adjacent or in close proximity to one another.

...

D. Updates to Section 6 – Special Districts:

Amend the Exhibit "A" Listing of Special Districts Functions and Services to reorganize to reflect changes in the definition of dependent and independent special districts, effective January 1, 2012 as shown on Attachment #1.

E. Updates to Section 7 – Forms:

Approve the updated Forms for use by the Commission in its activities for:

- Application Submission Checklist
- Landowner Protest Form
- Registered Voter Protest Form
- Campaign Disclosure Form

As provided on Attachment #2 and Eliminate the *Listing of Assessor Parcel Number within Area Proposal for Change*

SECTION 4. The Executive Officer of LAFCO is ordered to certify the passage of this resolution and to cause a copy of the revised and amended Policy and Procedure Manual to be

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 14, 2014

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager

TO: LOCAL AGENCY FORMATION COMMISSION



SUBJECT: Agenda Item #9: Consideration of CEQA Statutory Exemption for Valley Region Service Reviews

RECOMMENDATION:

Staff recommends that the Commission certify that the Valley Region Service Reviews are statutorily exempt from the provisions of the California Environmental Quality Act and instruct the Executive Officer to file a Notice of Exemption within five (5) days of this action.

BACKGROUND:

The first round of service reviews were conducted on a community-by-community basis and each affected agency received a sphere of influence update. The second round of service reviews, commencing with the Valley Region, are being conducted on a by-service basis which will include, but not be limited to, the following services:

- Water (Retail, Wholesale and Recycle)
- Wastewater (Treatment, Collection, and Reclamation)
- Law Enforcement
- Fire Protection/ Emergency Medical Response/Ambulance
- Park and Recreation
- Streetlights
- Solid Waste
- Other Miscellaneous Urban Services

Sphere updates may be an outgrowth of the service reviews on an “as necessary” basis, based upon the information derived from the service reviews as authorized by Government Code Section 56425(g). Any such sphere update will require a separate environmental assessment as an individual project.

In consultation with the commission’s environmental consultant, Tom Dodson of Tom Dodson and Associates, it has been recommended that since a sphere update is not a function of the service review a separate environmental analysis for each service review is not required. The standard process is for the Commission to receive and file the Service

Review with a resolution for the consolidated process adopted; for the second cycle a means for completion and acceptance of the final report will need to be developed. Based upon Mr. Dodson's recommendation, the Valley Region Service Reviews do not constitute a project under CEQA and adoption of the General Rule Statutory Exemption and filing of a Notice of Exemption is recommended by the Commission to comply with CEQA for this action. Sphere of influence updates as an outgrowth of the service process will not fall under this general rule exemption and will require a separate environmental analysis.

Staff is recommending that the Commission determine and certify that the Valley Region service reviews are statutorily exempt from CEQA.

KRM/MT

Attachment: Environmental Analysis from Tom Dodson and Associates

TOM DODSON & ASSOCIATES
2150 N. ARROWHEAD AVENUE
SAN BERNARDINO, CA 92405
TEL (909) 882-3612 • FAX (909) 882-7015
E-MAIL tda@tdaenv.com



October 8, 2014

Ms. Kathleen Rollings-McDonald
Local Agency Formation Commission
215 North "D" Street, Suite 204
San Bernardino, CA 92415-0490

Dear Kathy:

The Local Agency Formation Commission (LAFCO) is preparing to embark on the second round of service reviews for the Valley Region of the County. These reviews encompass all of those service providing agencies located in the Valley Region which generally extends from the Los Angeles/Orange County lines eastward to the community of Oak Glen, from the Riverside County line northward to the National Forest Boundary. The service reviews will encompass, but not be limited to the following services: water (retail, wholesale, and reclamation), sewer (treatment, collection), law enforcement, Fire Protection/Emergency Medical Response/Ambulance, Park and Recreation, Streetlights, Solid Waste, and Other Miscellaneous Urban Services.

The LAFCO Staff has requested that the general scope of the Valley Region Service Reviews be considered at one time, instead of individually, because these reviews do not require a formal decision by the Commission. Instead, these reviews are received and filed by the Commissioners, and only when specific actions (recommendations) are considered in the future are actual decisions considered that could have potential effects on the physical environment.

Therefore, after careful review of the Valley Region Service Reviews, I am recommending that the Commission consider the adoption of a General Rule Statutory Exemption. I recommend that the Commission find that a Statutory Exemption (as defined in CEQA applies to all of the Valley Region Service Reviews under Section 15061 (b) (3) of the State CEQA Guidelines, which states: "A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." It is my opinion, and recommendation to the Commission, that this circumstance applies to all of the future Valley Region Service Reviews.

Based on this review of the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that the upcoming Valley Region Service Reviews do not constitute a project under CEQA and adoption of General Rule Statutory Exemption and filing of a Notice of Exemption is the most appropriate environmental determination to comply with CEQA for this action. The Commission can approve the review and findings for this action and I recommend that you notice the Valley Region Service Reviews as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline sections cited above. The Commission needs to file a Notice of Exemption with the County Clerk to the Board for this action once the hearing is completed.

A copy of this exemption recommendation should be retained in LAFCO's project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in blue ink that reads "Tom Dodson". The signature is written in a cursive, flowing style.

Tom Dodson

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 14, 2014 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #10: First Quarter Financial Review for Period July 1 through September 30, 2014

RECOMMENDATION:

Staff recommends that the Commission:

1. Note receipt of this report and file.
2. Authorize the Executive Officer to sign the agreement with the County of San Bernardino ("County") and the County Auditor-Controller/Treasurer/Tax Collector ("ATC") in which the County and ATC will continue to provide accounting and payroll services to LAFCO, following final review by the Executive Officer and Legal Counsel.
3. To account for the increase in County Information Services Department charges, approve a transfer from Contingencies to Expenditures and direct the Executive Officer to take the actions necessary to effectuate the changes identified as:
 - a) Increase ISD Direct (Expenditure Account 2421) by \$11,000 to \$12,800.
 - b) Decrease Contingencies (Expenditure Account 6000) by \$11,000 to \$87,356.
4. Recognize the increase in Cash Carryover from Fiscal Year 2013-14 of \$15,929 in Revenue Account 9970 for a total of \$249,887.
5. Approve establishment of a separate reserve fund within the County Treasury and direct the Executive Officer to take following actions:

- a) Establish a new fund account with the County Auditor-Controller-Treasurer-Tax Collector.
 - b) Transfer \$429,329 from LAFCO's Operating Fund in the County Treasury (NHY 890) to the newly established Reserve Fund as follows:
 - 1) COWCAP Reserve (Expenditure Account 6010) - \$40,503, and Other Carryover Unassigned Revenue (Revenue Account 9970) - \$15,929 into a newly defined Net Pension Liability Reserve Account (Account 6010)
 - 2) General Reserve (Expenditure Account 6005) - \$300,000
 - 3) Compensated Absences Reserve (Expenditure Account 6030) - \$72,897
6. Amend Accounting and Reserve Policy #7 (Reserve Policy) to read as follows:

RESERVE POLICY *(Adopted April 21, 2011, Amended October 22, 2014)*

The Commission will require the maintenance of three separate reserves which shall be funded as a part of the annual budget adoption process as follows:

- a) The balance of San Bernardino LAFCO employee compensated absences at April 1 of each fiscal year shall be funded and placed in a committed reserve account in the following fiscal year budget;
- b) Annually the Commission shall set aside a minimum of \$200,000 in a committed reserve account for payment of potential litigation or other special need; and,
- c) A committed reserve account shall set aside funds for future payment of the Commission's net pension liability to the San Bernardino County Employees Retirement Association (SBCERA).

BACKGROUND:

The first quarter of Fiscal Year 2014-15 has concluded and staff is presenting the Commission with its first financial report. This report which includes a review of the financial activities and the presentation of a spreadsheet (Attachment #1) showing the line item expenditures and receipts during the period. The following narrative provides a discussion of:

- Expenditures and reserves, revenues received, an update on special project activities, and a breakdown of the fund balance at the end of the quarter.

- Recommended budget adjustment to account for unanticipated activity.
- Recommendation for the establishment of a new account to segregate reserve funds from the operating funds of the Commission.
- Approval of an agreement with the County to provide LAFCO with accounting and payroll services.

Expenditures and Reserves

Expenditures are comprised of two categories of accounts: 1) Salaries and Benefits, and 2) Services and Supplies. Through the first quarter, total expenditures are at 23% of Adopted Budget authority. There has been no request made for utilization of funds maintained in the Contingency and Reserve accounts for the first quarter; however, this report will detail a request for processing a transfer from contingency funds during the second quarter. A more detailed analysis of the categories is as follows:

1. Salaries and Benefits (1000 series)

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$153,934 through the first quarter, representing 22% of Adopted Budget authority.

In Fiscal Year 2013-14 LAFCO staff processed a reciprocity change under the new retirement requirements, going from a Tier 2 status to a Tier 1 for Joe Serrano, LAFCO Analyst. This change required a calculation by SBCERA to correct the amounts due from the employee and employer for retirement purposes. It was estimated that the roughly \$3,400 would be transferred by year's end but the invoice from SBCERA to County Payroll has been past due since June. The invoice is to seek payment from the Commission to make LAFCO's employer contribution whole. LAFCO is working with County Payroll to resolve this payment issue. This is an unbudgeted expense which can be accommodated through the Salary Reserve established in Account 1000.

2. Services and Supplies (2000 and 5000 series)

A. First Quarter Activity

For the first quarter, the Services and Supplies series of accounts (2000 and 5000 series) had expenditures of \$84,995, or 23% of Adopted Budget authority. Payments that are typical to the first quarter that have taken place include: payment for the California Association of LAFCOs (CALAFCO) and California Special Districts Association (CSDA) memberships, the CALAFCO Annual conference (registration, hotel, and travel for staff and Commissioners), and the Commission's property and liability insurance. These one-time and full-year expenditures are generally on target for the fiscal year.

B. Anticipated Expenditures

Anticipated activities for the second quarter include significant expenditures, identified as:

- Full-year payments for the annual financial audit (\$11,799) and subscription to the County Street Network (\$10,500) for maintenance of digital mapping.
- Payments for the Commission-approved special study for Daggett, Newberry, and Yermo Community Services Districts.

C. Status of Ongoing Commission-approved Projects

The following provides an update on expenditures and progress on projects approved by the Commission during the budgetary process or in response to recommendations of the County Grand Jury.

FISCAL INDICATORS:

The Fiscal Indicators development project is nearing completion. All contracted work through the County's Information Services Department (ISD) is complete, and currently the Valley Region (through FY 2011-12) is active on the LAFCO website. The Mountain Region is anticipated to go live by October 22, followed by the North Desert and South Desert by December 19. The project allocation (with contingency) is \$14,497. To date, \$12,642 of this amount has been expended.

Once the project for all regions is live, it will transition from a special project to an ongoing maintenance activity. This project will be included in the annual budgeted for maintenance and preparation of the annual updates. The internal operating policy is that an annual update of the site will occur in July of each year.

SPECIAL STUDY FOR DAGGETT, NEWBERRY, AND YERMO COMMUNITY SERVICES DISTRICTS:

In August, a working copy of the report was reviewed with the affected agencies and First District for comment and editorial purposes. At this Commission hearing, the Commission will conduct a workshop to review the draft staff report and provide direction to staff. Thereafter, a community meeting will be scheduled to review the draft staff report with the community, most likely to be held in late November/early December at the Silver Valley High School in Yermo. The final staff report will be presented to the Commission at the January 21, 2015 hearing for action.

The project allocation is \$20,000, of which \$410 in direct costs has been expended to date. In addition, staff time costs for processing this special study is estimated at this time at \$6,306. This leaves \$13,284 to cover the costs for final report preparation, the cost of the community meeting (advertisement and individual notice provided) and Commission hearings (advertisement and individual notice provided).

FEASIBILITY STUDY FOR INCORPORATION OF THE RIM OF THE WORLD COMMUNITIES:

At the September hearing the Commission authorized the contract with Rosenow Spevacek Group (RSG) to prepare the financial projections for this project with the notation that no work would begin until receipt of the County's payment for the project. On September 25, the funds were transferred and LAFCO staff will meet with RSG principal Jim Simon after the Annual Conference to begin this process. To date, no funds have been expended on this project.

3. Contingency and Reserves (6000 series)

No activity has been authorized by the Commission to take place in the Contingency or Reserve accounts during the first quarter. However, an occurrence has taken place which requires a budget adjustment to this account described later in this report.

Revenues

1. Revenues through First-Quarter

The Commission has received 104% of Adopted Budget revenues through the first quarter. The items below outline the revenue activity:

- Interest (Account 8500) - A minimal amount of \$737 in interest revenue from the Commission's cash in the County Treasury as this reflects the final quarter of Fiscal Year 2013-14 cash. In addition, interest rates remain low. The bulk of LAFCO's revenues are received during the first quarter of the fiscal year through receipt of its annual apportionment. However, it is anticipated that the annual interest rate will remain low for the balance of the year providing limited resources.
- Apportionment (Account 8842) - 100% of the mandatory apportionment payments from the County, cities, and independent special districts billed by the County Auditor have been received. At the September hearing, staff identified that one city had outstanding payment, and the Commission directed staff to request that the County Auditor reduce the same amount from the city's first proceeds of property tax allocation. Since that time the city payment was received; therefore, there was no need to submit a request to the County Auditor as all payments have been received.

- Fees and Deposits (Accounts 9545 – 9800) – Through the first quarter, the Fees and Deposits series of accounts has received 51% of its budgeted revenue (\$30,018). Of this amount, 16% is related to proposals (cost recovery), 2% to service contracts, and 82% to the special feasibility study for the Rim of the World Incorporation.

At the July hearing the Commission authorized LAFCO staff to contract with the Second Supervisorial District to prepare a preliminary feasibility study for the incorporation of the Rim of the World communities. On August 19, 2014, the County Board of Supervisors, as a part of the 2013-14 Year-End Budget Review (Item #64), approved the Discretionary Funding of \$24,723 to be provided to LAFCO to prepare the financial study for the Rim of the World communities. Of this amount, \$15,000 is for a contract with Rosenow Spevacek Group Inc. to perform the financial study for the potential incorporation of the Rim of the World communities.

- Carryover from Prior Year (Account 9970)

The fund balance at the prior fiscal year's closure was carried forward into FY 2014-15 (\$729,669), and is composed of the following:

- All of the Contingency and Reserve funds identified in the FY 2013-14 budget have been carried forward, \$463,272.
- Allocated but unspent funds of \$16,510 from Commission-approved projects.
- Additional cash carryover of \$249,887 composed of the following:
 - Carryover of \$176,807 into FY 2014-15 to balance the budget.
 - Liabilities of \$57,151 include deferred revenue related to open applications and accounts payable.
 - Unrecognized and unassigned carryover of \$15,929.

2. Proposal Activity

The figure below identifies the number of proposals and service contracts received through the first quarter. The figure identifies that zero proposals and zero service contracts were received in the first quarter. However, staff is anticipating the receipt of proposals in the second quarter from agency interest relayed to staff. Attachment #2 to this staff report includes a chart showing the yearly comparison of proposal, service review, and completed service review activity.

Activity	Budget	Actual	
		No.	% of Budget
Proposals	9	0	0%
Service Contracts - Development	2	0	0%
Service Contracts - Admin (E.O.) approval	5	1	20%
Protest Hearing Deposits	9	2	22%

The remainder of the year anticipates the completion of the off-cycle service reviews for the Daggett, Newberry Springs, and Yermo communities (related to the Grand Jury report), and second cycle service reviews for water conservation, water (wholesale, retail, and recycled), sewer (collection, treatment, and reclamation), streetlights, and habitat conservation. An additional item may be a possible off-cycle service review for the Morongo Valley Community Services District.

Fund Balance

As of September 30, the Commission's cash in the County Treasury was \$1,387,457. A breakdown of this amount is shown below.

September 30, 2014 Balance		\$1,387,457
Balance is composed of the following:		
Liabilities		
	Unearned Revenue from open applications	22,903
	Deposits Payable/(Receivable) from open applications	36,542
Committed (constrained to specific purposes)		
	COWCAP Reserve (Account 6010)	40,503
	Compensated Absences Reserve (Account 6030)	72,897
Assigned (intended for specific purposes)		
	Contingency (Account 6000)	98,356
	General Reserve (Account 6025)	300,000
	Remaining Budgeted Expenditures	816,190
Estimated Unassigned Carryover Revenue into FY 2015-16		66
BALANCE		\$1,387,457

DISCUSSION OF BUDGET AMENDMENTS

The County has changed the billing method for its ISD desktop support services (also known as the help desk) from an hourly charge based upon activity to a flat monthly fee. The change in billing is to capture revenue to pay for ISD desktop support overhead. The current LAFCO budget has only allocated \$1,800 toward this activity (based upon the former billing method). The new charges will be roughly \$10,000 per year. To cover this cost for FY 2014-15, staff is recommending that the Commission transfer \$11,000 from Contingency Funds (Account 6000) to Information Services Department Direct (Account 2421).

ESTABLISHMENT OF TRUST ACCOUNT FOR RESERVE FUNDS

Staff is recommending a change in the holdings of the Commission's reserve funds. Currently, the operating and reserve funds are integrated in the same account. The three reserve funds are currently defined as follows:

COWCAP Reserve	\$ 40,503
Compensated Absences Liability Reserve	\$ 72,897
General Reserve	\$300,000

Staff is recommending that the Commission's reserve funds be placed in a separate account in the County Treasury. Doing so would segregate the reserve funds from the operating funds and reinforce that reserve funds are for restricted activities. Further, the interest gained in this account would then be allocated proportionally amongst the reserve funds.

The Compensated Absences Reserve and General Reserve would transfer to the new account without changes in purpose, name, or amount. For the COWCAP Reserve, it was established to set aside funds to pay for services provided by the County ISD, since such services were billed two years in the rear in a lump sum. However, in July 2012 the County and LAFCO entered into an agreement whereby payment for ISD services shifted from COWCAP to a monthly processing of payments, there has been no additional costs included in the COWCAP charges in the ensuing years and the current year costs for COWCAP are for the 2012-13 fiscal year. Therefore, the COWCAP Reserve is no longer required.

The Commission has previously expressed concern regarding its net pension liability to SBCERA and the lack of allocating funds for the liability. Of importance, net pension liability will become a component of government financial statements no later than the FY 2014-15 audit. SBCERA has estimated LAFCO's share of the total SBCERA net pension liability as of June 30, 2013 to be \$582,793 (note that this amount is an estimate and will be revised in early 2015). The Commission has expressed its position for the need to set aside funds to cover this liability for the future. Therefore, staff is recommending that the Commission convert the COWCAP Reserve to a Net Pension Liability Reserve transferring the reserve balance. Additionally, \$15,929 of the cash carryover into FY 2014-15 is currently unassigned and unrecognized by the Commission. Staff is recommending that this amount be recognized by the Commission and also be placed in the Net Pension Liability Reserve. The three reserve amounts, placed in separate accounts, would be identified as follows:

Proposed Reserve Fund Cash Balance		\$429,329
Balance is composed of the following:		
<i>Committed (constrained to specific purposes)</i>		
	Net Pension Liability Reserve (former COWCAP reserve & unassigned carryover)	56,432
	Compensated Absences Reserve	72,897
	General Reserve	300,000

This action would allocate funds for 9.7% of the estimated pension liability at June 30, 2013 in a reserve account. In the future discussion of the Reserve Accounts would be presented alongside the Operating Account at quarterly intervals to include recommendations to adjust the balances based upon updated liability figures.

To correspond with this recommendation, staff also recommends an amendment to Accounting and Reserve Policy #7 (Reserve Policy) to identify the Net Pension Liability Reserve (shown in bold italic).

RESERVE POLICY (Adopted April 21, 2011, **Amended October 22, 2014**)

The Commission will require the maintenance of three separate reserves which shall be funded as a part of the annual budget adoption process as follows:

- a) The balance of San Bernardino LAFCO Employee Compensated Absences at April 1 of each fiscal year shall be funded and placed in a committed reserve account in the following fiscal year budget;
- b) Annually the Commission shall set aside a minimum of \$200,000 in a committed reserve account for payment of potential litigation;
- c) ***A committed reserve account shall set aside funds for future payment of the Commission's net pension liability to the San Bernardino County Employees Retirement Association (SBCERA).***

AGREEMENT WITH COUNTY FOR PAYROLL SERVICES

LAFCO has contracted with the County for payroll and payroll reporting and general accounting services since 1981 when it became independent of the County. As a part of this relationship, the County has deposited and paid LAFCO's federal and state tax liabilities, while utilizing the County's Federal and State Employer Identification Number. In June 2013, the County notified LAFCO that changes in payroll reporting in the Internal Revenue Code as a result of the Affordable Care Act required the establishment of a defined payroll reporting relationship (in this case the relationship between the County and LAFCO).

At the July 2013 hearing, the Commission directed the Executive Officer to negotiate a contract with the County for payroll reporting and accounting services and to obtain its own federal and state identification numbers. In response to information from the

County that a draft contract was imminent, the matter was placed on the LAFCO agenda and continued several times until it was eventually removed from the calendar until such time that the County could produce a draft contract. Fortunately, in the interim, the Assistant Auditor assured LAFCO staff that payroll services would continue in the same manner as before and it would continue to deposit and pay LAFCO's payroll taxes as LAFCO's "reporting agent", using LAFCO's separate Federal and State Employer Identification Numbers while the contract considerations take place.

On October 10, 2014, County Auditor-Controller/Treasurer/Tax Collector ("ATC") staff provided LAFCO staff with the long-awaited draft copy of the standardized agreement between the County, ATC, and the other districts/JPAs for the provision of accounting and payroll services by the ATC (copy included as Attachment #3). The receipt of the contract requested that any concerns or questions be provided by October 15 so that they could be provided to the County for its consideration at the November 18 Board hearing (after a year of waiting for a draft contract it was received October 10, a Friday, October 13 was a holiday, allowing for two days for review and response). Staff's position is that contracting with the County for accounting and payroll services offers economies of scale that would not be achieved otherwise; however, those are tempered with the lack of ability to review the contract with Legal Counsel prior to presentation for consideration.

The County's draft agenda item for November 18 has a recommendation that the standardized contract form will be effective January 1, 2015. In the event that the draft contract contains a minor change, staff recommends that the Commission authorize the Executive Officer to sign the agreement following final staff and counsel review. However, should significant issues arise in the review, staff will return to the Commission for further direction.

It is staff's recommendation that the Commission take the actions identified on pages 1 and 2 of this report. Staff will be happy to answer any questions from the Commission prior to or at the hearing regarding the items presented in this report.

KRM/MT

Attachments:

1. Spreadsheet of First-Quarter Expenditures, Reserves, and Revenues
2. Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity
3. Draft Agreement with the County for Accounting and Payroll Services

**SPREADSHEET OF
FIRST QUARTER EXPENDITURES,
RESERVES, AND REVENUES**

Attachment 1

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 13-14	ADOPTED BUDGET FY 14-15	JULY	AUGUST	SEPT	THRU 1st Quarter	PERCENT TO DATE YEAR-END
	SALARIES AND BENEFITS							
1010	Regular Salary, Cell Phone, and Bilingual	\$ 408,248	\$ 437,522	\$ 32,748.22	\$ 34,310.65	\$ 33,965.20	\$ 101,024.07	23%
1030	Merit Incentive (Auto)	15,062	14,881	1,307.70	1,307.70	1,307.70	3,923.10	26%
1035	Overtime	361	-		94.56	-	94.56	
1110	General Member Retirement	81,993	99,625	7,103.91	7,733.69	7,616.95	22,454.55	23%
1130	Survivors Benefits	160	178	15.95	18.50	18.50	52.95	30%
1135	Indemnification - General	16,641	20,163	1,521.70	1,521.70	1,521.70	4,565.10	23%
1200	Employee Group Insurance (Health Subsidy)	41,141	50,040	3,509.26	3,509.26	3,509.26	10,527.78	21%
1205	Long-Term Disability	994	1,099	81.56	82.09	82.62	246.27	22%
1207	Vision Care Insurance	759	837	63.20	63.20	63.20	189.60	23%
1215	Dental Insurance & Health Subsidy	1,466	1,557	116.64	117.82	117.82	352.28	23%
1222	Short-Term Disability	3,312	3,658	271.72	273.38	275.04	820.14	22%
1225	Social Security Medicare	5,128	5,637	418.26	438.55	436.57	1,293.38	23%
1235	Workers' Compensation	1,573	4,782	-	462.00	-	462.00	10%
1240	Life Insurance & Medical Trust Fund	4,546	5,289	351.36	351.64	360.75	1,063.75	20%
1305	Other (Medical Reimbursement Plan)	2,600	6,920	200.00	180.00	160.00	540.00	8%
1314	401a Defined (LAFCO Contribution)	1,451	1,650	122.46	123.26	126.46	372.18	23%
1315	401k Contribution	22,983	26,400	1,958.68	1,971.46	2,022.64	5,952.78	23%
1000	Salary Reserve	-	9,000	-			-	0%
	TOTAL SALARIES & BENEFITS	\$ 608,417	\$ 689,235	\$ 49,790.62	\$ 52,559.46	\$ 51,584.41	\$ 153,934.49	22%
	Staffing (Full time equivalent units)		6.0					
	SERVICES AND SUPPLIES							
	Services:							
2037	COMNET Charge (ISF)	\$ 2,532	\$ 2,874	193.83	203.49	203.49	\$ 600.81	21%
2038	Long Distance Charges	86	120	7.70	4.14	9.58	21.42	18%
2041	Phone Service/Outside Company	366	540		189.47	-	189.47	35%
2043	Electronic Equipment Maintenance	140	-		100.37	-	100.37	
2075	Membership Dues	8,324	8,515		7,428.00	-	7,428.00	87%
2076	Tuition Reimbursement	1,100	2,000			-	-	0%
2080	Publications	2,054	3,600		402.28	-	402.28	11%
2085	Legal Notices	9,223	26,000	2,371.60	1,386.00	-	3,757.60	14%
2110	Facilities Management Charges	304				-		
2115	Computer Software	6,427	3,346		1,313.00	-	1,313.00	39%
2125	Inventoriable Equipment	-	12,500			1,919.71	1,919.71	
2195	Reimbursement Services and Supplies	4,304				-	-	
2245	Other Insurance	7,074	7,012		7,077.60	-	7,077.60	101%

ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 13-14	ADOPTED BUDGET FY 14-15	JULY	AUGUST	SEPT	THRU 1st Quarter	PERCENT TO DATE YEAR-END
	Supplies:							
2305	General Office Expense	11,621	19,391	1,009.86	262.14	243.90	1,515.90	8%
2308	Credit Card Clearing Account	(85)	-	637.22	1,732.12	100.04	2,469.38	
2310	Postage - Direct Charge	12,352	10,662	981.95	1,371.08	619.45	2,972.48	28%
2315	Records Storage	581	570		47.52	-	47.52	8%
2323	Reproduction Services	870	-	58.43		-	58.43	
2335	Temporary Services	13,311	-			-	-	
	Consultant & Special Services:							
2400	Prof & Special Service (Legal Counsel)	24,048	36,800	1,298.96	8,315.80	5,165.10	14,779.86	40%
2405	Auditing	7,527	11,799			-	-	0%
2410	Data Processing	7,142	7,611	650.88	637.21	656.27	1,944.36	26%
2414	Application Development Maintenance	-	-			-	-	
2415	COWCAP	6,053	6,308			1,577.06	1,577.06	25%
2420	ISD Other IT Services	344	1,008	161.76	(22.44)	58.44	197.76	20%
2421	ISD Direct	1,772	1,800				-	0%
2424	Mgmt & Tech (Environmental Consultant)	15,339	9,800	2,692.25	1,615.00	1,124.00	5,431.25	55%
2444	Security Services	578	408		102.00		102.00	25%
2445	Other Prof (Commission, Surveyor, ROV)	32,275	61,196	2,989.72	3,547.88	435.16	6,972.76	11%
2449	Outside Legal (Litigation & Special Counsel)	2,909	10,000				-	
2450	Application Development Support	19,709	22,500	-			-	0%
2460	GIMS Charges	11,877	14,600				-	0%
	Lease/Purchases:							
2895	Rent/Lease Equipment (copier)	2,610	4,800				-	0%
2905	Office/Hearing Chamber Rental	53,576	51,270		8,953.24	4,226.62	13,179.86	26%
	Travel Related Expenses:							
2940	Private Mileage	5,135	6,418	239.27	472.53		711.80	11%
2941	Conference/Training	4,225	7,950		4,740.00		4,740.00	60%
2942	Hotel	5,264	5,486		2,502.84		2,502.84	46%
2943	Meals	923	1,900	44.37	347.76		392.13	21%
2944	Car Rental	653	500			34.29	34.29	7%
2945	Air Travel	4,241	2,400		670.00		670.00	28%
2946	Other Travel	1,061	600	60.00	168.77	30.00	258.77	43%
	Other Charges:							
5012	Services Out (Staples)	4,146	3,600	580.65	558.01	487.87	1,626.53	45%
	TOTAL SERVICES & SUPPLIES	\$ 291,993	\$ 365,884	\$ 13,978.45	\$ 54,125.81	\$ 16,890.98	\$ 84,995.24	23%

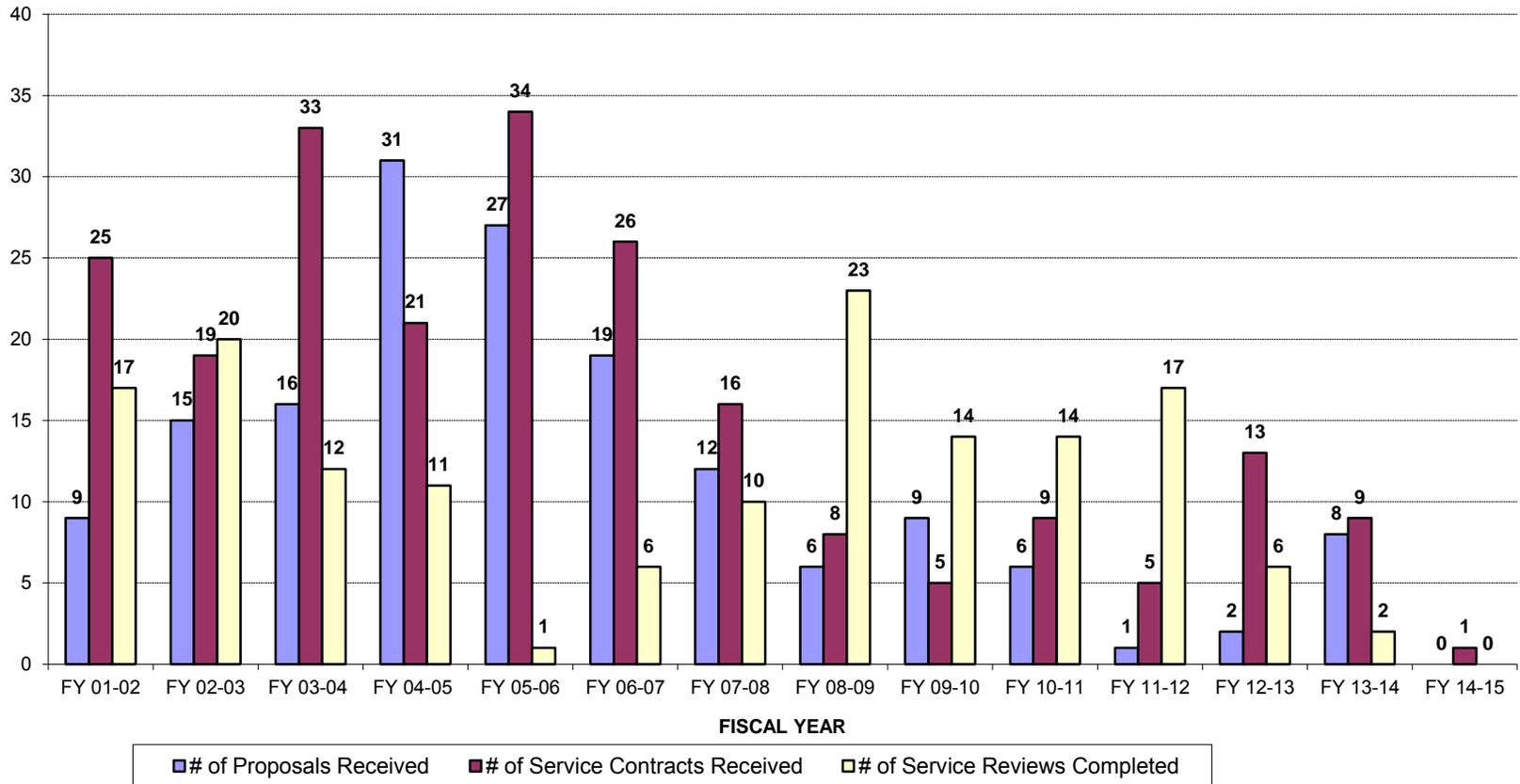
ACCT. #	ACCOUNT NAME	ACTUAL YEAR-END FY 13-14	ADOPTED BUDGET FY 14-15	JULY	AUGUST	SEPT	THRU 1st Quarter	PERCENT TO DATE YEAR-END
TOTAL EXPENDITURES		\$ 900,410	\$ 1,055,119	\$ 63,769.07	\$ 106,685.27	\$ 68,475.39	\$ 238,929.73	23%
6000	Contingency	-	\$ 98,356					0%
6010	COWCAP Reserve	-	40,503					0%
6025	General Reserve	-	300,000					0%
6030	Compensated Absences Reserve	-	72,897					0%
TOTAL CONTINGENCIES & RESERVES		\$ -	\$ 511,756	\$ -	\$ -	\$ -	\$ -	0%
TOTAL APPROPRIATION		\$ 900,410	\$ 1,566,875	\$ 63,769.07	\$ 106,685.27	\$ 68,475.39	\$ 238,929.73	15%

ACCT #	ACCOUNT NAME	ACTUAL YEAR-END FY 13-14	ADOPTED BUDGET FY 13-14	JULY	AUGUST	SEPT	THRU 1st Quarter	PERCENT TO DATE	FAS STATEMENT	
									Accruals/Reversals	FAS TOTAL
									AUGUST	
CONTRIBUTION REVENUES										
	Use of Money:									
8500	Interest	\$ 3,066	\$ 4,000	\$ 737.48	\$ -	\$ -	\$ 737.48	18%		\$ 737.48
	Mandatory Contribution from Governments:									
8842	Local Government -- For FY 2013-14 apportionment to County, Cities, and Independent Special Districts of approximately \$288,274 each	864,822	864,821	577,376.64	262,966.95	24,478.42	864,822.01	100%		864,822.01
	Fees and Deposits (Current Services):									
9545	Individual Notice	11,200	4,900			-	-	0%	7,053.58	7,053.58
9555	Legal Services	8,625	7,475			-	-	0%	4,882.85	4,882.85
9655	GIMS Fees	3,235	2,400	1,100.00	1,210.00	485.00	2,795.00	116%		2,795.00
9660	Environmental	12,580	4,950			-	-	0%	(1,488.85)	(1,488.85)
9800	LAFCO Fees	99,656	38,750	1,500.00	1,000.00	24,723.00	27,223.00	70%	42,887.00	70,110.00
		135,296	58,475	2,600.00	2,210.00	25,208.00	30,018.00	51%	53,334.58	83,352.58
TOTAL CONTRIBUTION REVENUES		\$ 1,003,185	\$ 927,296	\$ 580,714.12	\$ 265,176.95	\$ 49,686.42	\$ 895,577.49	97%	53,334.58	948,912.07
OTHER REVENUES										
9910	Refunds from Prior Year Revenue	\$ 1,761	\$ (2,000)	\$ (450.00)		\$ -	\$ (450.00)	23%		(450.00)
9930	Miscellaneous Revenues	3,538	1,500		10.00	1,579.84	1,589.84	106%		1,589.84
	Carryover from Prior Year									
9970	Contingencies	84,730	99,872	99,872.00			99,872.00	100%		99,872.00
9970	COWCAP Reserve	46,780	46,780	46,780.00			46,780.00	100%		46,780.00
9970	General Reserve	200,000	250,000	250,000.00			250,000.00	100%		250,000.00
9970	Comp. Absences Reserve	66,620	66,620	66,620.00			66,620.00	100%		66,620.00
9970	Ongoing Approved Projects			16,510.00			16,510.00			16,510.00
9970	Other Carryover	223,425	176,807	249,887.00			249,887.00	141%		249,887.00
9995	Residual Equity	40					-			
TOTAL OTHER REVENUES		\$ 626,895	\$ 639,579	\$ 729,219.00	\$ 10.00	\$ 1,579.84	\$ 730,808.84	114%	-	730,808.84
TOTAL REVENUES		\$ 1,630,079	\$ 1,566,875	\$ 1,309,933.12	\$ 265,186.95	\$ 51,266.26	\$ 1,626,386.33	104%	53,334.58	1,679,720.91
Note: Spreadsheet utilizes the cash basis of accounting and does not include accrual/reversal data which do not affect fund balance.										

**CHART ILLUSTRATING
YEARLY PROPOSAL,
SERVICE CONTRACT, AND
SERVICE REVIEW ACTIVITY**

Attachment 2

Number of Proposals & Service Contracts Received, and Service Reviews Completed by Fiscal Year



Through Sept 2014

**DRAFT AGREEMENT WITH
THE COUNTY FOR
ACCOUNTING AND PAYROLL SERVICES**

Attachment 3

FOR COUNTY USE ONLY



County of San Bernardino
F A S
STANDARD CONTRACT

<input type="checkbox"/> New	FAS Vendor Code		SC	Dept.	A	Contract Number	
<input type="checkbox"/> Change							
<input type="checkbox"/> Cancel							
ePro Vendor Number					ePro Contract Number		
County Department			Dept.	Orgn.	Contractor's License No.		
Auditor-Controller/Treasurer/Tax Collector			ATX	ATX			
County Department Contract Representative				Telephone		Total Contract Amount	
				() -			
Contract Type							
<input checked="" type="checkbox"/> Revenue <input type="checkbox"/> Encumbered <input type="checkbox"/> Unencumbered <input type="checkbox"/> Other:							
If not encumbered or revenue contract type, provide reason:							
Commodity Code		Contract Start Date	Contract End Date	Original Amount	Amendment Amount		
				\$			
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No	Amount	
						\$	
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount	
						\$	
Fund	Dept.	Organization	Appr.	Obj/Rev Source	GRC/PROJ/JOB No.	Amount	
						\$	
Project Name			Estimated Payment Total by Fiscal Year				
Payroll & Accounting Services			FY	Amount	I/D	FY	Amount
For Self-Governed Districts							
Joint Powers Authorities							

THIS CONTRACT is entered into in the State of California by and between the County of San Bernardino, hereinafter called the County, and

Name _____ hereinafter called DISTRICT/JPA

Address _____

Telephone _____ Federal ID No. or Social Security No. _____

IT IS HEREBY AGREED AS FOLLOWS:

(Use space below and additional bond sheets. Set forth service to be rendered, amount to be paid, manner of payment, time for performance or completion, determination of satisfactory performance and cause for termination, other terms and conditions, and attach plans, specifications, and addenda, if any.)

Auditor-Controller/Treasurer Tax Collector Use Only

<input type="checkbox"/> Contract Database	<input type="checkbox"/> FAS
Input Date	Keyed By

1. INTRODUCTION

DISTRICT/JPA, the County of San Bernardino (COUNTY) and the County of San Bernardino Auditor-Controller/Treasurer/Tax Collector (ATC) enter into this agreement seeking to formulate and maintain a cooperative working relationship in which COUNTY and ATC will provide accounting and payroll services to DISTRICT/JPA.

2. TERM OF THIS AGREEMENT

The term of this agreement is from **January 1, 2015 to June 30, 2017**, and shall be automatically renewed for successive one-year periods unless otherwise amended or terminated.

3. AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR RESPONSIBILITIES

A. Accounts Payable / General Accounting

ATC will provide the following accounting services to DISTRICT/JPA:

1. Process FAS transactions for disbursements, reimbursements, deposits and adjustments to DISTRICT/JPA's fund(s)
2. Permit DISTRICT/JPA access to COUNTY financial accounting system (FAS) and reports

B. Payroll Services

ATC shall provide DISTRICT/JPA with payroll services consistent with the level of services provided to County departments. Services include:

1. Issuing standard Payroll reports
2. Tax reporting and accounting services as prescribed by the IRS, State Franchise Tax Board, and State Employment Development Department
3. Enhanced tax reporting to accommodate IRS provisions under 26 U.S. Code Section 4980H – Shared Responsibility for Employers Regarding Health Coverage, which includes independent, DISTRICT/JPA-specific, filing and reporting of the following:
 - i. Tax returns
 - ii. Tax deposits
 - iii. Transfers
 - iv. Trust fund reconciliation
 - v. Payroll tax adjustments
4. Payroll direct deposits and warrants
5. Labor distribution based on input from DISTRICT/JPA

DISTRICT/JPA is responsible for compliance requirements under the provisions of 26 U.S. Code Section 4980H.

Both accounting and payroll services include central files/documents/records retention; verification of data integrity and signature authorization; error corrections, and other processes normally associated with these services. For purposes of this agreement, the phrase "data integrity" represents and includes all data needed to process documents and assurance that all system codes are complete and valid.

C. EMACS Development Team Services

The Employee Management and Compensation System (EMACS) is integral to providing payroll services. The EMACS Team shall provide DISTRICT/JPA with access to e-Time and Self-Service as

well as technical and functional support services (services) necessary to implement pay and/or benefits, subject to and conditioned upon the following provisions and limitations:

1. Requests for services must be made directly to the EMACS Manager, and received in a timely manner, in order to be considered for processing.
2. Requests for services will be reviewed by EMACS and in turn, EMACS shall report to DISTRICT/JPA their ability to provide the requested service along with the estimated cost.
 - i. If EMACS and DISTRICT/JPA can agree on a timeframe that will accomplish DISTRICT/JPA's requested service, then EMACS will provide the service.
 - ii. If EMACS concludes that the requested service cannot be accomplished due to inadequate lead time, EMACS will have no obligation to provide the service.
 - iii. If EMACS concludes that the requested service cannot be accomplished because it goes beyond the ability of EMACS to accommodate the request, EMACS will notify DISTRICT/JPA and have no obligation to provide the service.
3. Requests for additional programming services for changes not included in services provided by EMACS may be billed separately by the Information Services Department.
4. System upgrades may require additional EMACS work to maintain or redo programming changes previously requested by DISTRICT/JPA. If such work is warranted, DISTRICT/JPA shall pay for the additional work required on the same basis on which the original change was accomplished.

D. Additional Accounting and Auditing Services

Any accounting and auditing services not addressed in this contract will be performed only upon request, may be subject to formal agreement, and will be charged to DISTRICT/JPA at the rate contained in the current Fee Ordinance on file with the Clerk of the Board. Unless otherwise stated in this agreement, the costs for these services will be based on actual hours worked at the rates contained in the Fee Ordinance. Any additional services requested by DISTRICT/JPA will be directly billed by ATC.

E. Exclusions

Notwithstanding the previous paragraphs, pursuant to DISTRICT/JPA's direction and as a consequence of DISTRICT/JPA transferring accounting information from FAS, DISTRICT/JPA and ATC agree that the following services are not included in this agreement:

1. Reviewing, auditing and/or processing:
 - i. Cash difference replenishments and petty cash replenishments
 - ii. Travel expenditure reimbursement claims and other claims for payment
 - iii. Payments for memberships and registrations
2. Providing and maintaining ATC VISA cards
3. Issuing County fixed asset tags and related fixed asset reporting
4. Detecting and investigating fraud and/or cash losses
5. Developing personnel billing rates/indirect cost proposals (ICRPs)
6. Preparing audited financial statements. DISTRICT/JPA acknowledges that as a separate legal entity from COUNTY, DISTRICT/JPA is not included within the audited financial statements of COUNTY.

F. Authority

The Auditor-Controller/Treasurer/Tax Collector of San Bernardino County shall have the right to exercise the County's authority under this contract, including the right to give notice of termination on behalf of the County at his sole discretion.

4. DISTRICT/JPA RESPONSIBILITIES

A. Funding

1. DISTRICT/JPA agrees to maintain a positive cash balance in its fund(s) at all times to meet its disbursement needs.
2. DISTRICT/JPA agrees to fully fund all salary and benefit costs for DISTRICT/JPA employees. DISTRICT/JPA shall maintain at a minimum, the equivalent of 150 percent of one pay period's salary and benefit costs on deposit with the COUNTY. This funding level represents estimated DISTRICT/JPA salary and benefit costs and allows for periods of unusually high salary amounts, typically associated with payouts and unexpected overtime. If such fluctuations are anticipated in an upcoming pay period, DISTRICT/JPA agrees to monitor and adjust its funding level, accordingly.
3. DISTRICT/JPA agrees to fund its annual service cost billing. DISTRICT/JPA shall maintain 110 percent of the previous fiscal years' service cost billing on deposit with the COUNTY. This funding level represents estimated DISTRICT/JPA current cost of services.
4. If a cash deficit occurs, COUNTY requires and DISTRICT/JPA agrees to deposit, sufficient funds in its fund(s) the earlier of these two timeframes:
 1. Within 72 hours of receipt of written notice (email) from COUNTY; or
 2. By two working days prior to the Friday confirmation of payroll preceding a scheduled pay day.
5. DISTRICT/JPA agrees that COUNTY is under no obligation to process its payroll if it has insufficient funds in County Treasury Pool to cover DISTRICT/JPA's payroll cost. If insufficient funds are on deposit to fully fund payroll for all DISTRICT/JPA employees, COUNTY reserves the right to pay only those employees for which there are sufficient funds available, beginning with the lowest paid employees.
6. DISTRICT/JPA agrees that COUNTY, at ATC discretion, may interrupt or suspend other disbursement services if DISTRICT/JPA's funds in the County Treasury Pool are insufficient. DISTRICT/JPA assumes all liability for interrupted disbursement services if inadequate deposits are available.
7. DISTRICT/JPA agrees that any cash deficit in its fund(s) resulting from the provision of services under this contract and its predecessor agreements shall be charged interest at the Treasurer's Investment Pool rate, plus any ATC staff costs incurred to remedy such deficit.
8. DISTRICT/JPA also agrees that any cash deficit may be cause for termination of this agreement, including cessation of County payroll and accounting services provided to DISTRICT/JPA, and termination of DISTRICT/JPA's voluntary depositor status in the County Treasury Pool.

The County Auditor-Controller/Treasurer/Tax Collector shall have the authority to provide notice and terminate the contract under this paragraph. COUNTY shall give DISTRICT/JPA a minimum 90 days' advance notice of such termination.

B. Documentation / Tax Reporting

1. DISTRICT/JPA shall provide its board-approved documentation containing specific pay and benefit information for new employees and/or changes to pay and benefits for existing employees to Central Payroll. DISTRICT/JPA's employees shall receive economic benefits and leave accruals for which COUNTY employees are eligible, including participation in the COUNTY's retirement system, as approved by DISTRICT/JPA's board.
2. DISTRICT/JPA is required to provide its Federal Employer Identification Number (FEIN) and State Employer Identification Number (SEIN) to the COUNTY for reporting personal income tax withholding, Medicare, and Social Security, if applicable.
3. DISTRICT/JPA agrees to appoint COUNTY as its Tax Reporting Agent and is required to complete Internal Revenue Service Form 8655- Reporting Agent Authorization and Employment Development Department (EDD) Form DE 48 – Power of Attorney Declaration, establishing COUNTY as DISTRICT/JPA's depositing and paying agent.
4. If DISTRICT/JPA does not file and pay its own SDI and UI, then DISTRICT/JPA shall annually provide to COUNTY copy of EDD form DE 2088 - Notice of Contribution Rates and Statement of Unemployment Insurance Reserve Account for Calendar Year.

C. Cost of Services

1. Payroll and accounting services will be billed to DISTRICT/JPA on a quarterly basis by ATC at rates established by the County's State of California approved County-Wide Cost Allocation Plan (COWCAP). Rates will be adjusted annually reflecting the County's current State of California approved COWCAP and such adjustments shall constitute an automatic amendment to this contract.
2. Any DISTRICT/JPA-specific required reporting, accounting, enhanced services described in Section 3B of this contract or services requested by DISTRICT/JPA that fall outside the scope of COWCAP services, will be billed on a monthly basis at the Auditor-Controller hourly rate as stated in the Fee Ordinance as approved by the Board of Supervisors (Fee ordinance 16.0203A (d)).
3. Any EMACS Team services performed on behalf of DISTRICT/JPA will be billed by HR/EMACS based on actual hours worked at the current hourly rates charged for such services.

5. INDEMNIFICATION

- A.** DISTRICT/JPA agrees to indemnify, defend and hold harmless the COUNTY and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising from DISTRICT/JPA negligent acts, errors or omissions and for any costs or expenses incurred by the COUNTY on account of any claim therefore, except where such indemnification is prohibited by law.
- B.** COUNTY agrees to indemnify, defend and hold harmless DISTRICT/JPA and its authorized officers, employees, agents and volunteers from any and all claims, actions, losses, damages, and/or liability arising from COUNTY's negligent acts, errors or omissions and for any costs or expenses incurred by DISTRICT/JPA on account of any claim therefore, except where such indemnification is prohibited by law.

6. TERMINATION OF SERVICES

A. Termination by COUNTY

COUNTY shall give written notice to DISTRICT/JPA that COUNTY will no longer provide a specific service. Unless such termination is warranted due to DISTRICT/JPA's failure to perform according to DISTRICT/JPA Responsibilities, COUNTY shall cooperate with DISTRICT/JPA to ensure that a vital service provided by COUNTY is available from an alternate source before services are terminated and provide such notice at least 12 months prior to service termination.

B. Termination by DISTRICT/JPA

DISTRICT/JPA may give notice to COUNTY that DISTRICT/JPA will no longer use a specific COUNTY service. The notice shall be given at least 90 days prior to service termination.

COUNTY OF SAN BERNARDINO
AUDITOR-CONTROLLER/TREASURER/TAX COLLECTOR

▶ _____
Larry Walker, for County of San Bernardino

By ▶ _____

Dated: _____

Dated: _____

▶ _____
Larry Walker, Auditor-Controller/Treasurer/Tax Collector

Dated: _____

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 14, 2014 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, Project Manager
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #11: Workshop on LAFCO 3176 - Special Study for
Daggett, Newberry and Yermo Community Services Districts including
Plan for Service and Service Review

RECOMMENDATION:

Staff recommends that the Commission review the draft Plan for Service and Service Review for LAFCO 3176 and provide direction to staff.

BACKGROUND:

The 2012-13 San Bernardino County Grand Jury report investigated the Newberry Community Services District and identified numerous issues and challenges related to governance, accounting and financial management, and internal controls. A single finding from that Grand Jury report related to LAFCO, identified as Recommendation #15, recommending that LAFCO:

“Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.”

At the September 2013 hearing the Commission initiated a special study for the Newberry CSD and the bordering Daggett and Yermo CSDs based upon the recommendations within the 2012-13 Grand Jury report. The Commission’s direction also included requirement for preparation of a plan for service to address the various government structure options.

Staff conducted site visits with the three districts in November 2013, and conducted a second site visit with the Newberry CSD in February 2014 since there had been significant director and staff changes: three new members of the Board of Directors, a new general manager and office staff since the first visit. The districts had outstanding audits due to

LAFCO which caused a delay in issuance of a draft report. Staff received all the outstanding information in early June and completed the draft staff report for internal review by early July. In August, a draft report was reviewed with the affected agencies (the three districts, County Fire, and the County {County Special Districts, Administrative Office and the First District}) for comment and editorial purposes. The only comments received were from the Newberry CSD and is included as an attachment to the draft study.

WORKSHOP:

This is the first time that the Grand Jury has recommended that San Bernardino LAFCO not only conduct a service review but to include a more robust analysis of governance and reorganization options. Additionally, the previous service review in 2009 was met with disdain and resulted in controversy. For these reasons, staff is first presenting the draft staff report in a workshop session for Commission review, input, and direction before staff conducts a community meeting. The Commission will be taking no formal action today on the service review.

Attached to this staff report is the draft Plan for Service and Service Review which has been reviewed by the affected agencies and includes their accepted corrections and comments. The Plan for Service discusses structure options for the community to consider that could potentially achieve a consistent level of service and economies of scale.

Given the objectives and analysis for the Plan for Service, LAFCO staff's position is that, at a minimum, Daggett CSD and Yermo CSD consolidate; however, the preferable course would be for Daggett CSD, Newberry CSD, and Yermo CSD to consolidate into a single district. The long-term benefit to the community would be through services which are consistent, allows for flexibility in assigning resources, streamlines governance and management, and provides for the appropriate location of resources. The Plan for Service shows that a consolidated district would be fiscally feasible during the five-year forecast period and beyond, at a cost at or below that of the status quo.

NEXT STEPS:

In late November/early December LAFCO staff will conduct a community meeting to review the draft staff report with the community at the Silver Valley High School in Yermo. The final staff report will be presented to the Commission at its January 21, 2015 hearing for action which will include an update from the community meeting and an outline of the public's sentiments.

CONCLUSION:

At today's workshop the Commission is taking no action on the special study. Rather, due to the controversy from the first service review coupled with the recommendation from the Grand Jury, this special study is being reviewed with the Commission in a workshop session for additional input into the document followed by a community meeting to be conducted by LAFCO staff. Staff recommends that the Commission review the draft Plan

for Service and Service Review for LAFCO 3176 and provide comment and direction to staff.

KRM/MT

Enclosure: Draft Plan for Service and Service Review to include Attachments

Table of Contents

Executive Summary.....	1
Plan for Service.....	1
Service Review Determinations	3
Continued Monitoring of the Districts by LAFCO.....	5
Introduction	7
Plan for Service	12
Purpose and Justification	12
Methodology.....	13
Analysis of Options.....	15
Additional Considerations.....	41
Recommendation and Conclusion	41
Service Review for Region.....	43
Determination I.....	44
Determination II.....	47
Determination III.....	49
Determination IV.....	72
Determination V.....	86
Determination VI.....	87
Attachments.....	92

Executive Summary

The 2012-13 San Bernardino County Grand Jury report reviewed Newberry Community Services District and identified numerous issues and challenges related to governance, accounting and financial management, and internal controls. A single finding related to LAFCO, identified as Recommendation #15, recommends that LAFCO:

“Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.”

Among the possible reorganization scenarios presented in LAFCO’s 2009 report, the Grand Jury report identifies that the following two scenarios merit further review, along with more robust analysis of governance and reorganization options. 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’.”

In response to Recommendation #15 of the 2012-13 San Bernardino County Final Grand Jury Report, at the September 18, 2014 hearing the Commission directed its staff to undertake an immediate off-cycle service review for the Daggett, Newberry, and Yermo Community Services Districts. 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. Each of the districts provides the same governmental services: fire protection and emergency response, park and recreation, and streetlights. Daggett CSD provides one business-type function: water.

Plan for Service

Included in this report is a Plan for Service that discusses structure options for the community to consider that would potentially achieve a consistent level of service and economies of scale. Per San Bernardino LAFCO’s policies, a Plan for Service shall include a fiscal impact analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The fiscal Impact analysis shows a five-year projection of revenues and expenditures along with a narrative discussion of the sufficiency of revenues for each option. The intent of developing a Plan for Service for this report is for the districts or the public to use as a part of a potential application to LAFCO for a future change of organization.

Objectives

Importantly, services must perform effectively and efficiently and the level of service must be maintained or improved upon as a result of any organizational changes. Governments including special districts must consider new ways to do business given the present fiscal constraints and future financial uncertainty. The objectives for this Plan for Service are to:

- Improve the financial mechanism of the districts to provide service
- Provide services effectively and efficiently within the funding level acceptable to those that pay taxes
- Provide standardized fire apparatus and levels of service, and training that meets regulatory standards
- Improve the management efficiency of the districts

Options for Discussion

Based upon the purpose and justification of this Plan for Service and the objectives listed above, the following options are identified for consideration. A comparison chart summarizing the options is included as Attachment #3.

1. Consolidation
 - a. Daggett CSD and Yermo CSD
 - b. Daggett CSD, Newberry CSD and Yermo CSD
2. Formation of a Joint Powers Authority for fire protection and emergency response
 - a. Administrative (admin operations, training, purchasing, etc.)
 - b. Functional (sharing of resources, joint response)
3. San Bernardino County Fire Protection District ("SB County FPD") to provide fire protection and emergency response to Newberry Springs
 - a. Annexation of Newberry Springs to SB County FPD, dissolution of Newberry CSD, and formation of a zone to County Service Area 70 for streetlighting and park and recreation
 - b. Formation of a zone to County Service Area 40 for all services with the zone contracting with SB County FPD for service
4. Maintenance of the status quo

LAFCO Staff Recommendation

A cliché is that there is no "magic bullet" to address many big, difficult problems. If there was a "magic bullet" it would have been used by now. However, in this case the level of service and/or service coverage can be improved by the adjustment of boundaries and coordination of planning for future facilities and service needs. Given the objectives and analysis for this Plan for Service, LAFCO staff recommends that at a minimum Daggett CSD and Yermo CSD consolidate, preferably for Daggett CSD, Newberry CSD, and Yermo CSD consolidate into a single district. The long-term benefit to the community would be through service which is consistent, allows for flexibility in assigning resources, streamlines governance and management, and provides for the appropriate location of

resources. The Plan for Service shows that a consolidated district would be fiscally feasible during the five-year forecast period and beyond, at a cost at or below that of the status quo. Failure to adapt, the financial and operational challenges that each district individually faces will only increase.

Ultimately, the path forward will be decided by the registered voters and landowners within the community. No matter the final outcome, LAFCO staff desires that the agencies initiate earnest discussions on working jointly towards service efficiencies and looking toward the consolidation of services to address the needs of the community as a whole.

Service Review Determinations

Used as supporting documentation to the Plan for Service, LAFCO staff responses to the mandatory factors for consideration in a service review (as required by Government Code 56430) are summarized below and incorporate the districts' responses and supporting materials.

Determination I - Growth and population projections for the affected area

These areas are not anticipated to experience significant growth within the coming years (including Harvard within the Daggett/Yermo CSD sphere). This determination is made due to the land use designations assigned by the County, about one-third of the land being publicly owned, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. Conversely, the transient traffic on Interstates 15 and 40 (two of four interstates that exit Southern California to the east) has significantly increased in volume each decade and is anticipated to continue to do so.

Determination II - The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

Generally, the entire study area is considered a disadvantaged unincorporated community (DUC). The areas that are shown as not a DUC are: 1) part of a Census block group that extends into the City of Barstow, or 2) vacant and/or public lands managed by BLM.

Determination III - Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

All three CSDs provide streetlight, park and recreation, and fire protection services. Streetlighting and park and recreation services are adequately provided. Due to the age of each of the community center buildings, upgrades and improvements are necessary.

Currently, Daggett CSD and Yermo Water Company are the only domestic water service providers within this region. These service providers are shown on the map included as a part of Attachment #4. Daggett CSD delivers water within its boundaries and to a 1.25 mile area within Yermo CSD territory. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water

to a small portion of Yermo. The Yermo Water Company has been under receivership as mandated by the San Bernardino Superior Court since April 2009.

Within the past year Daggett CSD has had three occurrences that disrupted water flow (two positive tests for bacteria and a lack of electricity for the wells to pump due to downed power lines from a wind storm). While some circumstances cannot be avoided, of concern to LAFCO staff is how Daggett CSD handled the situations. This includes lack of notification to the regulatory agency responsible for its monitoring, the County Department of Public Health. Failure to notify the regulatory agency for the local water system disregards the rules and regulations that are in place to ensure public health and promote transparency. As a result, such inattention to the rules and regulations in place are a disservice to the community.

For fire protection and emergency response, the paradox is that with scant property tax revenue akin to a rural agency funding an all-volunteer force with satisfactory equipment, it is the inherent responsibility of the CSDs not only to provide service to its residential and commercial areas, but to wild fires in the vast public lands (approximately 30% of the combined land being public) and incidents along two of the four interstate highways that exit Southern California to the east.

Determination IV - Financial ability of agencies to provide services

Each of the districts experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. With the exception of water charges collected by Daggett CSD, the ongoing operations of the districts are mostly funded by property taxes. The information provided indicates that this is not enough to fund capital and needed improvements in the long-run. Fire protection and related activities comprise the largest expense for each of the agencies and its cost increases annually. Further, the districts do not adhere to the constitutional requirements for the establishment of an appropriations limit and other statutes related to finances of a community services district. Specifically, for Daggett CSD, it has failed to operate with a budget since 1995, and Newberry CSDs' independent auditor issued a disclaimer of opinion for the 2010 and 2011 audits.

Determination V - Status of, and opportunities for, shared facilities

Newberry CSD and Yermo CSD have agreements with the Silver Valley Unified School District for use of its land and Daggett has its community center facility on County land. The opportunity for shared facilities amongst all three CSDs through a consolidation or joint powers authority would maximize the limited resources available. This service review includes a Plan for Service that discusses structure options for the community to consider that would potentially achieve a consistent level of service and economies of scale.

Determination VI - Accountability for community service needs, including governmental structure and operational efficiencies

County Registrar of Voters records since 1995 indicate that the districts have had high turnover on the boards and have not yielded enough candidates to continually run for office resulting in appointments in lieu of election. In late July 2014, the CSD's water operations with the court-appointed receiver ceased, and the general manager and

secretary resigned their employment with the CSD. It is not known as of the date of this report if the Yermo CSD intends to hire a general manager.

Continued Monitoring of the Districts by LAFCO

This service review identifies numerous areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. LAFCO staff recommends that the Commission determine that the districts are not in compliance with the following and that LAFCO staff returns to the Commission every six months until all of the items below are satisfied.

Daggett CSD

1. Work with the County to address and formalize the lease arrangement for the Daggett Community Center.
2. Provide LAFCO with a copy of all future water quality information provided to the public, to include water quality control reports, occurrences of contamination, and boil water orders.
3. Adopt an annual budget that conforms to generally accepted accounting and budgeting procedures by September 1 of each year at a noticed hearing pursuant to Community Services District Law Section 61110.
4. Clarify the chain of command to establish the reporting relationship between the Fire Chief and the Board of Directors.
5. Consider implementing a website as the benefits of transparency are great.

Newberry CSD

6. Recommendation #5 from the 2012-13 Grand Jury Report reads for Newberry CSD to: " Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual". The CSD's March 2014 response to the Grand Jury reads, "Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future".

In its response to the draft staff report, Newberry CSD identified that such an accounting manual would be a one-page item identifying payment policies. Nonetheless, the district notified in writing to the Grand Jury that it would develop an accounting manual. LAFCO staff recommends that the district either update the Grand Jury on this matter or provide the Grand Jury and LAFCO with a copy of the accounting manual regardless of size and content, upon approval.

Newberry CSD and Yermo CSD

7. Each district conforms to the criteria listed in the Special District Leadership Foundation transparency website checklist and takes the necessary steps to keep its website current.

All Districts

8. Adopt and annually review reserve policies pursuant to Community Services District Law Section 61112.
9. Include the Management Discussion and Analysis as a part of the annual audit, as required by the Governmental Accounting Standards Board.
10. Forward a copy of the final budget to the County Auditor pursuant to Community Services District Law Section 61110.
11. Adopt an annual appropriations limit by resolution authorizing the expenditure of the proceeds of taxes and review the annual calculation as a part of the annual financial audit, pursuant to Article XIII B of the State Constitution, which is further acknowledged by Community Services District Law Section 61113.

As of the date of this report, LAFCO staff has not received any information from Daggett CSD and Yermo CSD on their intent to adopt the appropriations limit. Newberry CSD has responded to the draft staff report and has indicated that it will begin work on formulating the appropriations limit in the near future.

Introduction

In 2000, state legislation designated Local Agency Formation Commissions as the agency to conduct a review of municipal services within each county on a five-year cycle.¹ Having a jurisdiction of the largest county in the continental United States, the Local Agency Formation Commission for San Bernardino County (“LAFCO”) has adopted a policy to conduct its service reviews on a community-by-community basis.

A service review is a comprehensive review to inform LAFCO, local agencies, and the community about the provision of municipal services. Service reviews attempt to describe and analyze information about service providers and to identify opportunities for increased effectiveness and efficiencies of service delivery. The service review can work in conjunction with a sphere of influence determination and may also guide (not require) LAFCO to take other actions under its authority. LAFCO, local agencies and the community may then use the service review to consider potential proposals to LAFCO (i.e. annexations, consolidations).

2009 LAFCO Service Review

In 2009, LAFCO conducted the first service review, along with a sphere of influence update, for the contiguous areas of Daggett, Newberry Springs, and Yermo (included as Attachment #2). The reorganization options identified in the 2009 service review report included, among others, the consolidation of the three CSDs into a single agency, which the staff recommendation supported through a consolidated sphere of influence. The staff’s rationale was identified as being that the three CSDs were experiencing governance issues (compliance with audit requirements, budget compliance, etc.) to varying degrees and the consolidation would pool resources to allow for the hiring of professional staff to move them toward compliance. At the June 2009 LAFCO hearing, the Newberry CSD representatives and residents were successful in convincing the Commission to retain its autonomy as a separate sphere of influence. For its determination of the 2009 service review, the LAFCO Commission adopted a single sphere of influence for the Daggett CSD and Yermo CSD to include the Harvard area, and (2) retained a separate sphere for Newberry CSD. The intent of a single sphere of influence is a signal of the Commission’s intent that the Daggett CSD and Yermo CSD consolidate to maximize efficiencies and reduce adjacent districts formed under the same principal act performing essentially the same services.

2012-13 Grand Jury Report

In July 2013, the San Bernardino Grand Jury issued its annual report for 2012-13 which included a report on the Newberry CSD due to it receiving multiple citizen complaints of activities conducted by Newberry CSD (copy included as Attachment #1). The Grand Jury review identified numerous issues and challenges related to governance, accounting and

¹ The service review requirement is specified in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et. seq.). Upon adoption of the service review determinations, the Commission can update the spheres of influence for the reviewed agencies under its purview.

financial management, and internal controls. Referenced in the Grand Jury report was the Commission's June 2009 service review and sphere of influence update for the district which identified a number of operational deficiencies which were memorialized in LAFCO Resolution No. 3064. The Grand Jury report identifies a single finding related to LAFCO, shown on Page 22 of the report, identified as Recommendation #15:

"Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014."

Among the possible reorganization scenarios presented in LAFCO's 2009 report, the Grand Jury report identifies that the following two scenarios merit further review, along with more robust analysis of governance and reorganization options. 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'."

2014 Service Review

In response to Recommendation #15 of the 2012-13 San Bernardino County Final Grand Jury Report, on September 18, 2014 the Commission directed its staff to undertake an immediate off-cycle service review for the Daggett, Newberry, and Yermo Community Services Districts. 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 a more detailed review should address any questions regarding the operation of the districts, most importantly the questions of financial benefit.

The LAFCO Commission desires to educate the local governments that LAFCO reviews about the laws which govern its operations. In conjunction with this service review, at the direction of the Commission LAFCO staff contacted the Special Districts Risk Management Authority (SDRMA) to conduct local training on board governance. LAFCO staff's position is that it is recognized that the three-community area is classified as a disadvantaged community (see Determination II of this report). 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 four new members since August 2013. The training held in March 2014 provided access to resources that the districts may not have had otherwise. The training was offered to all special districts in the county, but it was tailored primarily for CSDs

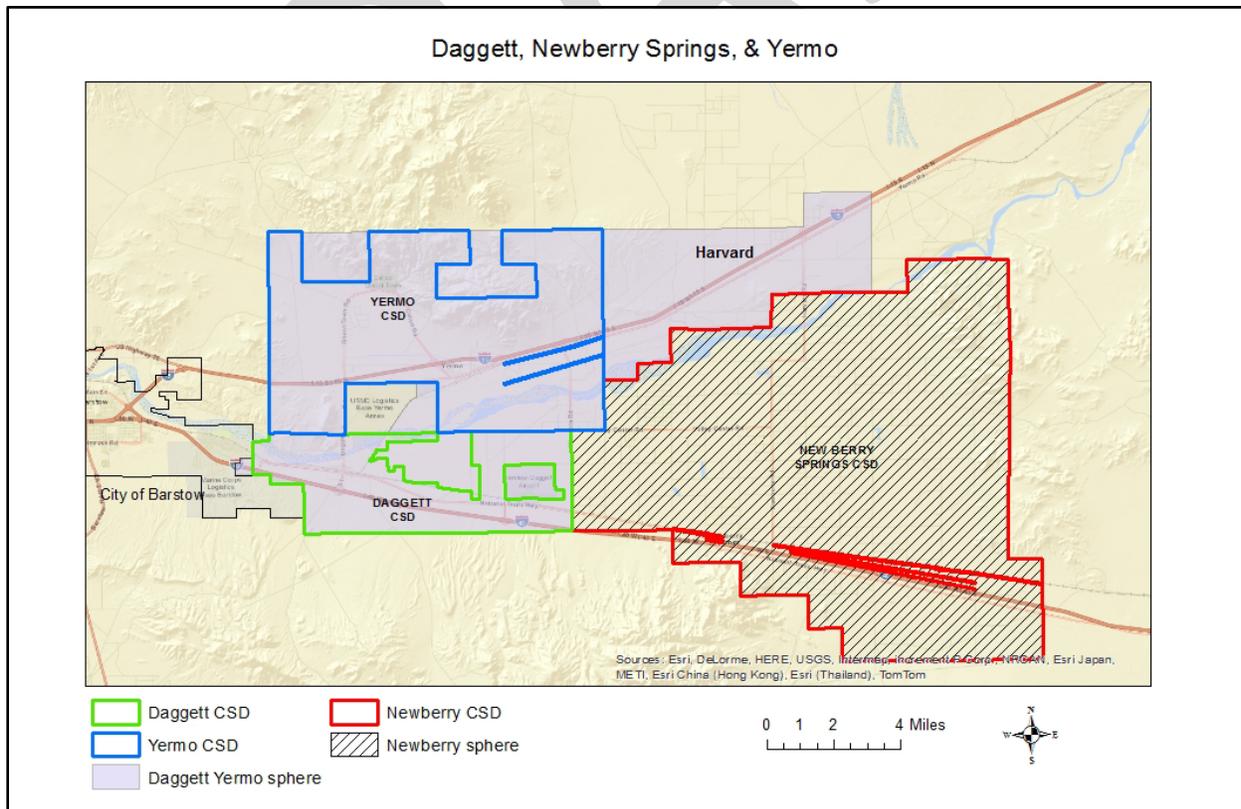
(relevant for this service review), with parallel dialogue regarding other types of districts (i.e. public cemetery districts) worked into the training.

For this service review, at the request of LAFCO staff the districts provided information, were interviewed by LAFCO staff, and have been available to LAFCO staff upon request. LAFCO staff also interviewed fire personnel from the neighboring fire agencies, obtained information from public sources, as well as referring to literature and other service reviews conducted in the state on fire protection and emergency response in rural areas, volunteer fire departments, and consolidation. LAFCO staff responses to the mandatory factors for consideration in a service review (as required by Government Code 56430) are to follow and incorporate the districts' responses and supporting materials. The service review is also background to the Plan for Service that is included in this report. The Plan for Service includes a fiscal impact analysis outlining feasible options for consideration by the community.

Location and Agency Descriptions

The service review study area is located in the north desert region of the county and is generally east of the City of Barstow along Interstates 15 and 40. A map of the three districts with the City of Barstow to the west is shown below (included in Attachment #4). As shown, Daggett CSD and Yermo CSD share a single sphere of influence which includes the Harvard area.

Map of the Daggett, Newberry Springs, and Yermo Communities



The following is a description of each agency:

	Daggett CSD	Newberry CSD	Yermo CSD
Year Formed	1955	1958	1962
Enabling Legislation	CSD Law	CSD Law	CSD Law
Current Services Provided	Fire protection Park & recreation Streetlights Water	Fire protection Park & recreation Streetlights	Fire protection Park & recreation Streetlights
General Manager	Full-time 100% office hours	12 hrs/week 100% office hours	No GM at this time
Fire Chief	Volunteer, also board president	Volunteer	Volunteer, also board president
Service Costs, 2010-13 (avg)			
Fire Protection	\$46,227	\$119,849	\$53,162
Streetlights, Park & Rec	\$57,750	\$81,771	\$63,865
Water	\$123,685	--	--
Population, 2013 est.	487	2,288	1,629
Area (square miles)	26	117	74

Daggett

Daggett's boundary comprises approximately 26 square miles and shares a single sphere of influence with Yermo CSD which includes the community of Harvard. Geographical reference points include Interstate 40, Barstow-Daggett Airport, and the former Solar One and Two solar energy projects. Daggett CSD was formed in 1955 with the authorized functions to provide water, sewer, refuse, fire, park and recreation, street lighting, mosquito abatement, and police services to the Daggett community. Currently, Daggett is authorized by LAFCO to provide water, street lighting, park and recreation, and fire protection pursuant to the *Rules and Regulations of the Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts*.

Newberry

Newberry's boundary comprises approximately 117 square miles. Newberry's exterior boundary and sphere of influence boundary line are coterminous, as shown in the map above. Newberry's sphere includes the exclusion areas of portions of pipelines owned by Pacific Gas and Electric Company and portions of the railway lines located in the southern area of the District. Geographical reference points within Newberry Springs are Troy Dry Lake, Interstates 15 and 40, and the Mojave River.

Newberry was formed in 1958 with the authorized functions to provide water, sewer, refuse, fire protection, park and recreation, police, and streetlighting to the Newberry Springs community. Currently, Newberry is authorized by LAFCO to provide water, fire protection, streetlighting, park and recreation, and sewer services. Newberry is not a retail water

provider; rather it utilizes water from its own wells for its facilities and for fire protection purposes. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to ultimately plan for a sewer collection and treatment system.

Yermo

Yermo's boundary and sphere of influence comprise approximately 74 square miles. As shown on the map above, the sphere shares a single sphere of influence with Yermo CSD and includes the community of Harvard. Yermo's sphere includes the exclusion areas of portions of railway lines and portions of electrical lines located in the eastern area of Yermo. Geographical reference points within Yermo are Interstate 15, the Mojave River, Calico Early Man Archaeological Site, and Calico Ghost Town, a County regional park, and the now closed Lake Dolores (Lake Delores is the original name of the man-made lake).

Yermo was formed in 1962 through a reorganization which included dissolution of the Yermo Fire Protection District and succession to its responsibilities. The District was originally approved by the voters with the authorized functions to provide water, sewer, refuse, fire protection, park and recreation, streetlighting, mosquito abatement, police protection, library, and road services to the Yermo community. The initial active service functions were fire protection, park and recreation, and streetlighting. In 2009, the LAFCO Commission approved the activation of its water function to provide Yermo CSD the ability to participate in acquisition proceedings to acquire the private Yermo Water Company (regulated by the California Public Utilities Commission) and be responsible for the operation and maintenance of the system.

Plan for Service

A. Purpose and Justification

Grand Jury Report

In July 2013, the San Bernardino Grand Jury issued its annual report for 2012-13 which included a report on the Newberry CSD due to it receiving multiple citizen complaints of activities conducted by Newberry CSD (copy included as Attachment #1). The Grand Jury review identified numerous issues and challenges related to governance, accounting and financial management, and internal controls. Referenced in the Grand Jury report was the Commission's June 2009 service review and sphere of influence update for the district (included as Attachment #2 to this report) which identified a number of operational deficiencies which were memorialized in LAFCO Resolution No. 3064. The Grand Jury report identifies a single finding related to LAFCO, shown on Page 22 of the report, identified as Recommendation #15:

"Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014."

Among the possible reorganization scenarios presented in LAFCO's 2009 report, the Grand Jury report identifies that the following two scenarios merit further review, along with more robust analysis of governance and reorganization options. 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 Service Reviews and CSD Law

The preamble to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the law governing government boundaries and reorganizations) reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities.

Additionally, the legislature's direction cited above is reinforced in Community Services District Law, which refers back to Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The preamble to CSD Law states that the intent of the Legislature for CSD Law is:

“To encourage local agency formation commissions to use their municipal service reviews, spheres of influence, and boundary powers, where feasible and appropriate, to combine special districts that serve overlapping or adjacent territory into multifunction community services districts.”

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review² and San Bernardino LAFCO has adopted these guidelines as its own. The Guidelines address 49 factors in identifying an agency’s government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

Government Structure Options

Given the Grand Jury’s recommendation to LAFCO to conduct a service review and the direction to consider consolidating overlapping agencies as outlined in CSD Law and the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, this service review includes a Plan for Service which evaluates the two reorganization options that the Grand Jury states merit further review as well as other feasible options.

This Plan for Service provides a presentation regarding the rationale for the options provided, how each option would occur, and includes a fiscal impact analysis outlining feasible options for consideration by the community. At the conclusion LAFCO staff provides a recommendation of the best course of action based upon the analysis. The intent of developing a Plan for Service for this report is for the districts and/or the public to use as a part of a potential application to LAFCO for a future change of organization.

B. Methodology

Objectives

The Plan for Service must show services performing effectively and efficiently, and the level of service must be maintained or improve upon as a result of any organizational changes. Importantly, governments including special districts must consider new ways to do business given the present fiscal constraints and future financial uncertainty. The objectives for this Plan for Service are to:

- Improve the financial mechanism of the districts to provide service
- Provide services effectively and efficiently within the funding level acceptable to those that pay taxes
- Provide standardized fire apparatus and levels of service, and training that meets regulatory standards
- Improve the management efficiency of the districts

² State of California. Governor’s Office of Planning and Research. “Local Agency Formation Commission Municipal Service Review Guidelines”, August 2003.

LAFCO Policies and Practices

Per San Bernardino LAFCO's policies, a Plan for Service shall include a fiscal impact analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The fiscal impact analysis shows a five-year projection of revenues and expenditures along with a narrative discussion of the sufficiency of revenues for each option. Additionally, in the case of a proposed annexation or reorganization, the Plan for Service must demonstrate that the range and level of services currently available within the study area will, at least, be maintained by the annexing agency.

San Bernardino LAFCO also has a practice whereby reorganization proposals must be able to show that the proposal would achieve a ten percent reserve within three years. As of June 30, 2012 each district had at least a ten percent reserve. Therefore, this criterion has already been met and does not warrant further analysis.

Standardized Analysis and Assumptions

To standardize the analysis of the options identified in this Plan for Service, Daggett's water service (a business-type activity) is not included in the fiscal impact analysis, although the water service's fair share of general district overhead and staffing are taken into account. The fiscal impact analysis compares the governmental services that each agency provides: streetlights, park and recreation, and fire protection and emergency response. Additionally, the cost projections shown for each option do not take into account capital purchases as a part of expenditures. The annual cost savings (shown as Revenue Gain) would be used for either reserves or capital purchases. A comparison chart summarizing the options is included as Attachment #3.

To provide the Commission and the public a baseline financial model from which it can make its determinations in a balanced and well-informed manner, the fiscal impact analysis includes a historical trends analysis of the districts' actual revenues and expenditures from FY 2008-09 to FY 2012-13. The fiscal impact analysis also reviews past actual revenues and expenditures to better understand constant and one-time activities. Assumptions are made that the receipt of property taxes will increase by the statutory limit of two percent a year and rental income are not assumed to increase as a result of any of the discussed options below. Inflation is taken into consideration and is factored at 2.0% for the first year and increases to 3.5% for the fifth year.

Sources

Given the objectives outlined above, this Plan for Service refers to the six determinations of the service review for background information and support. The Executive Summary to this service review includes the conclusion for each determination. The financial information used for the fiscal impact analysis is from each district's information as provided in the State Controller Report for Special Districts (information which each district provides to the state). While audited financial reports are ideal for most trends analyses, they do not provide enough detail to separate

revenues and expenditures based on the different services as well as constant and one-time activities. Accounting procedures under GASB (Governmental Accounting Standards Board) and GAAP (Generally Accepted Accounting Principles) also establish reporting requirements not intended for trending purposes by activity (service).

C. Analysis of Options

Based upon the purpose and justification of this Plan for Service and the objectives listed above, the following options are identified for consideration:

1. Consolidation
 - a. Daggett CSD and Yermo CSD
 - b. Daggett CSD, Newberry CSD and Yermo CSD
2. Formation of a Joint Powers Authority for fire protection and emergency response
 - a. Administrative (admin operations, training, purchasing, etc.)
 - b. Functional (sharing of resources, joint response)
3. San Bernardino County Fire Protection District ("SB County FPD") to provide fire protection and emergency response to Newberry Springs
 - a. Annexation of Newberry Springs to SB County FPD, dissolution of Newberry CSD, and formation of a zone to County Service Area 70 for streetlighting and park and recreation
 - b. Formation of a zone to County Service Area 40 for all services with the zone contracting with SB County FPD for service
4. Maintenance of the status quo

OPTION 1. **Consolidation**

Consolidation offers the greatest level of benefit for resource management, seamless operations, and standardized coverage. For park and recreation, overhead would reduce as shared equipment and labor would result in savings. Recreation activities could consolidate thereby resulting in more frequent or higher quality activities.

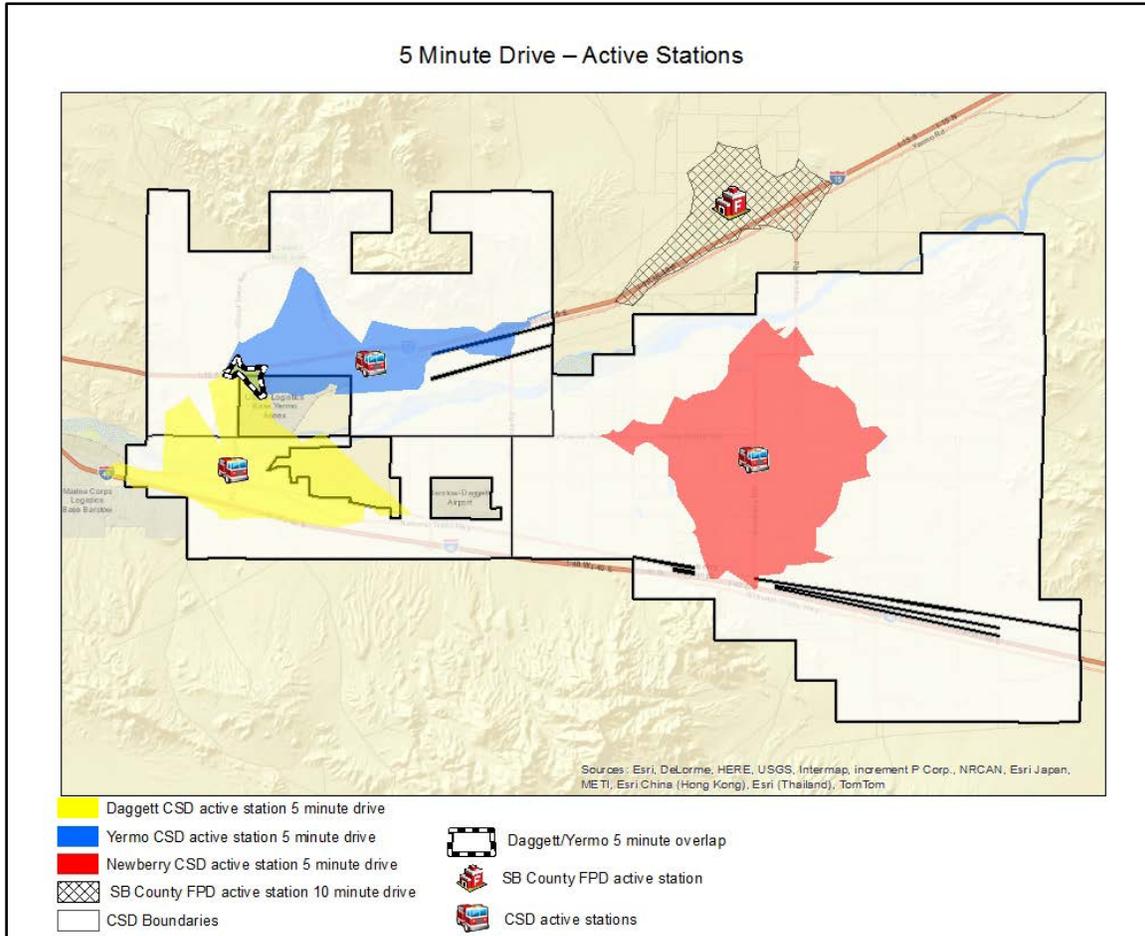
For fire protection and emergency medical response, incident response would be provided from the best available resource within the consolidated district rather than automatic/mutual aid, and resources would be shared equally. All areas would participate in capital costs for new equipment and station upgrades. The redundancies for multiple agencies and elected and appointed offices would be eliminated. It would be expected that a single agency could use resources more effectively. For example, each CSD competes for volunteer firefighters from the same limited pool of volunteers. A consolidated effort for recruitment would lessen this burden. Further, recently many fire agencies have been charging for services associated with vehicle accidents from out of area residents. With the high traffic volumes along the interstates, a consolidated district could allocate the appropriate resources to collect this additional revenue.

According to the International Fire Chiefs Association, the number of calls significantly increases the business aspect of running a fire department. A department that responds to more than 750 calls per year, which is an average of two calls per day, should consider providing a compensated leadership position for developing and executing an organizational plan. The planning process should be developed with immediate, intermediate and long-range goals and have established review dates.³ As shown in Determination III in the service review, in 2013 Daggett CSD had 162 calls, Newberry CSD 333, and Yermo CSD 364. Combined, the community had 859 calls in 2013 and such volume, in the LAFCO staff opinion, warrants a single fire leadership position.

Drive Times

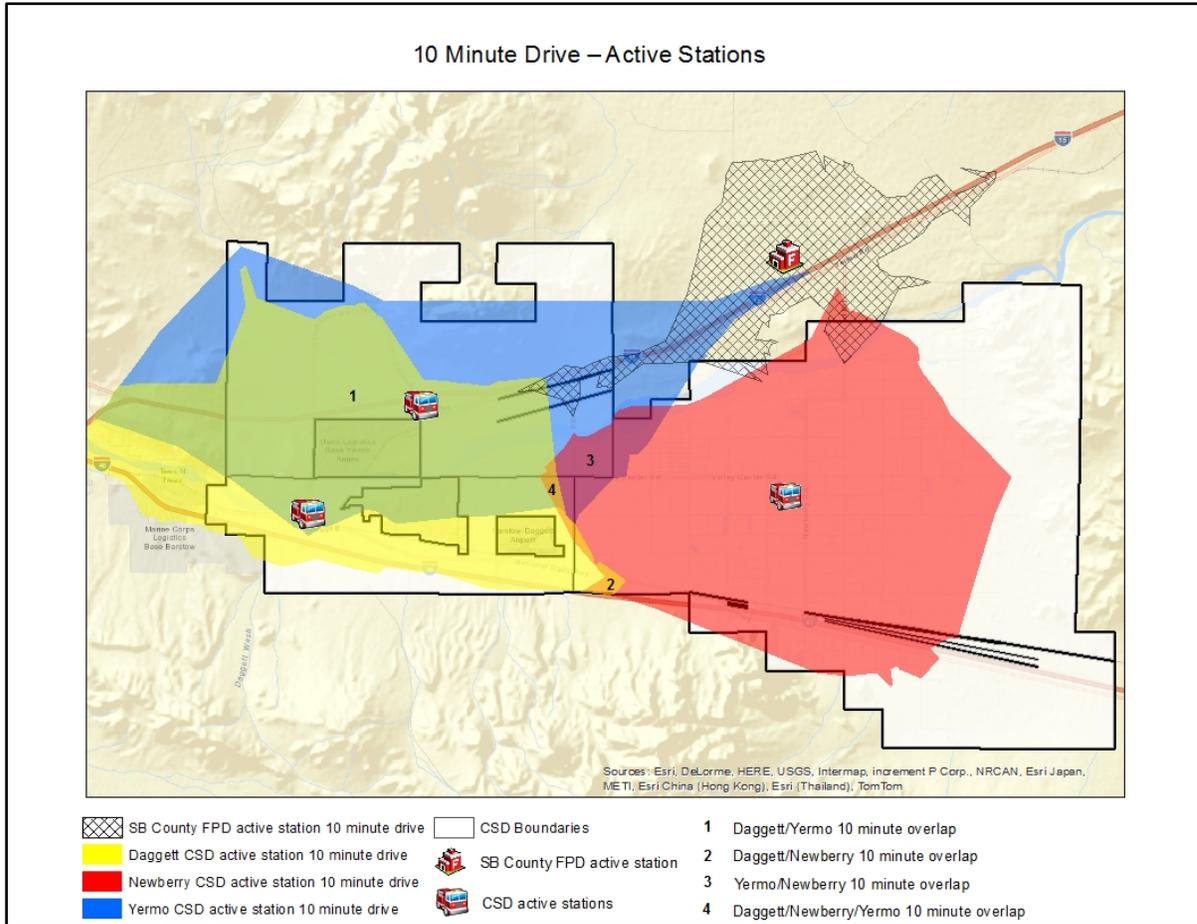
As for drive times from each station, the first figure below identifies a five-minute drive time from each CSD's active station. Please note that this is the time that it takes to drive from each station, not response time which takes into account other factors. As shown, there is only one five-minute overlap area, between Daggett CSD and Yermo CSD. This overlap area is minor and does not cover the core of each district.

³ International Fire Chiefs Association. 2004.

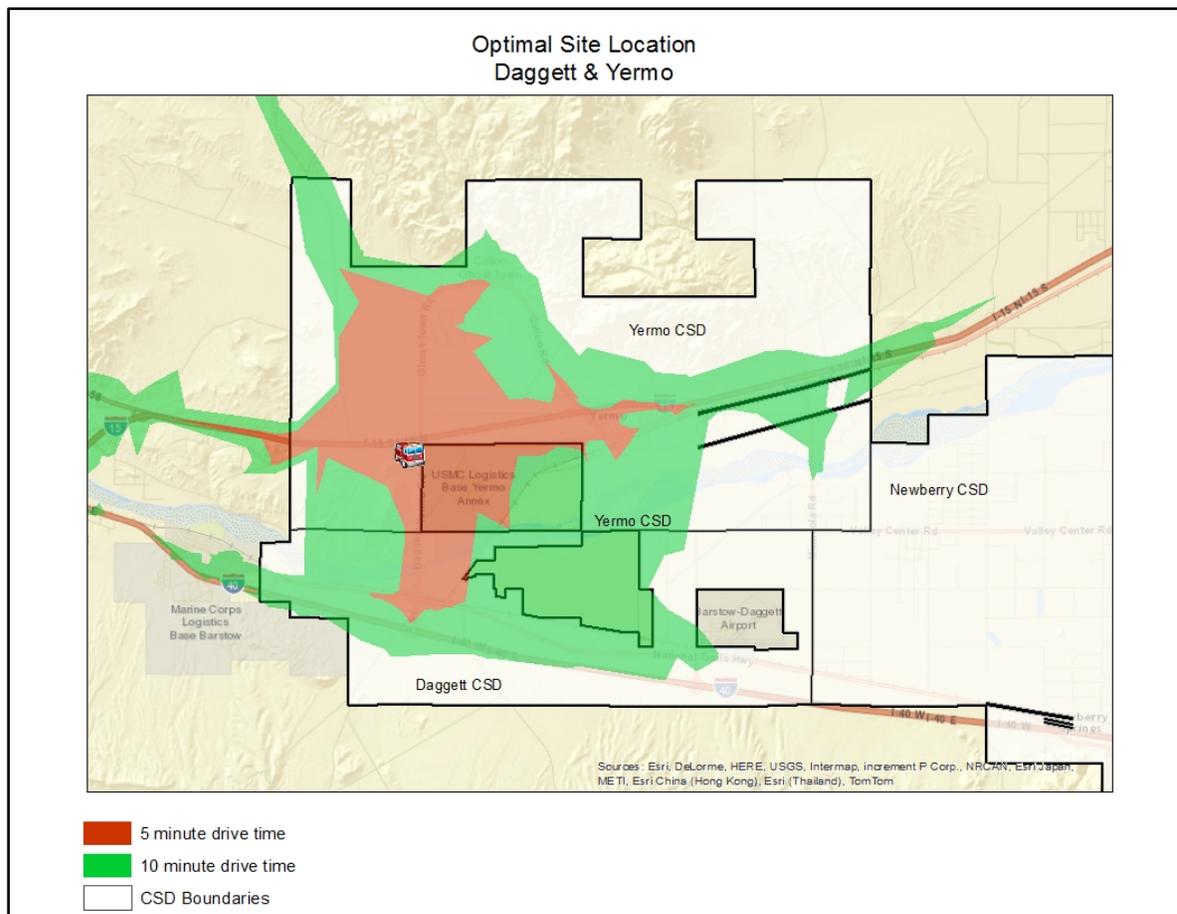


A five-minute drive time from a rural and volunteer fire station exceeds the industry standard.⁴ Increasing the analysis to 10 minutes provides a different picture. In the figure below, which also overlays the SB County FPD Harvard station drive time for reference, the overlap between Daggett CSD and Yermo CSD's active stations are significant and covers each's core area. The overlap between Newberry CSD's active station and the other districts is minor. Therefore, consolidation between Daggett CSD and Yermo CSD is supported by this analysis.

⁴ National Fire Protection Association Standard 1720.



Taking this analysis for Daggett CSD and Yermo CSD further given the substantial 10-minute drive overlap between Daggett CSD and Yermo CSD, LAFCO staff utilized ESRI's Location Analytics to identify if a single fire station could serve the Daggett and Yermo communities. As shown the optimal location of a single fire station would be near the intersection of Daggett-Yermo Road and Yermo Road. This area is commonly known as the "Four Corners" and is a part of the area that Daggett CSD serves water within Yermo CSD. This optimal station site could serve most of Daggett's and Yermo's core within a 5-minute drive and all within a 10-minute drive. This information is not an option in this Plan for Service; rather it is information as to further possible cost savings.



Terms and Conditions

Under the consolidation option, by statute all assets and liabilities of consolidating organizations accrue to the new entity. Thus, the consolidated district would receive title to all assets of the existing districts and would become responsible for subsequent capital improvements required. Terms and conditions imposed by LAFCO on the reorganization would specify such transfer and restrictions. An application for consolidation would include a condition that all property tax revenue from each district would transfer to the consolidated district. In the case of outstanding debt, a condition would be imposed by LAFCO to form an improvement district to isolate any debt incurred by an area, with the consolidated district being responsible for the debt payment processing. Therefore, the other consolidating agencies would not be subject to such debt payments.

Additionally, the consolidated district would need to adopt an appropriations limit as required by law based upon the existing appropriations limits for each district (currently each district lacks an appropriations limit - please see Determination IV of this report). Lastly, at the outset one district's ordinances, resolutions, policies, procedures, and practices would govern the activities and affairs of the consolidated district. The board of directors of the consolidated district would be required to expeditiously review and ratify said ordinances, resolutions, policies, procedures, and practices.

It is understood that fire equipment and apparatus most likely would not be compatible at the outset of a consolidation. Therefore, the consolidating agencies would need to formulate and adopt a transition plan. While this would result in start-up costs that would not occur otherwise, cost-savings from standardized equipment would occur thereafter.

In accordance with statute the consolidated district may be governed by an interim board of directors composed of five, seven, nine, or eleven members. The method for determining which members of the existing boards would be installed as members of the "interim board" of the consolidated district shall be made by LAFCO. The board would ultimately settle at five members through a process outlined in a LAFCO condition.

There are numerous factors that would provide for a smooth transition for consolidation of the districts. First, ambulance service is provided by Desert Ambulance and not by any of the districts. Second, all of the districts were formed prior to Proposition 13 and receive secure property tax revenue. Third, all districts are independent special districts formed under the same principal act. Finally, no employees receive pensions; therefore, a potential consolidation would not confront the hurdles related to retirement system or related unfunded liabilities.

Daggett CSD's Water Service

A primary concern of Daggett CSD is the equity it has in its water system, and that if a consolidation were to occur the other areas could use the water funds for other purposes. The water service is a business-type function and thus its funds cannot be used for other purposes (outside of relevant transfers to pay for its fair share of overall district administration). As a part of a potential consolidation approval, LAFCO would include a condition that all assets and funds of the Daggett CSD water function be isolated through the creation of an improvement district, thereby securing the water service area and its funds. Should additional areas desire water service, then the improvement district could be expanded.

In a consolidation water services are not assumed to be automatically extended to the other areas. Rather, should areas outside of Daggett CSD's water service area desire connection to the system, the properties desiring connection would cover the full cost of extending those services.

Annexation of the Harvard Community in a Consolidated District

The Harvard community is currently within the combined sphere of influence for Daggett CSD and Yermo CSD. This Plan for Service considers the districts' jurisdictional area and does not include the sphere of influence areas that extend beyond the boundaries.

Nonetheless, this scenario warrants a brief review. Annexation of Harvard into a consolidated district would extend the services currently provided by the districts to Harvard: fire protection, park and recreation, and streetlights. Importantly, an area can only have one fire protection agency so such a proposal would include the detachment

from the SB County FPD and transfer of SB County FPD's (and its North Desert Service Zone) share of the one percent property tax to the consolidated district.

However, the objectives of this Plan for Service include improving the delivery of services, improving the management efficiency, and providing services effectively and efficiently. The three districts are already spread thin and adding additional territory and responsibility would not be prudent. Further, SB County FPD Station 52 is not just for Harvard – its primary function is to provide emergency response along the I-15 corridor between Harvard and Baker. LAFCO staff would have issue with transferring Station 52 to the consolidated district and this scenario most likely would encounter staunch opposition from SB County FPD and the County of San Bernardino as service levels would decrease along the I-15 corridor. Therefore, annexation of Harvard into a consolidated district is not analyzed further in this report. Additionally, as long as Station 52 is used for emergency along the I-15 corridor, LAFCO staff's position would be that Harvard should be removed from the combined Daggett/Yermo CSD sphere.

1a. Consolidation of Daggett CSD and Yermo CSD

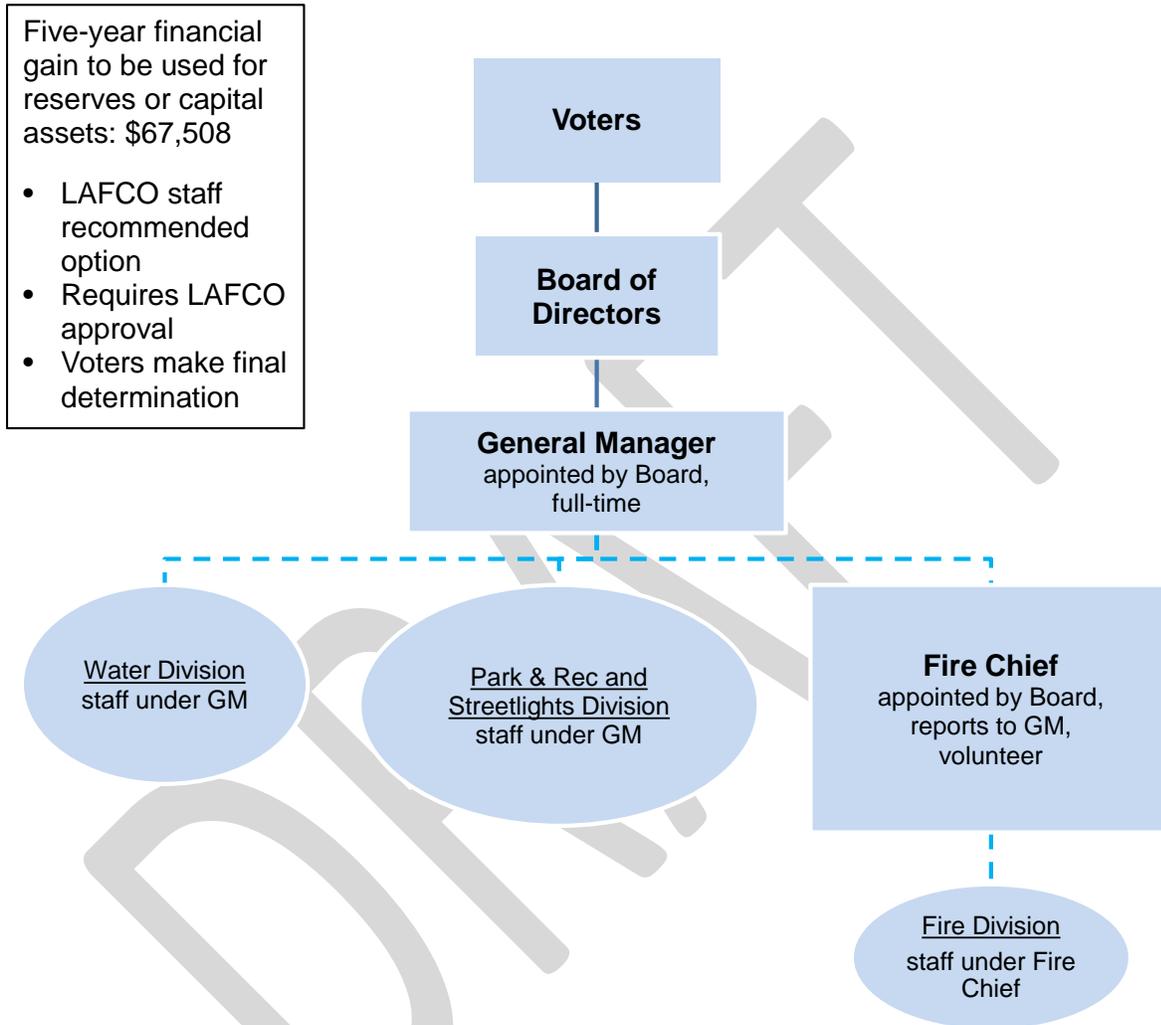
This option considers the Commission's 2009 determination of a single sphere of influence for Daggett CSD and Yermo CSD, being a signal that the two districts should consolidate in the future. The first figure below shows a summary of the revenues and expenditures for this option. A few assumptions in calculating the financial activity for this option include: hiring a full-time general manager with benefits and a full-time staff person (both positions shared with Daggett water system) and a reduction in overhead. Four years after consolidation, the district would have roughly \$67,000 to add to its reserves or use for capital purchases for its governmental functions. The second figure includes Daggett CSD's water function which does not significantly improve the financial picture. The third and fourth figures below provide a summary of the consolidation.

LAFCO staff's analysis indicates that this option is viable because, at a minimum, it maintains the current level of service, reduces two boards to one for Daggett and Yermo, allows for a full-time general manager with support staff, and does not require additional revenues. LAFCO staff would support this option.

CONSOLIDATION –Daggett & Yermo CSDs (without Water)						
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenues						
	Property Taxes	182,014	185,654	189,367	193,154	197,017
	Other	37,000	37,000	37,000	37,000	37,000
	Total Revenues	219,014	222,654	226,367	230,154	234,017
Expenditures						
	Administration:					
	Advertising	300	308	315	325	336
	Auditor	10,000	6,000	6,150	6,335	6,556
	Director Stipends	6,500	6,500	6,500	6,500	6,500
	Election Expenses	4,000	-	4,000	-	4,500
	Legal Counsel	2,500	2,000	1,500	1,500	1,500
	Office Expenses	7,021	7,196	7,376	7,597	7,863
	Utilities	16,000	16,400	16,810	17,314	17,920
	Salaries & Benefits	46,200	47,355	48,539	49,995	51,745
	Insurance, admin & park	4,800	4,920	5,043	5,194	5,376
	Park & Recreation:	48,558	49,772	51,016	52,546	54,385
	Streetlights:	13,356	13,690	14,032	14,453	14,959
	Fire & Emergency Response:					
	Chief Salary & Benefits	-	-	-	-	-
	Other Salary & Benefits	9,993	10,243	10,499	10,814	11,192
	Vehicle Expense	12,846	13,168	13,497	13,902	14,388
	Equipment Expense	5,040	5,166	5,295	5,454	5,645
	Dispatching	7,200	7,380	7,565	7,791	8,064
	Station Expense	7,000	7,175	7,354	7,575	7,840
	Insurance	5,600	5,740	5,884	6,060	6,272
	Consolidation Costs	5,000	-	-	-	-
	Reserve Contribution:					
	Capital Outlay:					
	Total Expenditures	211,914	203,012	211,374	213,356	225,043
	Revenue Gain (Loss)	7,100	19,642	14,993	16,799	8,974
	5-Year Gain (Loss)					67,508

CONSOLIDATION –Daggett & Yermo CSDs (with Water)						
		2015-16	2016-17	2017-18	2018-19	2019-20
Revenues						
Property Taxes		182,014	185,654	189,367	193,154	197,017
Other		37,000	37,000	37,000	37,000	37,000
<i>Water Revenues</i>		<i>178,555</i>	<i>183,019</i>	<i>187,594</i>	<i>193,222</i>	<i>199,985</i>
Total Revenues		397,569	405,673	413,961	423,376	434,002
Expenditures						
Administration:						
Advertising		300	308	315	325	336
Auditor		10,000	6,000	6,150	6,335	6,556
Director Stipends		6,500	6,500	6,500	6,500	6,500
Election Expenses		4,000	-	4,000	-	4,500
Legal Counsel		2,500	2,000	1,500	1,500	1,500
Office Expenses		7,021	7,196	7,376	7,597	7,863
Utilities		16,000	16,400	16,810	17,314	17,920
Salaries & Benefits		46,200	47,355	48,539	49,995	51,745
Insurance, admin & park		4,800	4,920	5,043	5,194	5,376
Park & Recreation:		48,558	49,772	51,016	52,546	54,385
Streetlights:		13,356	13,690	14,032	14,453	14,959
Fire & Emergency Response:						
Chief Salary & Benefits		-	-	-	-	-
Other Salary & Benefits		9,993	10,243	10,499	10,814	11,192
Vehicle Expense		12,846	13,168	13,497	13,902	14,388
Equipment Expense		5,040	5,166	5,295	5,454	5,645
Dispatching		7,200	7,380	7,565	7,791	8,064
Station Expense		7,000	7,175	7,354	7,575	7,840
Insurance		5,600	5,740	5,884	6,060	6,272
Consolidation Costs		5,000	-	-	-	-
<i>Water:</i>		<i>176,836</i>	<i>181,257</i>	<i>185,789</i>	<i>191,362</i>	<i>198,060</i>
Reserve Contribution:						
Capital Outlay:						
Total Expenditures		388,750	384,269	397,163	404,718	423,103
Revenue Gain (Loss)		8,819	21,404	16,798	18,659	10,899
5-Year Gain (Loss)						76,579

Consolidated District Daggett and Yermo Organizational Chart



Option 1a.	
Pros	Cons
Cost savings with positive 5-year gain	No new revenues
Full-time general manager for Daggett/Yermo	Volunteer fire chief has added responsibility
Shared resources for emergency response	Some loss of control for each community
Improves the districts' financial ability to provide service	
Standardized apparatus & levels of fire service & training	
Improves management efficiency	
Reduces a layer of government	
Probable competitive elections	
Lack of employee transition issues (ie. Retirement)	

1b. Consolidation of Daggett CSD, Newberry CSD, and Yermo CSD

This option considers LAFCO staff's 2009 recommendation of a single sphere of influence for all three districts, thereby signaling that the three districts should consolidate in the future.

In addition to the tangible benefits of consolidation such as cost savings, the intangible benefits are just as important. The overall community is geographically distanced from its regulatory agencies (i.e. the County seat, Mojave Water Agency, County Fire Marshal). Being distanced and fragmented in voice (currently three districts), a consolidated agency could provide for a single voice (with added weight) on matters regarding land use, water, grant funding, etc... Further, the overall community is considered disadvantaged (please refer to Determination II of the service review) and such a determination is a factor in many grant applications. Instead of competing against each other for limited grant funds from the state and county, a consolidated district could provide a stronger application for such funding and allocate (or distribute) such grant receipts as it deems necessary. LAFCO staff analysis shows only positive benefits for the intangible aspects of a consolidation.

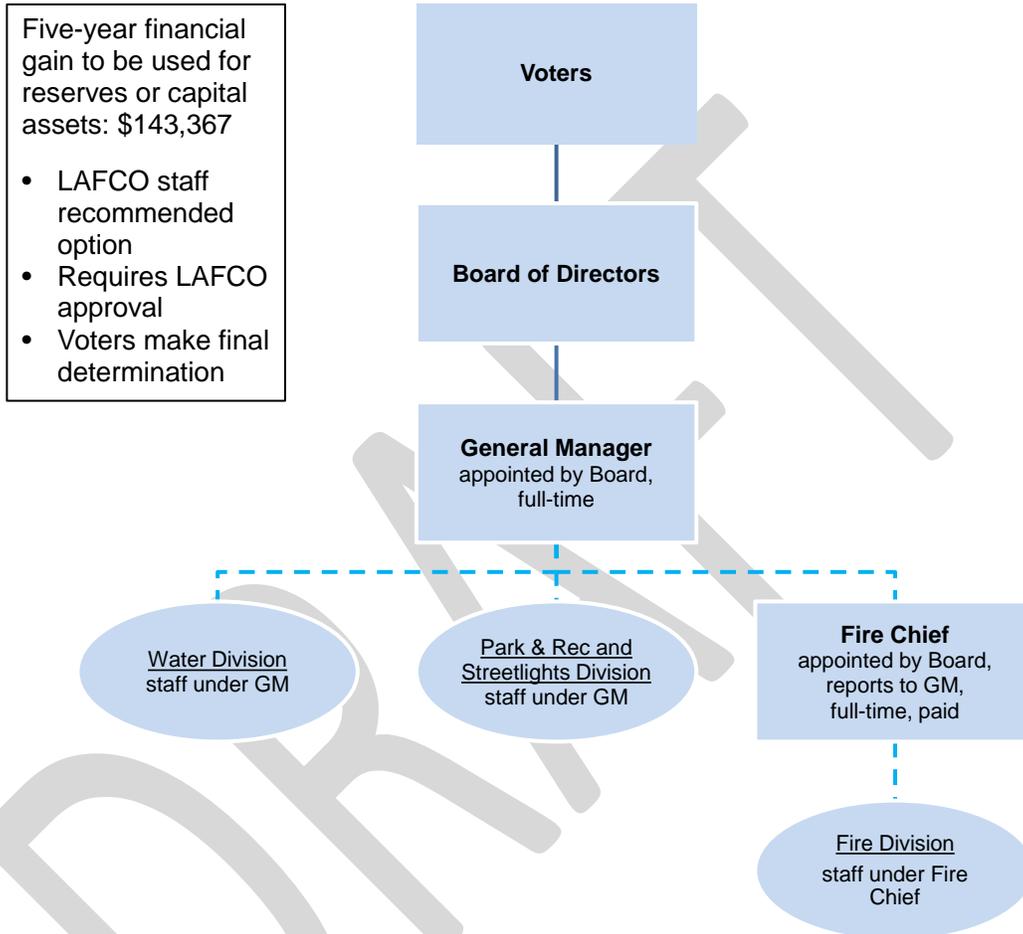
The first chart below shows a summary of the revenues and expenditures for this option. A few assumptions in calculating the financial activity for this option include: hiring a full-time general manager with benefits and a full-time staff person (both positions shared with Daggett water system), hiring a full-time fire chief with benefits, and hiring a full-time staff person (not shared with the water system), and a reduction in overhead. Four years after consolidation, the district would have roughly \$143,000 to add to its reserves or use for capital purchases. The second figure includes Daggett CSD's water function which does not significantly improve the financial picture. The third and fourth figures below provide a summary of the consolidation.

LAFCO staff's analysis indicates that this option is viable because at a minimum it maintains the current level of service, reduces three boards to one, allows for a full-time general manager with support staff, allows for a full-time and paid fire chief, and does not require additional revenues. LAFCO recommends this as the primary option.

CONSOLIDATION –Daggett, Newberry, & Yermo CSDs (without Water)								
				2015-16	2016-17	2017-18	2018-19	2019-20
Revenues								
Property Taxes				389,160	396,943	404,882	412,980	421,239
Other				67,000	67,000	67,000	67,000	67,000
Total Revenues				456,160	463,943	471,882	479,980	488,239
Expenditures								
Administration:								
Advertising				300	308	315	325	336
Auditor				20,000	15,000	15,375	15,836	16,391
Director Stipends				6,500	6,500	6,500	6,500	6,500
Election Expenses				9,000	-	7,000	-	5,000
Legal				5,000	4,000	3,000	3,000	3,000
Office Expenses				13,291	13,623	13,964	14,382	14,886
Utilities				24,600	25,215	25,845	26,621	27,552
Salaries & Benefits				82,800	84,870	86,992	89,602	92,738
Insurance, admin & park				8,890	9,112	9,340	9,620	9,957
Park & Recreation:				61,670	63,212	64,792	66,736	69,072
Streetlights:				18,356	18,815	19,285	19,864	20,559
Fire & Emergency Response:								
Chief Salary & Benefits				58,800	60,270	61,777	63,630	65,857
Other Salary & Benefits				38,030	38,981	39,956	41,154	42,595
Vehicle Expense				33,347	34,180	35,035	36,086	37,349
Equipment Expense				10,080	10,332	10,590	10,908	11,290
Dispatching				12,800	13,120	13,448	13,851	14,336
Station Expense				13,150	13,479	13,816	14,230	14,728
Insurance				12,825	13,146	13,474	13,878	14,364
Consolidation Costs				10,000	-	-	-	-
Reserve Contribution								
Capital Outlay:								
Total Expenditures				439,439	424,162	440,504	446,224	466,509
Revenue Gain (Loss)				16,721	39,781	31,378	33,756	21,730
5-Year Gain (Loss)								143,367

CONSOLIDATION –Daggett, Newberry, & Yermo CSDs (with Water)							
			2015-16	2016-17	2017-18	2018-19	2019-20
Revenues							
	Property Taxes		389,160	396,943	404,882	412,980	421,239
	Other		67,000	67,000	67,000	67,000	67,000
	<i>Water Revenues</i>		<i>178,555</i>	<i>183,019</i>	<i>187,594</i>	<i>193,222</i>	<i>199,985</i>
	Total Revenues		634,715	646,962	659,477	673,202	688,224
Expenditures							
	Administration:						
	Advertising		300	308	315	325	336
	Auditor		20,000	15,000	15,375	15,836	16,391
	Director Stipends		6,500	6,500	6,500	6,500	6,500
	Election Expenses		9,000	-	7,000	-	5,000
	Legal		5,000	4,000	3,000	3,000	3,000
	Office Expenses		13,291	13,623	13,964	14,382	14,886
	Utilities		24,600	25,215	25,845	26,621	27,552
	Salaries & Benefits		82,800	84,870	86,992	89,602	92,738
	Insurance, admin & park		8,890	9,112	9,340	9,620	9,957
	Park & Recreation:		61,670	63,212	64,792	66,736	69,072
	Streetlights:		18,356	18,815	19,285	19,864	20,559
	Fire & Emergency Response:						
	Chief Salary & Benefits		58,800	60,270	61,777	63,630	65,857
	Other Salary & Benefits		38,030	38,981	39,956	41,154	42,595
	Vehicle Expense		33,347	34,180	35,035	36,086	37,349
	Equipment Expense		10,080	10,332	10,590	10,908	11,290
	Dispatching		12,800	13,120	13,448	13,851	14,336
	Station Expense		13,150	13,479	13,816	14,230	14,728
	Insurance		12,825	13,146	13,474	13,878	14,364
	Consolidation Costs		10,000	-	-	-	-
	<i>Water:</i>		<i>176,836</i>	<i>181,257</i>	<i>185,789</i>	<i>191,362</i>	<i>198,060</i>
	Reserve Contribution						
	Capital Outlay:						
	Total Expenditures		616,275	605,420	626,293	637,586	664,569
	Revenue Gain (Loss)		18,440	41,543	33,184	35,616	23,655
	5-Year Gain (Loss)						152,438

Consolidated District Daggett, Newberry, Yermo Organizational Chart



Option 1b.	
Pros	Cons
Cost savings with positive 5-year gain	No new revenues
Full-time general manager for Daggett/Newberry/Yermo	Some loss of control for each community
Full-time, paid, fire chief for Daggett/Newberry/Yermo	
Shared resources for emergency response	
Improves the district's financial ability to provide service	
Standardized apparatus & levels of fire service & training	
Improves management efficiency	
Reduces two layers of government	
Probable competitive elections	
Single voice on regional matters (land use, water)	
Lack of employee transition issues (ie. Retirement)	

OPTION 2.

Formation of a Joint Powers Authority for Fire and Emergency

Two or three of the CSDs could form a joint powers authority (JPA) to coordinate the joint delivery of fire protection services. JPAs are permitted under Government Code Section 6500 which authorizes two or more public agencies to operate collectively. The JPA would not require LAFCO approval, would not decrease the current number of agencies, and would not eliminate the existing representation of the districts through its board of directors. Formation of a JPA would, however, establish a new JPA board of directors composed of member districts representatives who would assume governance over fire operations, planning, and allocation of resources. A JPA could establish a unity of command, eliminate redundant positions (one fire chief instead of three), provide strategic planning and allocate resources to provide enhanced fire protection service to the entire community. Funding for the JPA would come from the member districts. A JPA may be continued for a definite term or until rescinded or terminated.

The tangible benefits (cost savings) and intangible benefits (a single voice) would be similar to that of consolidation, as would the start-up costs. However, a JPA would retain three separate district boards of directors and three general managers. Additionally, a JPA would add a layer of government while the objectives for this Plan for Service are to consider the best mechanisms for cost savings and more effective and efficient service delivery.

Formation of JPAs for joint delivery of service is common in this county and the state. In 2011 a JPA formed in the Bear Valley community between the Big Bear City CSD and the Big Bear Lake Fire Protection District, a subsidiary district of the City of Big Bear Lake. The two agencies collaborated on development of a plan that showed the cost efficiencies and service effectiveness of a joint administration and joint response. However, unlike the three districts in this review, the two fire agencies in the Bear Valley have paid personnel and lesser challenges. To date, the JPA is working well and is moving towards a permanent consolidated response for fire protection and emergency response.

LAFCO staff's analysis indicates that on the surface this option is viable because at a minimum it maintains the current level of service, allows for a full-time and paid fire chief, and does not require additional revenues. Even so, LAFCO staff would not support this option as consolidation of all services, not just fire, would allow for maximum cost efficiencies. Further, lacking continual competitive elections from each district coupled with an additional layer of government would not lend to more responsive governance. Additionally, formation of a JPA would require formulation of a single, yet hybrid, set of policies and guidelines. This would require time to create and evaluate such policies and at this time only one district has a set of adopted fire policies. Lastly, there have been past leadership struggles with each district, a lack of resources, and a history of the three districts not cooperating well with each other which would hinder the viability of a JPA. Therefore, the formation of a joint entity would not benefit the community and is not supported by LAFCO staff.

For this Plan for Service, two types of JPAs are discussed: administrative and functional. Costs for both an administrative and functional are similar and are shown in the first figure below. Five years after the JPA formation, the total savings to the overall community would be nominal - roughly \$4,000, which would be added to reserves or used for capital purchases. The second figure below shows a summary of the JPA. Pros and cons for an administrative JPA and a functional JPA are shown in the respective discussion to follow.

JOINT POWERS AUTHORITY					
	Forecast				
	2015-16	2016-17	2017-18	2018-19	2019-20
Revenues	456,160	463,943	471,882	479,980	488,239
Expenditures	465,392	456,267	466,638	476,519	491,075
Revenue Gain (Loss)	(9,232)	7,676	5,244	3,460	(2,836)
5-year Gain (Loss)					4,313

Option 2.	
Governance	5 member board for each district 1 appointed board for the JPA
Staff Leadership	3 general managers 1 Full-time, paid, fire chief
Fire Service Level	Volunteer
Estimated Cost Savings, 5-year	\$4,313
LAFCO Approval Required	No
Final Determination Made By:	District boards

2a. Formation of a Joint Powers Authority – Administrative Only

A JPA can be formed for administrative functions only, thereby lacking consolidated service delivery. For example, an administrative JPA could have a single fire chief, standardized training and equipment. What would be lacking is the opportunity for shared personnel and equipment.

At the outset, joint operations do not mean full unification; possibly just cost sharing to start. All three fire chiefs could collaborate on development of a consolidation plan based on three phases. Phase 1 consolidates and restructures administrative services currently provided separately by the districts. A single fire chief would guide administration, fire prevention, operations, and support services for the districts. It is anticipated that this phase would encompass approximately 12 months; however the time frame could be extended. During Phase 1, the focus would be on refining management and administrative personnel responsibilities; standardizing policies and procedures; implementing training procedures; and improving fire prevention operations. Phase 2 would blend operations and suppression (functional JPA). If all goes well, then

Phase 3 could consolidate the organizations. Should Phase 1 not work, then a return to current operations would occur.

Option 2a.	
Pros	Cons
Cost savings with positive 5-year gain	No new revenues
Full-time, paid, fire chief for Daggett/Newberry/Yermo	Some loss of control for each community
Shared resources for emergency response	No cost savings for staffing
Improves the financial ability of the districts to provide service	Adds another layer of government
Provides standardized apparatus and levels of fire service and training	Lack of competitive elections would still exist
Improves management efficiency	Fire delivery still from each district
Single voice on fire matters	

2b. Formation of a Joint Powers Authority – Functional

A functional JPA would provide full integration of fire administration and service delivery (Phase 2 discussed above). In a functional JPA, the three districts would jointly formalize duty officer responsibilities, mirror each other's emergency response matrixes as much as possible, share public information officer services, and have joint purchasing, both operationally and administratively. Due to economic conditions, collaborating is a high priority. An operational advantage of unified services is a single set of policies under one leadership structure. It may allow for deployment adjustments that could increase staffing at different locations as needed. Efficiency improvements could be achieved for response, training, fire prevention, and management. In essence, this option is essentially a consolidation of the three districts for fire service only. Each district would remain and would actively provide for the remaining services.

Option 2b.	
Pros	Cons
Cost savings with positive 5-year gain	No new revenues
Full-time, paid, fire chief for Daggett/Newberry/Yermo	Some loss of control for each community
Shared resources for emergency response	Adds another layer of government
Improves the financial ability of the districts to provide service	Lack of competitive elections would still exist
Provides standardized apparatus and levels of fire service and training	
Improves management efficiency	
Fire delivery from one source – the JPA	

OPTION 3.

Dissolve Newberry CSD with service provided by SB County FPD and CSA 40

The responsibility of fire protection and emergency services currently provided by Newberry CSD could become the responsibility of the San Bernardino County Fire Protection District (SB County FPD or County Fire) and its North Desert Service Zone. There are benefits to providing emergency services through a single entity such as the transfer of existing revenue streams to the larger fire entity for regional use and potential economies of scale that could be achieved through joint administration, joint purchasing, augmented response, etc. However, without support from all affected agencies this option would not be achievable.

In the view of LAFCO staff, removal of the districts' fire protection powers with the SB County FPD as the successor would provide the best mechanism for fire protection and emergency services to areas along Interstate 15 between Barstow and Baker and along Interstate 40 between Barstow and Needles. Technically, this would result in the dissolution of Newberry CSD and a formation of a zone to County Service Area 40 to continue park and recreation and streetlight services. As for the provision of fire protection and emergency response from SB County FPD, this could be done either through annexation to SB County FPD or with the CSA 40 zone contracting with SB County FPD for the service. An additional benefit would be that fire personnel would be trained to an increased level – that of SB County FPD. As discussed further below, a zone contracting with SB County FPD for fire service is not viable due to contract issues stemming from high administration costs.

The County and various special districts currently provide many services to the area, including general government, animal control, schools, community development, police, library, regional parks and recreation, road maintenance, health and welfare, resource conservation, TV translation, and regional flood control. After annexation, these services would continue to be provided by the various County and special districts, as well as the services that Newberry Springs CSD currently provides: streetlights, park and recreation, and fire protection and emergency response.

At the outset, LAFCO staff would support the annexation of this territory to County Fire and the transfer of the existing property tax support for these operations from the district. However, during the reorganization of County Fire (LAFCO 3000), the property tax revenues generated within each of the unincorporated areas derived by CSA 70 for fire purposes was transferred to County Fire for its administration, most importantly from within the service area independent fire providers within the unincorporated area. For the Newberry Springs area, roughly \$52,000 was transferred to SB County FPD for fire administration. During the processing of LAFCO 3000, none of the three CSDs submitted an objection to a share of the property tax derived within its service area being permanently transferred to SB County FPD. Below is the chart which was included in the September 2007 staff report for LAFCO 3000 outlining this distribution. Contracting with SB County FPD for fire protection does not provide access to these administration funds; however, annexation would.

SUMMARY OF REVENUE ALLOCATED TO CSA 70*					
Prepared by Bob Wright 2/27/07					
	Assessed Value in CSA 70	1% General Tax Levy	CSA 70 Revenue	Independent District Revenue	# TRAs
Crest Forest Fire Protection District	1,368,861,644	13,688,616.44	323,282.27	3,248,324.64	52
Chino Valley Independent Fire District	438,657,966	4,386,579.66	111,192.51	644,285.16	21
Apple Valley Fire Protection District	919,969,619	9,199,696.19	261,868.80	914,490.28	90
Barstow Fire Protection District	271,329,791	2,713,297.91	59,506.45	663,640.71	25
Rancho Cucamonga Fire Protection District	92,986,681	929,866.81	24,993.45	117,115.79	13
Arrowbear Park County Water District	109,185,352	1,091,853.52	29,580.76	224,409.90	2
Running Springs County Water District	530,926,431	5,309,264.31	134,376.95	1,450,365.16	19
Big Bear Lake Fire Protection District	11,153,693	111,536.93	2,886.69	18,388.82	2
Big Bear City Community Services District	1,886,320,591	18,863,205.91	532,325.71	1,725,718.50	17
Morongo Valley Community Services District	200,630,602	2,006,306.02	52,124.25	363,395.32	21
Twentynine Palms Water District	1,162,534	11,625.34	388.27	0.00	4
Yermo Community Services District	78,014,587	780,145.87	25,277.40	78,008.05	8
Daggett Community Services District	23,336,338	233,363.38	6,439.71	55,730.25	16
Newberry Community Services District	161,113,077	1,611,130.77	52,174.36	162,401.48	14
Baker Community Services District	37,565,171	375,651.71	11,182.79	66,264.78	1
	6,131,214,077	61,312,140.77	1,627,600.37	9,732,538.85	305
REMAINING UNINCORPORATED AREA			4,534,982.00		

LAFCO staff would support this, in the long-run, if revenues would support such a change as it would result in a regional fire agency providing service to the area, as it already does to the sphere of influence areas in these communities. While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, there is not sufficient revenue available from the Newberry Springs area to support such a change. Further, these options need to be evaluated within the context of loss of local control. Not surprisingly, Newberry CSD has indicated it does not support this option, and SB County FPD also has not indicated support for this option due to the limited revenue stream for the service.

Centralizing fire protection services under SB County FPD for the interstate corridors would provide a unity of command and allow SB County FPD to also coordinate regional planning with long range planning for emergency services. Without the revenues to support such change, LAFCO staff instead recommends the potential for the districts to consolidate to allow for economies of scale.

Another hurdle for this option is that CSA 40 does not have fire protection, streetlighting, or park and recreation as authorized powers. In order for CSA 40 to gain authorization to provide any of these services requires an application to LAFCO, a public hearing for Commission consideration, and a protest process. The added complexity of such a reorganization makes this option less likely as the County (application to LAFCO), the LAFCO Commission (approval of the proposal), and the public (protest proceeding) would all have to desire this option.

3a. Dissolution of Newberry CSD, Annexation of Newberry Springs to SB County FPD, Formation of a Zone to County Service Area 40 with Activation of Streetlighting and Park and Recreation Powers

The figure below shows the revenues and costs to operate the Newberry CSD active station (volunteer) and the Harvard station of SB County FPD (paid-call). As shown, the cost to operate both stations is similar. However, the revenue situation is quite different and requires additional explanation.

Newberry Fire		2011-2013			Forecast		
	Average	2013-14	2014-15	2015-16	2016-17	2017-18	
Revenues							
Property Tax	110,206	111,859	114,096	116,949	120,457	124,071	
Other	21,740	20,000	20,000	20,000	20,000	20,000	
Total	131,946	131,859	134,096	136,949	140,457	144,071	
Expenditures							
Salaries & Benefits	30,313	30,313	31,222	32,159	33,445	35,118	
Services & Supplies	87,536	89,287	91,519	94,265	98,035	102,937	
Capital Assets	65,333						
Total	183,183	119,600	122,742	126,424	131,481	138,055	
Harvard Station (SB County FPD)							
	2013	2014 (Est)	2015 (Budget)	2015-16	2016-17	2017-18	
Revenues							
Net County Cost	68,764	102,288	127,091	130,924	136,161	142,969	
Other	8,911	(1,187)	-	-	-	-	
Total	77,675	101,101	127,091	130,924	136,161	142,969	
Expenditures							
Salaries & Benefits	18,219	13,073	38,244	39,391	40,967	43,015	
Services & Supplies	59,366	88,028	88,867	91,533	95,194	99,954	
Capital Assets							
Total	77,585	101,101	127,111	130,924	136,161	142,969	

The North Desert Service Zone of SB County FPD lacks the tax base to provide the necessary funding to transition to full-time career positions for the Harvard station. For 2012-13, the Harvard portion of the former County Service Area 38 generated \$93,322⁵ (while the cost to operate the station was only \$77,585). The costs to operate the Harvard station are increasing at a high rate from the 2012-13 to the 2014-15 Budget. For 2013-14, the year-end cost is estimated at \$101,000 and 2014-15 budget is \$127,091. However, the Harvard station is not a local station – its purpose is to provide service along I-15 between Harvard and Baker. Thus, it receives its revenue from the

⁵ \$93,322 derived from the tax rate areas that comprise the former CSA 38 - Harvard Area.

North Desert Service Zone of SB County Fire. In the Harvard station budget this is identified as “Net County Cost”. Nonetheless, the costs to operate the station are increasing and this circumstance is considered in the analysis of the option of SB County FPD providing service to Newberry CSD.

Under this option, Newberry CSD’s assets, liabilities, and share of the one percent property tax allocated for fire protection would transfer to the North Desert Service Zone of SB County FPD. Likewise, Newberry CSD’s assets, liabilities, and share of the one percent property tax allocated for streetlights and park and recreation would transfer to a new CSA 40 zone. In short, the Newberry CSD fire stations (currently volunteer) would become fire stations of SB County FPD (anticipated to be paid-call).

In its analysis, LAFCO staff is looking at balancing the needs of the Newberry Springs community while also providing increased service along I-40 (since there is no station until Needles). Should SB County FPD costs continue to increase, then maintenance of the current service level to Newberry Springs cannot be determined in this Plan for Service. Therefore, LAFCO staff does not support this option.

3b. Dissolution of Newberry CSD, Formation of Zone to County Service Area 40 with Activation of Streetlighting and Park and Recreation Powers, and the Zone to Contract with SB County FPD

Similar to Option 3a above, LAFCO staff does not support this option as the costs for the Harvard station are sharply increasing. By using this as a basis for the costs to run a Newberry station operated by SB County FPD, the costs project to exceed revenues immediately. Additionally, contracts between agencies and SB County FPD have steadily increased since its formation in 2008 thus requiring additional transfers from SB County FPD as well as a subsidy from the County of San Bernardino.

OPTION 4.
Maintenance of the Status Quo

Maintenance of the status quo is always an option. Under this option, the organization of fire service providers would not change. The figure below shows the five-year forecast under this option for each district, broken down by 1) fire protection and 2) streetlights and park and recreation. Given costs and financing trends, it is expected that service levels will degrade in the future under the current funding structure. Importantly, the districts do not receive enough funding to support capital purchases, as the Five-Year Loss for Daggett CSD is substantial and the Five-Year Gain for Newberry CSD and Yermo CSD would not be enough to adequately increase reserves and fund capital improvements.

DRAFT

Status Quo – Forecast for Fire Function

DAGGETT CSD							
Fire							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
Property Tax	37,515	38,078	38,840	39,616	40,409	41,217	
Other	985	1,000	1,000	1,000	1,000	1,000	
Total	38,501	39,078	39,840	40,616	41,409	42,217	
Expenditures							
Salaries & Benefits	12,358	12,358	12,358	12,358	12,358	12,358	
Services & Supplies	33,869	34,546	35,410	36,295	37,384	38,693	
Capital Assets	-	-	-	-	-	-	
Total	46,227	46,904	47,768	48,653	49,742	51,051	
Revenue Gain (Loss)	(7,726)	(7,826)	(7,928)	(8,037)	(8,333)	(8,834)	
5-year Gain (Loss)						(40,959)	
NEWBERRY CSD							
Fire							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
Property Tax	110,206	111,859	114,096	116,378	118,706	121,080	
Other	21,740	20,000	20,000	20,000	20,000	20,000	
Total	131,946	131,859	134,096	136,378	138,706	141,080	
Expenditures							
Salaries & Benefits	30,313	30,313	30,313	30,313	30,313	30,313	
Services & Supplies	87,536	89,287	91,519	93,807	96,621	100,003	
Capital Assets	65,333	-	-	-	-	-	
Total	183,183	119,600	121,832	124,120	126,934	130,316	
Revenue Gain (Loss)	(51,237)	12,259	12,264	12,258	11,771	10,764	
5-year Gain (Loss)						59,316	
YERMO CSD							
Fire							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
Property Tax	43,301	43,951	44,830	45,726	46,641	47,573	
Other	21,993	20,000	20,000	20,000	20,000	20,000	
Total	65,294	63,951	64,830	65,726	66,641	67,573	
Expenditures							
Salaries & Benefits	8,036	8,036	8,036	8,036	8,036	8,036	
Services & Supplies	45,126	46,029	47,180	48,359	49,810	51,553	
Capital Assets	-	-	-	-	-	-	
Total	53,162	54,065	55,216	56,395	57,846	59,589	
Revenue Gain (Loss)	12,131	9,886	9,614	9,331	8,795	7,984	
5-year Gain (Loss)						45,610	

Status Quo – Forecast for Park and Streetlight Functions

DAGGETT CSD							
Streetlights and Park & Recreation							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
Property Tax	45,671	46,356	47,284	48,229	49,194	50,178	
Other	876	1,000	1,000	1,000	1,000	1,000	
Total	46,547	47,356	48,284	49,229	50,194	51,178	
Expenditures							
Salaries & Benefits	15,311	15,311	15,311	15,311	15,311	15,311	
Services & Supplies	42,439	43,288	44,370	45,479	46,844	48,483	
Capital Assets	-						
Total	57,750	58,599	59,681	60,790	62,155	63,794	
Revenue Gain (Loss)	(11,203)	(11,242)	(11,397)	(11,561)	(11,961)	(12,616)	
5-year Gain (Loss)						(58,778)	
NEWBERRY CSD							
Streetlights and Park & Recreation							
	2011-13	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
Property Tax	93,879	95,288	97,193	99,137	101,120	103,142	
Other	10,674	10,000	10,000	10,000	10,000	10,000	
Total	104,553	105,288	107,193	109,137	111,120	113,142	
Expenditures							
Salaries & Benefits	32,718	39,600	39,600	39,600	39,600	39,600	
Services & Supplies	56,575	57,707	59,149	60,628	62,447	64,632	
Capital Assets							
Total	81,771	97,307	98,749	100,228	102,047	104,232	
Revenue Gain (Loss)	22,782	7,981	8,444	8,909	9,073	8,910	
5-year Gain (Loss)						43,317	
YERMO CSD							
Streetlights and Park & Recreation							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
Property Tax	52,836	53,629	54,701	55,795	56,911	58,049	
Other	15,077	15,000	15,000	15,000	15,000	15,000	
Total	67,913	68,629	69,701	70,795	71,911	73,049	
Expenditures							
Salaries & Benefits	9,845	20,845	20,845	20,845	20,845	20,845	
Services & Supplies	48,023	48,984	50,208	51,464	53,008	54,863	
Capital Assets							
Total	63,685	69,829	71,053	72,309	73,853	75,708	
Revenue Gain (Loss)	4,228	(1,200)	(1,352)	(1,513)	(1,941)	(2,659)	
5-year Gain (Loss)						(8,666)	

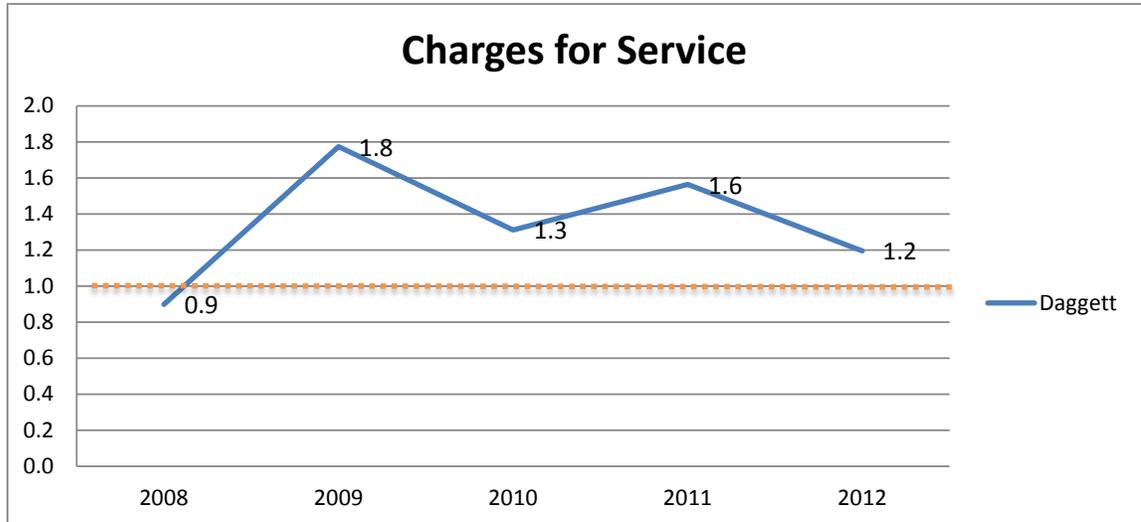
Daggett CSD Water Service

Actual Financial

The Daggett CSD water system enjoyed annual gains following the 2009 rate increase. However, the annual gains quickly lessened and have produced losses for 2012 and 2013. The overdraft of the Baja sub-basin has had an effect on the district's water operations. In order to meet customer demand, Daggett CSD has purchased the right to pump water from other water producers. In addition, the district has shut-down wells and installed new water lines in 2011.

	2009	2010	2011	2012	2013
	Actual	Actual	Actual	Actual	Actual
Operating Revenue	189,385	166,760	162,026	172,366	175,054
Operating Expenses					
water purchases	-	-	-	(4,868)	(15,000)
pumping	(32,249)	(31,557)	(29,545)	(34,160)	(31,754)
water treatment	(4,327)	(4,600)	(1,702)	(2,409)	(8,212)
admin & general	(18,629)	(43,305)	(49,020)	(55,796)	(58,374)
transmission & distribution	(28,474)	(22,862)	(21,951)	(33,034)	(41,949)
depreciation & amortization	(14,406)	(17,141)	-	(19,105)	(18,080)
Total Operating Expenses	(98,085)	(119,465)	(102,218)	(149,372)	(173,369)
Non-Operating Revenues	-	-	-	-	-
Non-Operating Expenses	-	-	-	(2,453)	(1,800)
Transfers In (Out)	(39,714)	(23,226)	(22,354)	(43,725)	-
Net Income (Loss)	51,586	24,069	37,454	(23,184)	(115)

Charges for service addresses the extent to which water charges covered total expenses. It is calculated by dividing operating expenses by charges for service. A ratio of one or higher indicates that the service is self-supporting. About six years ago Daggett CSD raised its rate for the first time in many years. This accounts for the sharp increase in the ratio. Since the rate increase, service costs have increased while rates have remained even. As a result, it may only be a few years until expenses again are more than charges.



Financial Forecast

The losses identified in the figure above will continue as expenses are projected to exceed revenues in the future. The drought and overdraft of the Baja sub-basin will require the right to pump more water to be purchased on the open-market as well as replacement and repair of aging infrastructure. The forecast below shows an annual loss for the foreseeable future. What can mitigate some of the net losses would be absorption of a portion of the costs identified below as “admin & general” into a consolidated district.

As stated previously, the water activity is a business-type function and stands on its own. A consolidation would not have an adverse effect on the water function.

	Forecast				
	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Revenue	178,555	183,019	187,594	193,222	199,985
Operating Expenses					
water purchases	(15,300)	(15,683)	(16,075)	(16,557)	(17,136)
pumping	(32,389)	(33,199)	(34,029)	(35,050)	(36,276)
water treatment	(8,376)	(8,586)	(8,800)	(9,064)	(9,382)
admin & general	(59,541)	(61,030)	(62,556)	(64,432)	(66,688)
transmission & distribution	(42,788)	(43,858)	(44,954)	(46,303)	(47,923)
depreciation & amortization	(18,442)	(18,903)	(19,375)	(19,956)	(20,655)
Total Operating Expenses	(176,836)	(181,257)	(185,789)	(191,362)	(198,060)
Non-Operating Revenues	-	-	-	-	-
Non-Operating Expenses	-	-	-	-	-
Transfers In (Out)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Net Income (Loss)	(23,281)	(23,238)	(23,194)	(23,140)	(23,075)

D. Additional Considerations

Paramedic

Should a consolidated district desire to increase its level of fire protection and emergency response service, a voter-approved special tax can provide for a full-time fire unit or a paramedic unit. The addition of a full-time fire unit would provide for a more timely service response as staff would be present at the station 24-hours a day. Moreover, the addition of a full-time paramedic unit cannot be understated. Having paramedics on first response engines would significantly improve life safety services in the community. Since the districts currently lack a paramedic unit, this option would increase service levels, but at a high cost to the community. The costs for increased service are shown below and can be used for any of the options listed in this Plan for Service. The methodology for this calculation has vacant parcels being taxed half the development parcel rate.

Consolidated Fire Delivery	Full-time fire unit \$400,000	Full-time medic unit \$957,000
Daggett/Yermo (1,552 vacant parcels) (1,077 developed parcels)	\$108 per vacant parcel \$216 per developed parcel	\$258 per vacant parcel \$516 per developed parcel
Daggett/Newberry/Yermo (4,133 vacant parcels) (2,384 developed parcels)	\$45 per vacant parcel \$90 per developed parcel	\$107 per vacant parcel \$216 per developed parcel

Municipal Advisory Council

In addition to the organizational changes discussed above, the community could petition the County Board of Supervisors to form a municipal advisory council (“MAC”). Such a council is an advisory body of local citizens elected by the community or appointed by the board of supervisors with the purpose of representing the community to the Board of Supervisors. However, it has no fiscal authority or administrative organization. Because it lacks authority to implement its position directly, it seeks to accomplish its goals through county government.

These councils face two ways: toward the county, offering the views of the community; and toward the community, supplying information about county proposals and a place where individuals can air opinions on community problems. The councils hold public meetings, survey community opinion and speak for the community to the board of supervisors. The most common subject of activity is land-use planning. The county often uses a MAC as a planning advisory council to draft or revise the community's portion of the county general plan. Further, the MAC could be instrumental in advocating for formation of a Community Plan which would be a component to the County General Plan. Community Plans identify land use goals and policies unique to those areas of specific applicability.

E. Recommendation and Conclusion

A cliché is that there is no “magic bullet” to address many big, difficult problems. If there was a “magic bullet” it would have been used by now. However, in this case the level of service and/or service coverage can be improved by the adjustment of boundaries and

coordination of planning for future facilities and service needs. Given the objectives and analysis of this Plan for Service, LAFCO staff recommends that at a minimum Daggett CSD and Yermo CSD consolidate, preferably for Daggett CSD, Newberry CSD, and Yermo CSD consolidate into a single district. The long-term benefit to the community would be through service which is consistent, allows for flexibility in assigning resources, streamlines governance and management, and provides for the appropriate location of resources. The Plan for Service shows that a consolidated district would be fiscally feasible during the five-year forecast period and beyond, at a cost at or below that of the status quo. Failure to adapt, the financial and operational challenges that each district individually faces will only increase.

Ultimately, the path forward will be decided by the registered voters and landowners within the community. No matter the final outcome, LAFCO staff desires that the agencies initiate earnest discussions on working jointly towards service efficiencies and looking toward the consolidation of services to address the needs of the community as a whole.

DRAFT

SERVICE REVIEW FOR REGION

At the request of LAFCO staff the districts provided information, were interviewed by LAFCO staff, and have been available to LAFCO staff upon request. LAFCO staff also interviewed fire personnel from the neighboring fire agencies, obtained information from public sources, as well as referring to literature and other service reviews conducted in the state on fire protection and emergency response in rural areas, volunteer fire departments, and consolidation. LAFCO staff responses to the mandatory factors for consideration in a service review (as required by Government Code 56430) are to follow and incorporate the districts' responses and supporting materials. The service review is also background to the Plan for Service that was prepared at the direction of the Commission.

DRAFT

Determination I.
Growth and Population Projections for the Affected Area

Daggett, Harvard, Newberry, and Yermo can be characterized as rural and agricultural communities that have historically experienced slow growth. This is, in the staff opinion, due to its rural and agricultural nature and the lack of a region wide provider for water and sewer services.

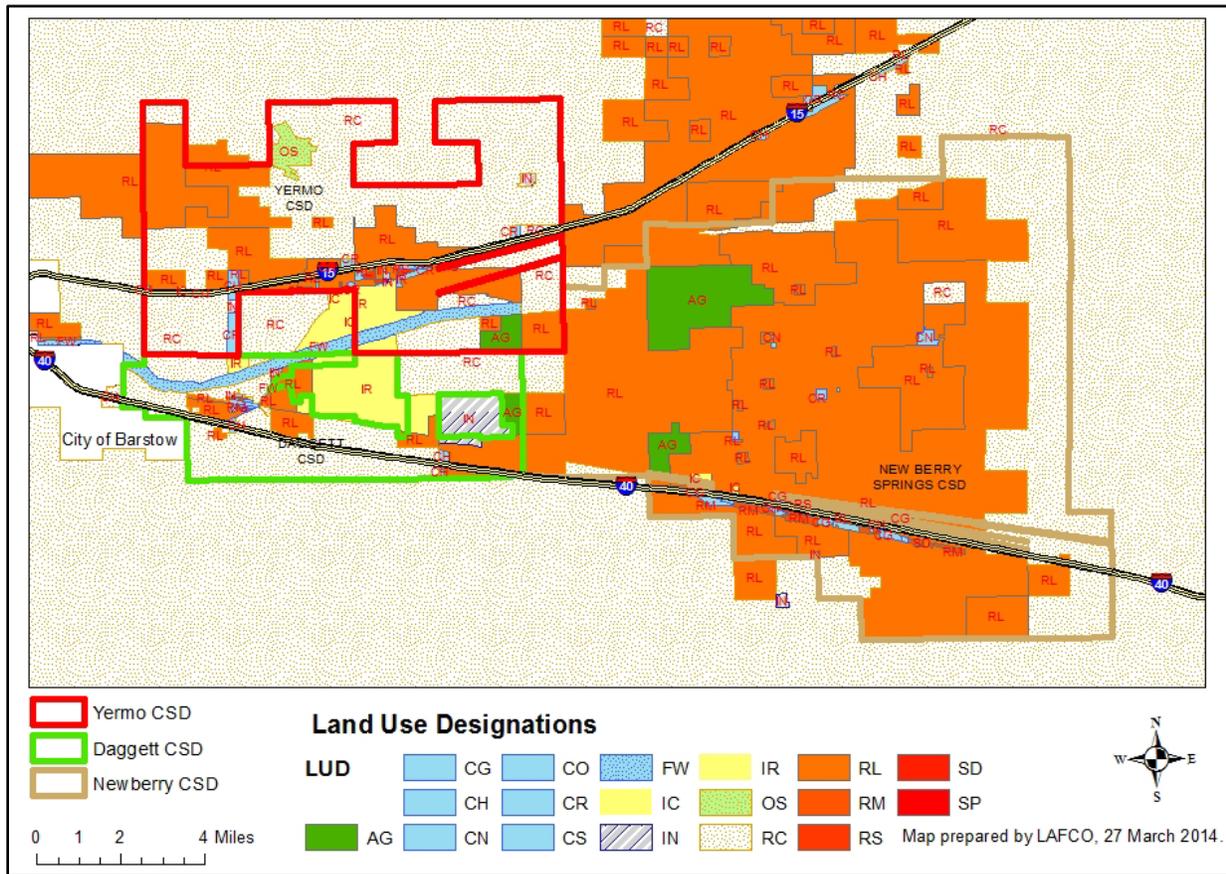
A. Land Use Designations

As shown in the figure and map below, the vast majority of the land use designations assigned by the County of San Bernardino are Resource Conservation (RC) allowing one unit to 40 acres and varying levels of Rural Living (RL). The primary land use in Daggett and Yermo is Resource Conservation and in Newberry is Rural Living. Not shown on the map below, there is an existing Williamson Act contract for open space within the Harvard area which restricts the land uses to open space for a minimum period of 10 years. The land is devoted to agricultural and compatible uses and is located in an agricultural preserve established by the County in 1981.

Land Use Designations

Land Use Designation	Daggett CSD	Newberry CSD	Yermo CSD	Total
Agricultural (AG)	0.4	5.0	0.7	6.1
General Commercial (CG)	0.0	0.5	0.0	0.5
Highway Commercial (CH)	0.2	0.1	0.4	0.7
Neighborhood Commercial (CN)	0.0	0.3	0.0	0.3
Rural Commercial (CR)	0.1	0.1	0.7	0.9
Floodway (FW)	1.2	0.0	1.2	2.4
Community Industrial (IC)	0.0	0.1	0.6	0.7
Institutional (IN)	0.3	0.1	0.2	0.6
Regional Industrial (IR)	1.3	0.0	0.8	2.1
Open Space (OS)	0.0	0.0	0.8	0.8
Resource Conservation (RC)	13.2	25.7	27.7	66.6
Rural Living (RL) *	3.8	81.4	15.3	100.5
Multiple Residential (RM)	0.0	0.5	0.0	0.5
Single Residential (RS)	0.1	0.4	0.2	0.7
Special Development (SD)	0.0	0.1	0.0	0.1
Total	20.6	114.3	48.6	183.5
units in square miles				
* Rural Living is 1 unit to 5, 20 or 40 acres				
source: County Land Use Services Department				

Land Use Designations



B. Land Ownership

The land ownership breakdown of each district's boundary is shown in the charts below. As identified, private ownership is the majority followed by federal, county, and state ownership.

Landownership

Landowner	Daggett CSD	Newberry CSD	Yermo CSD	Sphere Outside of Boundary		Total
				Daggett/Yermo	Newberry	
Private	13.2	90.2	25.7	28.6	0.4	158.1
U.S. Bureau of Land Management	6.1	23.9	20.6	9.1	0.2	59.9
County of San Bernardino	0.7	0.1	1.4	0.5	0.0	2.7
United States of America	0.4	0.0	0.0	1.5	0.0	1.9
State of California	0.2	0.1	0.9	0.1	0.0	1.3
Total	20.6	114.3	48.6	39.8	0.6	223.9
units in square miles						
source: County Land Use Services Department						

C. Population

At one time the population of Daggett was anticipated to exceed Barstow, but the decline of the mining and rail industries ended that notion. Since that time, the population of the overall area has been sparse. For projecting population LAFCO uses a 30-year timeframe. As shown, the population is not projected to increase substantially. The figure below is a population summary of each community and its respective sphere of influence.

Population (2000 - 2045)

Population Source Year	Census		Projected (ESRI & LAFCO)				
	2000	2010	2013	2018	2025	2035	2045
Daggett CSD							
Population	424	462	487	528	558	605	655
Annual Growth Rate	0.9%		0.8%		0.8%		
Yermo CSD							
Population	1,706	1,594	1,629	1,709	1,770	1,860	1,955
Annual Growth Rate	-0.7%		0.5%		0.5%		
Daggett/Yermo Sphere (Outside of boundary)							
Population	423	461	486	527	557	603	653
Annual Growth Rate	0.9%		0.8%		0.8%		
Newberry CSD							
Population	2,283	2,241	2,288	2,393	2,461	2,561	2,665
Annual Growth Rate	-0.2%		0.4%		0.4%		
Newberry CSD sphere (Outside of boundary)							
Population	0	0	0	0	0	0	0
Annual Growth Rate	0.0%		0.0%		0.0%		
sources:							
2000 and 2010 population (U.S. Census)							
2013 and 2018 population (ESRI)							
2025 through 2045 population (LAFCO)							

D. Conclusion for Determination I.

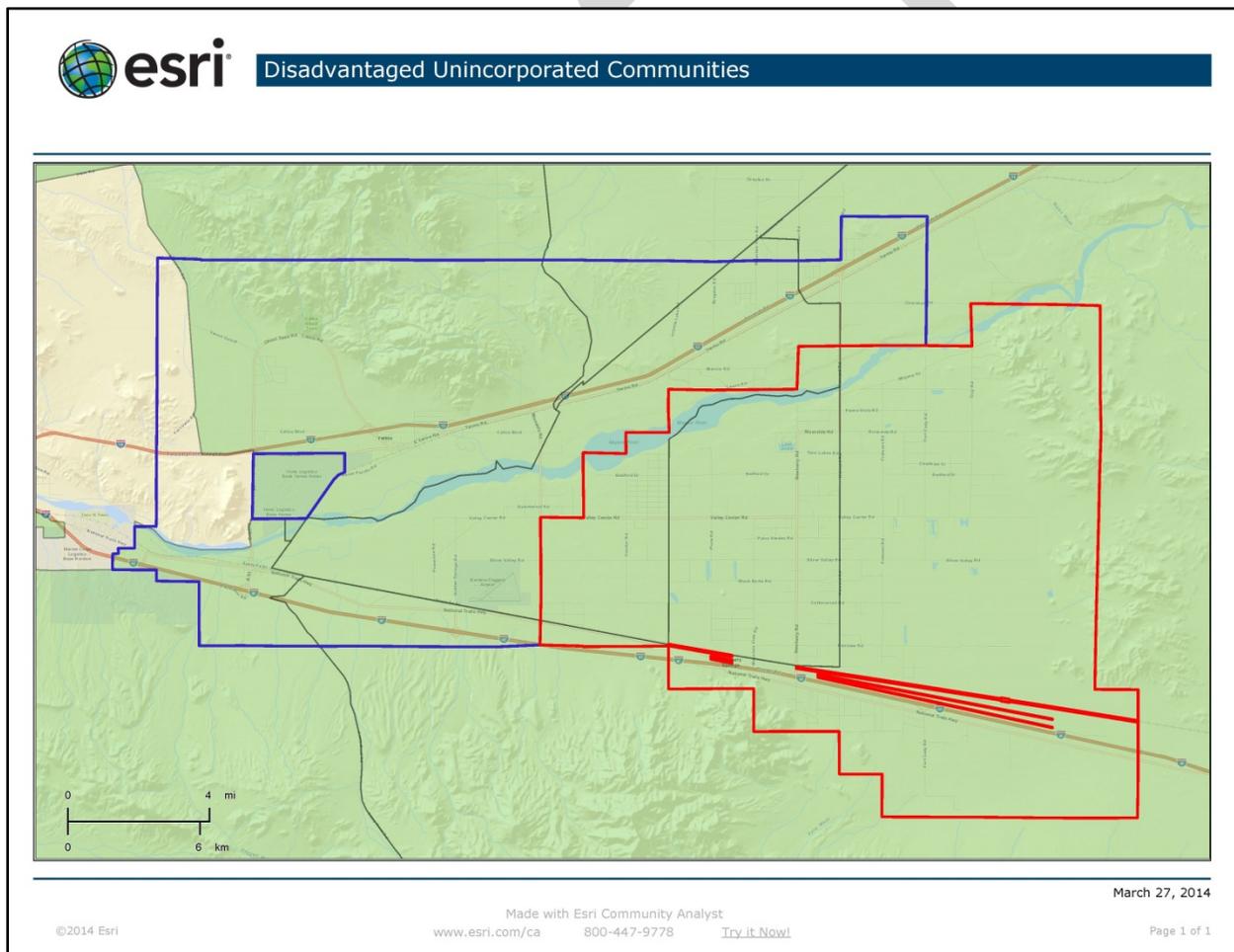
These areas are not anticipated to experience significant growth within the coming years (including Harvard within the Daggett/Yermo CSD sphere). This determination is made due to the land use designations assigned by the County, about one-third of the land being publicly owned, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. Conversely, the transient traffic on Interstates 15 and 40 (two of four interstates that exit Southern California to the east) has significantly increased in volume each decade and is anticipated to continue to do so.

Determination II.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

LAFCO is required to determine the location and characteristics of any disadvantaged unincorporated communities (“DUC”) within or contiguous to the sphere of influence.⁶ A DUC is defined by two criteria: median household income and if the area is inhabited.⁷ First, a DUC is territory that constitutes all or a portion of a community with an annual median household income that is less than 80% of the statewide annual median household income. For 2013, 80% of the statewide median household income was \$47,105⁸.

For median household income, the map below plots the location within or contiguous to the study area that meets the criteria of a DUC – these areas are shaded in green. The map overlays the DUC designations with the Newberry CSD sphere (red outline) and the combined sphere for Daggett CSD and Yermo CSD (blue outline).



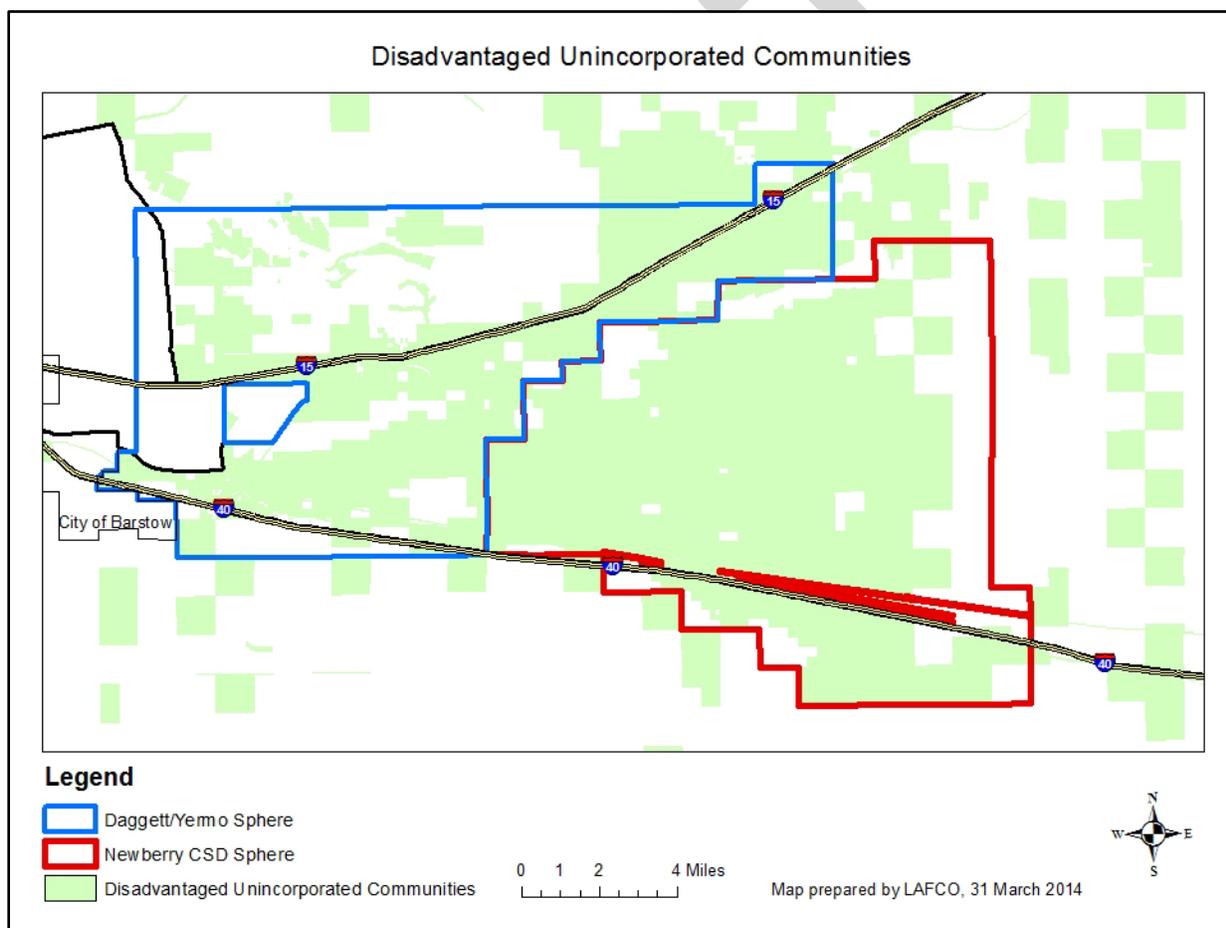
⁶ Government Code §56430(a)(2).

⁷ §56033.5

⁸ Environmental Systems Research Institute (ESRI).

The map shows one area, west Yermo and northwest Daggett, as not meeting the definition of a DUC. This area contains 62 households and is part of a Census block group that extends into the City of Barstow. Even though the Census block group as a whole does not meet the definition of a DUC, it is likely that the Daggett and Yermo portion's income characteristics are similar to those of Yermo and Daggett as a whole.

Second, for the purposes of defining a DUC, San Bernardino LAFCO policy defines a community as inhabited area comprising no less than 10 dwellings adjacent or in close proximity to one another.⁹ Uninhabited areas are generally vacant or government lands. Based upon the two criteria identified, the areas shown in green on the map below are classified as DUCs (meet the median household income criteria and are inhabited).



Conclusion for Determination II.

Generally, the entire study area is considered a DUC. The areas that are shown as not a DUC are: 1) part of a Census block group that extends into the City of Barstow, or 2) vacant and/or public lands managed by BLM.

⁹ San Bernardino LAFCO Project/Application Policy #13.

Determination III.

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

Currently, the districts are authorized by LAFCO to provide the following functions pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*:

Daggett: Streetlighting, Park and Recreation, Water, Fire Protection

Newberry: Streetlighting, Park and Recreation, Water (limited to perform its other authorized functions), Sewer (limited to planning and engineering), Fire Protection

Yermo: Streetlighting, Park and Recreation, Water, Fire Protection

This section of the report, for Determination III, is organized by function in the following order: streetlighting, park and recreation, water, sewer, and fire protection. Whenever possible, only updated information subsequent to the 2009 service review is provided.

A. Streetlighting

LAFCO staff has verified that within its boundaries, Daggett CSD maintains 24 streetlights, Newberry CSD maintains 39 streetlights, and Yermo CSD maintains 48 streetlights. This remains unchanged since the 2009 service review.

Southern California Edison owns the streetlights, and the districts provide for payment of the utility costs for operation of the streetlights. There is no other existing service provider for streetlights in the area and the service is adequately provided.

B. Park and Recreation

Each of the districts actively provides park and recreation services. Due to the age of each of the community center buildings, upgrades and improvements are constant. Further, each district is dependent upon grant funding, such as Community Development Block Grants, to construct and improve the park facilities. Since grant funding is not an assured revenue stream, should CDBG funding not be received in the future, the limited property tax revenues received by the districts would need to be used to pay for facility upgrades.

Daggett CSD

According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the Community Center located on County property. The term of the lease is for 30 years, terminating in 2012, with two 10-year options to renew. When asked by LAFCO staff, neither the County Department of Community Development and Housing, County Real Estate Services, nor Daggett CSD could provide a copy of the lease to substantiate the terms of the agreement. Thus, technically the lease has expired and needs to be renewed. LAFCO staff recommends that this matter be addressed and resolved in order to reduce risk by clearly defining the arrangement.

There have been no substantial changes to Daggett's park and recreation facilities or programs since the 2009 service review, therefore additional review is not necessary.

Newberry CSD

There have been no substantial changes to Newberry's park and recreation facilities or programs since the 2009 service review, therefore additional review is not necessary.

Yermo CSD

Since the 2009 service review, an in-ground concrete skate park has been constructed within the Norman Smith Community Park in Yermo. Funding for this project came from the 2009-10 County First District Community Development Block Grant (CDBGF) funds, totaling \$168,177. According to the County board agenda item which awarded the construction contract, "This project will benefit the communities of Yermo, Newberry Springs, Daggett, Calico, Calico Lakes and the entire Silver Valley area serving a combined population of over 8,000 residents."¹⁰ According to the contract between the County and Yermo CSD, the CSD shall maintain and operate the skate park for public benefit for residents in Yermo and surrounding unincorporated areas at the sole expense of the CSD for a period of no less than 10 years from the completion of the project.¹¹ The project was completed in 2011, so Yermo CSD is to maintain this facility for the area at-large at least until 2021.

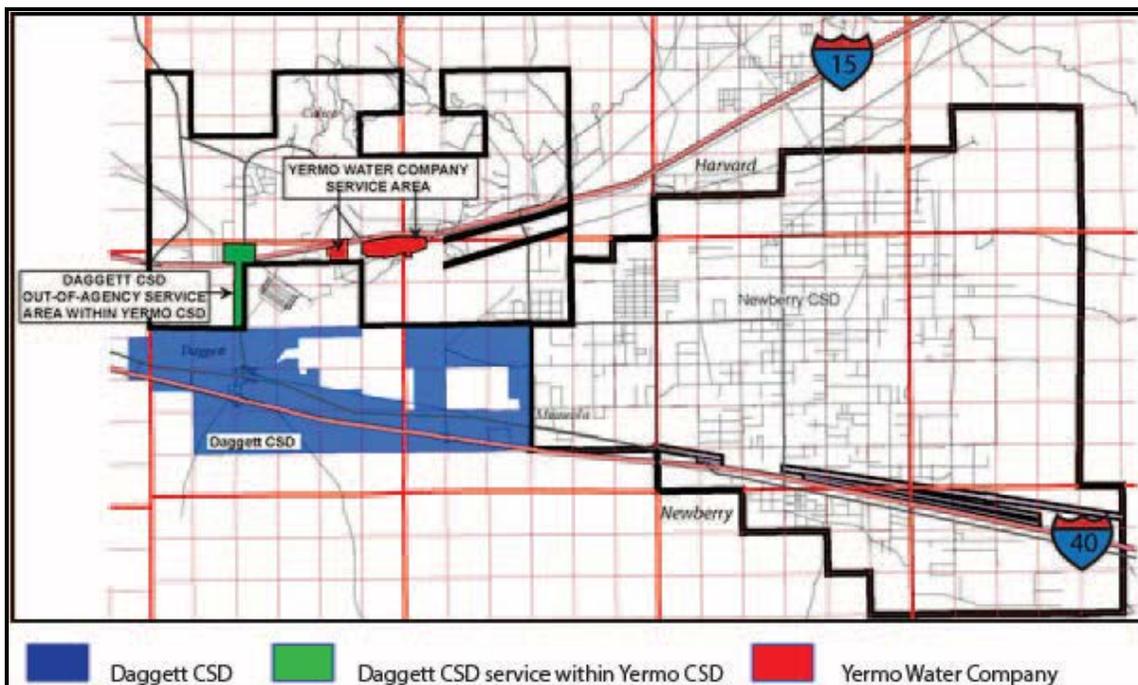
C. Water

Currently, Daggett CSD and Yermo Water Company are the only domestic water service providers within this region. These service providers are shown on the map below which is included as a part of Attachment #4. Daggett CSD delivers water within its boundaries and to a 1.25 mile area within Yermo CSD territory. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water to a small portion of Yermo. The Yermo Water Company has been under investigation by the PUC, culminating in the April 2009 order to place it in mandatory receivership. In the areas not within a municipal water provider, including Harvard, water service is provided on-site through wells.

¹⁰ County of San Bernardino. Board Agenda Item 4. 22 March 2011.

¹¹ County of San Bernardino Contract 09-1124.

Map of Domestic Water Providers within the Region: Daggett CSD and Yermo Water Company



Baja Subarea of the Mojave River Basin and Mojave River Pipeline

The Mojave River basin is adjudicated¹² under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre-feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft.

The study area is within the Baja subarea of the Mojave River basin, from which water is pumped. Pursuant to the Adjudication Judgment for the Mojave River basin, additional rampdown in Baja is warranted. In 2010, the Court imposed a 2.5% per year rampdown commencing in 2010-11 and continuing for the next four years. Water levels continue to show decline and the rampdown continues. For 2014-15, rampdown is set at 55% of Base Annual Production (water rights) consistent with the Court's order.¹³ In other words, for 2014-15 producers in Baja may pump up to 55% of its water rights.

¹² Adjudication is defined in the 2005 California Water Plan as the "Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision." Department of Water Resources, California Water Plan Update 2005, Vol 4, Glossary (2005).

¹³ Mojave Basin Area Watermaster, Draft 20th Annual Report of the Mojave Basin Watermaster: Water Year 2012-13, (26 Feb 2014), Ch. 5.

In 1996 the Mojave Water Agency began construction on the Mojave River Pipeline in order to offset the depletion of groundwater in the upper reaches of the Mojave River Basin caused by population growth and over pumping from wells. It can supply up to 45,000 acre-feet of water each year to the upper Mojave River Basin where it percolates into groundwater recharge basins. As shown in the chart below, the first deliveries to the Baja subarea began in 2003 to the Daggett recharge site. Since that time, through 2013, the Mojave River Pipeline has delivered 16,280 acre-feet of water to the Daggett and Newberry Springs recharge sites. However, since 2006 the amount of water delivered through the pipeline has significantly lessened.

**MWA Deliveries to the Recharge Sites in Baja Sub-basin
Calendar Years 2003 through 2013**

Recharge Site	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Daggett	1,890	1,488	3,114	4,168	483	0	1	155	2,063	500	0	13,862
Newberry	0	0	0	1,227	433	0	0	156	602	0	0	2,418
TOTAL	1,890	1,488	3,114	5,395	916	0	1	311	2,665	500	0	16,280

Source: Mojave Water Agency

As the above chart indicates, continued deliveries to the Baja Subarea are dependent upon deliveries to the Mojave Water Agency through the State Water Project, whose pumping is currently restricted by court order and drought conditions.

Daggett CSD

Daggett Water Production

Daggett CSD has water production rights (also known as Base Annual Production) to assure 304 acre-feet (AF) annually. Since 2003-04, the rampdown for the Baja sub-region has increased from 80% of an agency's water rights to 55% for 2014-15. The amount of water that an agency can produce pursuant to the rampdown is called Free Production Allowance (FPA).

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused FPA from another party. As indicated in the table below, the historical trend for Daggett's water production indicates that it produces more than its FPA. In order to pay the higher overproduction costs of the Watermaster, Daggett purchases water from other agencies (shown in the chart below as Carryover and Transfers). This translates into increased costs for ratepayers.

Daggett CSD Water Production and Water Obligations
(units in acre-feet unless otherwise noted)

Water Year	Free Production Allowance [Rampdown %]	Carryover and Transfers	Total Free Production Allowance	Verified Production	Unused FPA ¹ or (Agency Overdraft)	Replacement Water Obligation
2003-04	204 [80%]	239 126	603	255	330	\$0
2004-05	204 [80%]	330 0	534	248	204	\$0
2005-06	191 [75%]	204 0	395	258	137	\$0
2006-07	191 [75%]	137 0	328	293	35	\$0
2007-08 ²	228 [75%]	35 0	263	270	(7)	7 AF purchased for \$2,359
2008-09	213 [70%]	0 80	293	272	21	\$0
2009-10	206 [67.5%]	21 130	357	252	105	\$0
2010-11	198 [65%]	105 128	431	226	198	\$0
2011-12	190 [62.5%]	198 100	488	247	190	\$0
2012-13	183 [60%]	190 100	473	241	183	\$0
2013-14	175 [57.5%]	183 n/a	358			
2014-15	168 [55%]					

¹ Unused FPA is equal to the total FPA (Base FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA.

² In 2007-08, Daggett CSD purchased 50 AF of Base Free Production Allowance

sources: Mojave Basin Area Watermaster
Annual Report of the Mojave Basin Area Watermaster, for Water Years 2003-04 through 2014-15.

Requests for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments and Requests for Assignment of Free Production Allowances in Lieu of Payment of Makeup Water Assessments, for Water Years 2002-03 through 2012-13.

Daggett Water Operations

Daggett CSD has no water management plan or strategic plan to reference in order to provide technical information for this report such as average daily demand, maximum daily demand, operational storage, fire storage, or hydraulic modeling. Further, Daggett has no formal plans for significant upgrades of its water system.

The following information regarding Daggett's water facilities is taken from a combination of its *2012 Consumer Confidence Report*, the County Department of Public Health's *Small Water System Sanitary Survey Report* dated January 9, 2013, and interview with Daggett CSD staff from November 2013.

This water system is classified as a community water system with metered connections. The system consists of three vertical wells, pressure tank, and three gravity storage tanks totaling 352,000 gallons. Maximum day consumption during the warmest month is 300,000 gallons. The County states that the storage and source capacity are adequate and is able to meet peak demand. The main and distribution lines were installed in 2011 are in good condition. The system has a total of 186 service connections (26 within Yermo CSD) including residential and commercial connections, serving an approximate population of 500 residents and a transient population.

The wells are vertical wells accessing one active source. The active wells meet State well standards and appear to be in good condition. Daggett disconnected well #2 from pressure zone 2 due to high nitrate. Well # 3 is on standby. Well #6 is on standby due to its high sand content. Well #7 is active and was drilled in 2002 to a depth of 285 feet.

Of importance is that there are no connections to other systems. Daggett states that the major impediment to establishing an inter-tie is the distance to the Yermo system, and that it would be more feasible to have an inter-tie with the Santa Fe Water System.

Citation from County Department of Public Health

Within the past year Daggett has had three occurrences that disrupted water flow. While some circumstances cannot be avoided, of concern to LAFCO staff is how Daggett handles the situations. This includes lack of notification to the regulatory agency responsible for its monitoring, the County Department of Public Health.

May 2013

Daggett received a citation from the County Department of Public Health dated May 2, 2013 for failing to comply with the following:

- Collecting less than the required routine bacteriological samples per month,
- Sampling tested positive for total coliform,
- Failing to take the required number of repeat samples for positive coliform samples, and

- Failing to notify the Department of Public Health of the total coliform violation.

Of concern to LAFCO staff is not the occurrence of the coliform bacteria, rather the failure to assess the situation and notify the County Department of Public Health. According to the CSD, it met the corrective orders of the violation and no civil penalty was assessed to the CSD.

December 2013

Then, in December 2013 the water system collected a routine sample that tested positive for total coliform bacteria, with repeat samples verifying the positive result. The documents reveal a timely response by Daggett. The water system was subject to emergency chlorination, and a boil water notice was issued to customers. Two days later the boil water notice was cancelled after a determination by Daggett, California Department of Public Health, and County Department of Public Health.

May 2014

In May 2014 a wind storm downed power poles in the Yermo service area of Daggett CSD. As a result, the wells could not pump water. Two days after the storm, power and water resumed to the area. Even though water flow resumed, regulations require the issuance of a boil water notice and that the boil water notice shall remain in effect until two consecutive negative bacteriological samples have been received over a two-day period. Six days after the storm the boil water notice was lifted.

Again, Daggett failed to notify the County Department of Public Health of the issue - instead a local restaurant notified the County Department of Public Health. Additionally, the issuance of the boil water notice by Daggett lacked clarity on the issue and was replaced by the County Department of Public Health, which Daggett then distributed. Further exacerbating the situation, Daggett failed to pull a second sample on the fourth day and had to pull the second sample on the fifth day. As a result, the boil order was extended by one day. As of the date of this report, the County Department of Public Health has not issued a citation for failing to notify the Department of Public Health of the situation.

LAFCO Concern

Of concern to LAFCO staff is not the occurrences, rather the failure to assess the situation in an appropriate manner and notify the County Department of Public Health. Failure to notify the County Department of Public Health, the regulatory agency for the local water system, disregards the rules and regulations that are in place to ensure public health and promote transparency. As a result, such inattention to the rules and regulations in place are a disservice to the community.

Service by Daggett CSD within Yermo CSD

Daggett CSD provides water service within the boundaries of Yermo CSD since 1984. Since 1984 Daggett CSD has been providing water service within the western portion of

Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. The School District originally requested that Daggett CSD provide the service because no other entity was capable of providing the level of service needed. Between 1984 and 2001, Daggett CSD allowed residents along the water main to connect.

The service area is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area.

The LAFCO staff report in 2001 which authorized Daggett CSD to provide water within Yermo CSD stated a reservation that the service capacity of an eight-inch water line given the commercial use and fire flow requirements was a concern. The eight-inch water line is still in use and the commercial use and fire flow requirements remains a concern.

In area called the four corners (Daggett water system in Yermo), there are issues as to which agency (Daggett water or Yermo fire) should test the hydrants. According to minutes of Daggett board meetings throughout 2013, Daggett formally requested that Yermo CSD cease testing the hydrants of the Daggett water system. Lack of understanding as to which agency is responsible for hydrant testing is a signal of lack of understanding from one of the agencies.

Yermo CSD

Culminating a 20+ year review by the California Public Utilities Commission ("PUC") of the operations of the Yermo Water Company¹⁴ prompted the Yermo CSD to seek approval from LAFCO to activate its latent water function (LAFCO 3008A). In 2009, the LAFCO Commission approved the water function to provide Yermo CSD the ability to participate in acquisition proceedings to acquire the Yermo Water Company and be responsible for the operation and maintenance of the system.

In order to provide the community of Yermo with a higher level of water services, the Yermo CSD long sought to purchase and operate the Yermo Water Company. This would have included acquiring the Water Company and the Water Company assets and liabilities for a total cost of \$259,000. To assist in defraying this cost, in 2011 the County at the request of the First District Supervisor entered into an agreement with Yermo CSD to allocate \$150,000 in Priority Policy Needs funding towards the purchase of the Water Company.¹⁵ The remaining funds for the purchase were subsequently allocated by the Mojave Water Agency.

¹⁴ *California Public Utilities Commission v. Donald Walker, and Yermo Water Company* in the Superior Court of California, County of San Bernardino (Case No. CIVBS1200448).

¹⁵ County Contract 11-63. 15 Feb 2011.

In December 2012, the court appointed a receiver to manage the Yermo Water Company and assist in permanent transition to another entity. While waiting for a decision from the court as to what entity would assume ownership of the water system, in 2013 the receiver entered into a contractual relationship with Yermo CSD to operate the water system including billing and collection of customer usage fees and general repairs. Service of third party contractors was utilized for repairs beyond the scope of those available through Yermo.

In October 2013, the receiver determined that the most suitable buyer for the system would be Apple Valley Ranchos Water Company (AVRWC). According to a letter from the receiver to the Yermo Water Company customers dated October 15, 2013, AVRWC has committed to financing and completing \$720,000 in system improvements to address the most critical system deficiencies within the first year after the transfer of ownership is completed. In order to support these improvements, water rates will increase initially by 37% with three annual increases of 2.5%, as a part of the authorization of AVRWC's acquisition per PUC Resolution W-4998. However, the rates will increase once AVRWC completes the acquisition and assumes ownership of the Yermo system, which is anticipated to occur in late October or early November 2014. The purchase agreement is subject to approvals by the California Department of Public Health (ownership of a public water system), Mojave Water Agency (water rights), and PUC (recommendation to the court), with final approval by the court.

Throughout this time, there was interest for a partnership between AVRWC and Yermo CSD, in order to use Yermo CSD's status as a government agency to obtain grant funding. The receiver believed that a public/private partnership between Yermo CSD and AVRWC was possible which could address the needs of the system and its customers due to the availability of grant funding for certain projects. However, Yermo CSD's minutes of its January 8, 2014 and January 21, 2014 hearings state that it is, "not in favor of contracting Yermo CSD employees [for continued operation of the water system] and are not interested in working in a partnership [with AVRWC] or as a grant applicant". The funding from the County and Mojave Water Agency is in the process of being returned from the escrow account.

Calico Ghost Town Regional Park

In 2012, the County installed a small water treatment facility and associated evaporation ponds at the Calico Ghost Town Regional Park ("Park"), which is operated by the Regional Parks Department of San Bernardino County. The Park is within the Yermo/Daggett CSD sphere of influence. Previously, water from two wells was pumped up to the reservoirs and then distributed to the various operations within the Park. However, due to water quality problems with the well water, it became necessary to provide water treatment to remove various contaminants. The raw water from the two wells is pumped to the water treatment unit and the treated water is then pumped to the two existing reservoirs. Waste brine resulting from the treatment of the water drains to evaporation ponds for disposal.

Newberry CSD

The Newberry Springs community has no existing public water system to serve residents and water service is characterized by the acquisition through private wells. This service deficiency limits the development capacity for the Newberry Springs area but also supports the retention of its rural nature. Furthermore, Newberry CSD does not supply water to residents; it only supplies its own facilities and provides water for fire protection purposes (water trucks). Newberry CSD's Strategic Plan indicates that water service is a long range goal and a study would have to be conducted to determine the funding for such an endeavor which would include the need to purchase additional water rights.

D. Sewer

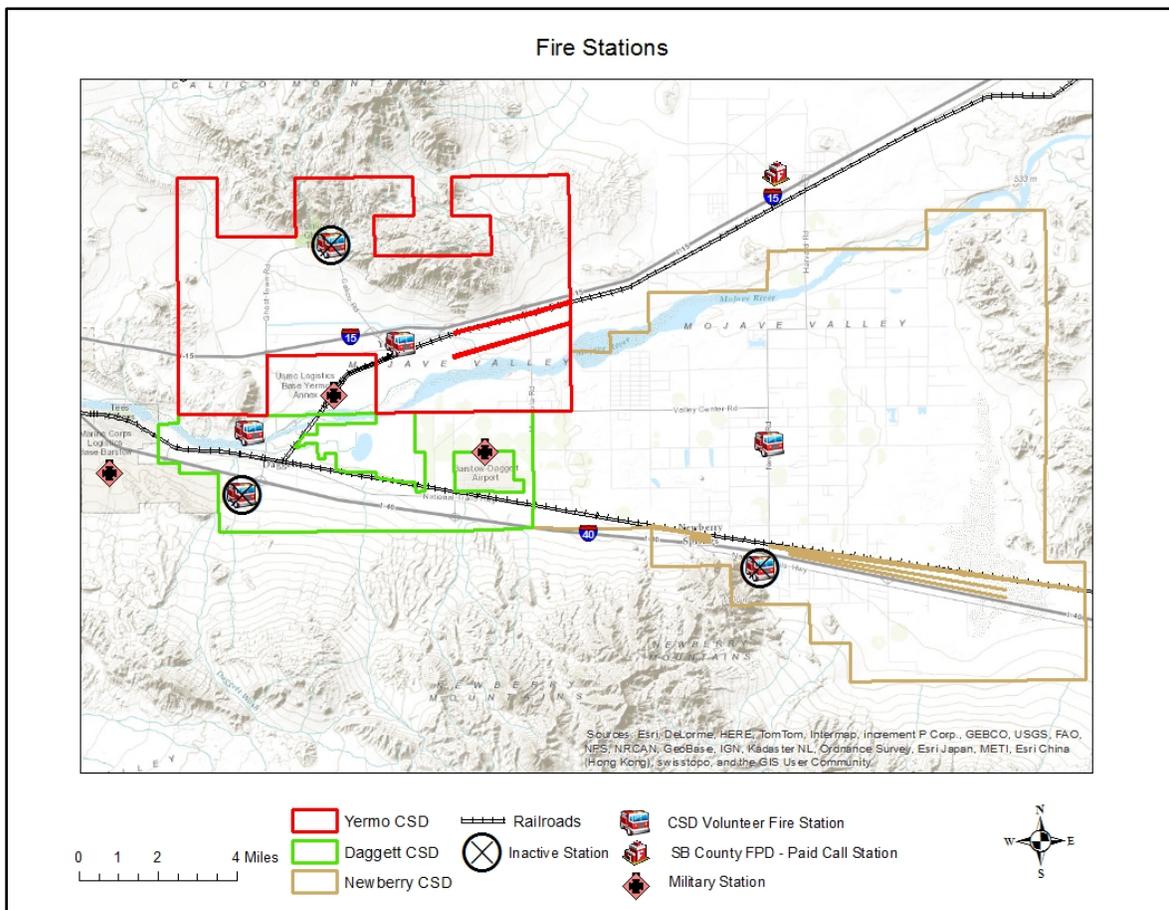
The districts do not currently provide sewer service, and the landowners utilize septic tanks or leach field systems. Areas with dense development could benefit from an organized system; however, the costs for installation, transportation, and treatment would be borne by the landowners within the benefiting areas. Further, the study area and the surrounding areas can be characterized as rural and agricultural communities that have historically experienced slow growth; thus, not requiring an organized sewer system.

Although authorized sewer service, Newberry does not actively provide the service but has the power to plan for a sewer collection and treatment system. Actual provision of sewer service would require an application to LAFCO, along with a Plan for Services, and Commission approval. Should Newberry desire to provide this service to only the populated segments within the district, it would need to form an improvement district pursuant to CSD Law. This option would require voter or landowner approval due to the need for funding the development of the system and would require LAFCO approval to actively provide the service.

E. Fire Protection

Background

There are four agencies that provide fire protection to the study area: Daggett CSD, Newberry CSD, Yermo CSD, and the San Bernardino County Fire Protection District ("SB County FPD") from its Harvard station. The stations which provide fire service are outlined on the map shown below.



At first glance it would seem as if fire protection and emergency response would be adequate. Each of the CSDs is authorized by LAFCO to provide fire protection services and each has multiple fire stations. However, each of the CSDs experiences challenges in providing fire protection services given the limited resources available. This results in the use of a volunteer force with only one current active station for each CSD. The SB County FPD operates a paid-call station (Station 52) in Harvard with an intended primary use for emergency response along Interstate 15. Additionally, the nearby military installations have their own fire response and provide mutual aid when necessary. However, if new leadership is assigned to either the Marine or Army bases, it could possibly change the three CSDs' ability to call on them for assistance.

San Bernardino County Fire Protection District

Prior to July 2008, the Harvard station (at that time Station 46) was within the boundary of County Service Area 38, and it received funding from a share of the ad valorem general levy generated from within the Harvard area. The reorganization of the SB County FPD in July 2008, included the transfer of responsibility for fire services from CSA 38 to the North Desert Service Zone of the newly reorganized SB County FPD. As a result, the Harvard station (renamed as Station 52) receives funding from within the North Desert Service Zone of the County Fire Protection District.

Due to a decline in SB County FPD property tax revenue and an increase in operational costs, in June 2012 the SB County FPD enacted a series of cost cutting measures totaling \$8.5 million, even with a subsidy increase of \$4.6 million from the County's General Fund. One cost cutting measure was the transitioning of Fire Station 52 in Harvard from a full-time staffed station to an on-call station.¹⁶ For roughly the next eight months, there were no responses dispatched from the Harvard station, with staffing at the Hinkley station being temporarily increased. In mid-2013, Station 52 was transitioned to a paid-call station. According to SB County FPD, the station currently has six paid-call firefighters and is fully staffed during times of heavy highway travel such as holiday weekends.

According to the SB County FPD website, Station 52 is a key station supporting the heavily traveled I-15 corridor between Barstow and Baker. Station 52 crews also respond to a large portion of the I-40 freeway including the Ludlow area. This station is staffed as needed by paid-call firefighters who live in the local area. The fire apparatus include one Type 1 structure engine and one Type 6 all-wheel drive brush patrol.

Within the boundary of the SB County FPD is the Barstow-Daggett Airport, a county-operated airport facility. While technically the responsibility of SB County FPD, fire service is provided at this facility by contract personnel associated with Fort Irwin as it houses aircraft at the facility through a contract with the County Airports Department. This fire station is manned during operational hours and provides mutual aid response.

Daggett CSD

Daggett CSD operates an all-volunteer fire department with one active station, although there are two inactive stations. Personnel consist of a chief, assistant chief, four firefighters/engineers, and two firefighters. Daggett has three fire crews that are Red Card certified (can respond on a strike team to any location). For example, two Daggett fire crew responded to the 2007 Malibu Fire. Currently, apparatus consists of an engine, brush engine, water tender, rescue vehicle, and brush patrol. The CSD does not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, personnel training and certifications, facility additions or upgrades, and short and long-term goals.

Newberry CSD

Newberry CSD operates an all-volunteer fire department with one active station; although there is one inactive station. Newberry CSD does not own the land for the active station and operates with a cooperative agreement with the school district for space and utilities. The lease is a 40-year lease that expires in 2025 at a cost of \$1 per year. Personnel consist of four officers (fire chief, assistant fire chief, captain, and lieutenant), and volunteer firefighters. Current apparatus includes one Type-1 engine, one rescue (Type-2 ambulance), one water tender, one rescue trailer, and one Type-6 patrol.

¹⁶ San Bernardino County Fire Protection District. Board Agenda Item 10. 15 June 2012.

The CSD currently has mutual aid agreements with Daggett and Yermo CSDs, SB County FPD, CalFire, Bureau of Land Management, Fort Irwin Army Base, and the Marine Corps Logistics Bases. There is a verbal agreement with Santa Fe Railroad for the CSD to access the 220,000 gallon water tank located near the Elementis Specialties Plant. Also, there is a verbal agreement with the Mojave Water Agency (“MWA”) for the CSD to access the Mojave River Pipeline during fires. The MWA also added fire hose fittings to the pipeline blow-offs to facilitate CSD truck connections. According to MWA personnel, the CSD is aware that the pipeline flow is dependent on State Water Project deliveries. For both of these verbal agreements, the district has indicated that it seeks to formalize these arrangements. LAFCO staff recommends that these verbal agreements indeed be formalized to reduce risk.

In May 2014 Newberry CSD adopted a Fire Department Policy and Procedure Manual which outlines policies and procedures on administration, authority, personnel, equipment, fire operations, training, and safety (Attachment #7). To ensure the continuity of the Policy and Procedure Manual, the Manual directs for a quarterly plan to define goals and objectives to be completed prior to the beginning of each quarter of the year. Additionally, the CSD has a Fire General Plan from 2014; this plan was not required to be adopted by the CSD board and lacks such adoption. Nonetheless, the plan provides insight into fire protection and emergency response not only to Newberry but to rural areas.

Yermo CSD

Yermo CSD operates an all-volunteer fire department with one active station, although there is one inactive station. The active station is the south station, which is adjacent to the CSD office and community center. Personnel consist of a chief, assistant chief, four firefighters/engineers, and two firefighters. The CSD lacks a fire master plan or operational plan to reference in order to provide information on ISO ratings, personnel training and certifications, facility additions or upgrades, and short and long-term goals. Apparatus located at the station include: 2008 Ford F350 rescue vehicle (purchased in 2008), 1980 GMC 7000 brush engine (donated in 2008 by the County), 1998 Dodge RAM Type 6 pumper, and a 1987 GMC 2,500 gallon water tender.

Incident Calls

The Consolidated Fire Agencies (CONFIRE), a joint powers authority, provides dispatch services to SB County FPD; and the California Department of Forestry and Fire Protection (CalFIRE) provides dispatch services to the three CSDs. Through a Public Records Act Request, LAFCO obtained incident call data from the dispatch agencies.

SB County FPD

In late 2009 CONFIRE changed dispatch systems, which included a non-compatible upgrade of the data repository. At the other end of the timeline, the Harvard station was a full-time station until around July 2012. From July 2012 until mid-2013, the station was inactive. In mid-2013, Station 52 was reactivated as a paid-call station. Therefore, for this report incident data is provided from January 2010 through June 2012.

The data in the figure below reveals the growing geographical extent of response from Station 52 and striking trends:

- During this timeframe, responses to the study area (Daggett, Newberry Springs, and Yermo) totaled 14% of all calls from the Harvard station. This would indicate that the three CSD fire departments requested additional assistance which consumed a significant response from the Harvard station. However, the Harvard station is now a paid-call station and such mutual aid calls to Daggett, Newberry Springs, and Yermo have lessened due to lack of personnel available for response.
- Traffic calls represent about half of the total responses, with fire and medical representing a quarter each. The distribution of incident type is not typical in comparison to other stations and agencies, where medical represents roughly half of the responses. Being a primary response station along a heavily traveled corridor lends to more responses related to traffic incidents. Further, the only other fire response station along I-15 is in Baker, which itself has a high call volume related to traffic incidents.
- In turn, the top four communities that Station 52 received dispatch calls were, in order: Baker, along I-15 (34%) – most likely backfill for the SB County FPD Baker station, Harvard, along I-15 (20%), Ludlow, along I-40 (14%), and Mountain Pass, along I-15 (10%). The Harvard station's responses to farther areas have increased significantly during this timeframe.

**San Bernardino County Fire Protection District, Station #52, Harvard
Incident Calls from Jan 1, 2010 to June 30, 2012**

INCIDENT LOCATION	(2010) Jan-June	2010-11	2011-12	TOTAL	PERCENT
Amboy	3	0	0	3	0%
Apple Valley	0	1	1	2	0%
Baker	108	271	342	721	34%
Barstow, county	7	20	49	76	4%
Barstow, city	0	4	3	7	0%
Cima	0	1	2	3	0%
Daggett	1	1	20	22	1%
Essex	1	1	0	2	0%
Fort Irwin	1	0	1	2	0%
Harvard	83	153	178	414	20%
Hinkley	0	3	9	12	1%
Ivanpah	0	0	4	4	0%
Kelso	5	12	20	37	2%
Kramer Junction	0	1	1	2	0%
Ludlow	47	123	126	296	14%
Mountain Pass	26	75	112	213	10%
Newberry Springs	20	47	91	158	8%
Red Mountain	1	0	1	2	0%
Victorville	1	0	0	1	0%
San Bern. Valley	0	2	1	3	0%
Yermo	16	46	45	107	5%
Unknown	3	7	4	14	1%
Total	323	768	1010	2,101	100%

INCIDENT TYPE	(2010) Jan-June	2010-11	2011-12	TOTAL	PERCENT
Fire	86	163	283	532	25%
Medical	66	167	243	476	23%
Traffic	149	409	437	995	47%
Other	22	29	47	98	5%
TOTAL	323	768	1,010	2,101	100%

source: CONFIRE, San Bernardino County Fire Protection District

Daggett, Newberry, and Yermo CSDs

The following pages show incident location and incident type for each of the CSDs. The information was obtained from CALFIRE and is similar to data provided by each CSD.

Daggett CSD
Incident Calls from January 2009 through December 2013

INCIDENT LOCATION						LOCATION	
LOCATION	2009	2010	2011	2012	2013	TOTAL	PERCENT
Baker					1	1	0%
Barstow	2		1	1		4	0%
Daggett	95	113	129	116	108	561	66%
Harvard	2			3	2	7	1%
Helendale				1		1	0%
Hinkley				1		1	0%
Kelso	1		1			2	0%
Ludlow	2			8	4	14	2%
Nebo Marine Base				2		2	0%
Newberry Springs	10	9	28	31	42	120	14%
Yermo	7	10	11	8	5	41	5%
Not Identified	6	56	27	6		95	11%
TOTAL	125	188	197	177	162	849	100%

INCIDENT TYPE						TYPE	
TYPE	2009	2010	2011	2012	2013	TOTAL	PERCENT
Fire	19	40	50	39	41	189	22%
Medical	69	86	87	83	72	397	47%
Traffic	16	29	16	23	21	105	12%
Other	21	33	44	32	28	158	19%
TOTAL	125	188	197	177	162	849	100%

source: CALFIRE

Newberry CSD
Incident Calls from January 2009 through December 2013

INCIDENT						LOCATION	
LOCATION	2009	2010	2011	2012	2013	TOTAL	PERCENT
Baker	7	2		12	3	24	2%
Barstow	1					1	0%
Daggett	2	3	10	2	2	19	1%
Harvard	5		7	10	5	27	2%
Kelso	3	1	2			6	0%
Ludlow	13		9	12	6	40	3%
Mountain Pass				2	3	5	0%
Newberry Springs	120	212	232	267	306	1,137	75%
Yermo	8	8	9	8	5	38	2%
Not Identified	23	127	69	6	3	228	15%
TOTAL	182	353	338	319	333	1,525	100%

INCIDENT						TYPE	
TYPE	2009	2010	2011	2012	2013	TOTAL	PERCENT
Fire	37	80	86	64	63	330	22%
Medical	86	167	153	172	190	768	50%
Traffic	37	65	40	42	45	229	15%
Other	22	41	59	41	35	198	13%
TOTAL	182	353	338	319	333	1,525	100%

source: CALFIRE

**Yermo CSD
Incident Calls from January 2009 through December 2013**

INCIDENT						LOCATION	
LOCATION	2009	2010	2011	2012	2013	TOTAL	PERCENT
Baker	2			1	1	4	0%
Barstow	2			2		4	0%
Daggett			2	3	3	8	0%
Harvard	4		2	4	4	14	1%
Hinkley		1		2		3	0%
Ludlow						0	0%
Newberry Springs		4		3	11	18	1%
Yermo	178	286	298	331	339	1,432	88%
Yermo Annex				1		1	0%
Not Identified	2	86	44	5	6	143	9%
TOTAL	188	377	346	352	364	1,627	100%

INCIDENT						TYPE	
TYPE	2009	2010	2011	2012	2013	TOTAL	PERCENT
Fire	37	68	52	52	55	264	16%
Medical	94	216	201	213	224	948	58%
Traffic	37	66	63	61	57	284	17%
Other	20	27	30	26	28	131	8%
TOTAL	188	377	346	352	364	1,627	100%

source: CALFIRE

Mutual Aid

The figure below consolidates information from the figures above and shows the mutual aid responses amongst the four fire departments. Newberry CSD and Yermo CSD requested disproportionate mutual aid from Daggett CSD and the Harvard station during this timeframe. LAFCO staff could not determine if the lack of mutual aid to Daggett is due to the small size of its service area or if its fire department was sufficient to handle calls within its service area.

Fire Agency (response from)	Community (response to)				Total (response from)
	Daggett	Newberry Springs	Yermo	Harvard	
Daggett CSD		14%	5%	1%	20%
Newberry CSD	1%		2%	2%	5%
Yermo CSD	0%	1%		1%	2%
Harvard (County Fire)	1%	8%	5%		14%
TOTAL (response to)	2%	23%	12%	4%	

LAFCO staff confirmed with all three CSDs that the recovery of costs for mutual aid does not occur. At the outset, this results in unbalanced mutual aid calls at the expense of Daggett CSD. With only one active fire station, this significant percentage could hinder the readiness of the Daggett station.

Service Delivery Challenges

Challenges in service delivery for fire protection and emergency response stem from two issues: the rural nature of the area and the funding challenges to provide the service.

Rural Nature

First, the communities in general are rural (defined as fewer than 500 persons per square mile).¹⁷ Being such, a volunteer force would seem adequate as this is the case in many parts of the country (in 2004 it was estimated that 78% of all fire firefighters in the country were volunteers). However, this area experiences heavy transient travel and natural and man-made travel impediments.

Even though the communities themselves are rural, travel along the interstates that navigate through each CSD is heavy – Interstate 15 and Interstate 40 are two of only four interstate highways that exit Southern California to the east. Along I-15, traffic between Southern California and Las Vegas increases each year and is anticipated to continue to increase as evidenced by highway improvements. In 2012, the average daily traffic volume on I-15 through Yermo and Harvard was over 40,000 with a peak hour count of 5,800 during weekends and holidays. To put the peak hour count of 5,800 into perspective, the peak hour count on I-215 at University Parkway entering Cal State San Bernardino was 5,200.¹⁸ Needless to say, the travel can be heavy along I-15.

Route 66 used to traverse through the southern portions of the Daggett and Newberry Springs communities. This portion of Route 66 was decommissioned in 1985, being replaced by I-40 for east-west travel. I-40 is now the third longest highway in the country. In 2012, the average daily traffic volume on I-40 through Daggett and

¹⁷ National Fire Protection Association. Standard 1720, 2010 Edition.

¹⁸ California Department of Transportation. Traffic Census. <http://traffic-counts.dot.ca.gov>. Accessed 3 June 2014.

Newberry Springs was over 15,000 with a peak hour count of 2,150 during weekends and holidays.¹⁹

As for the physical environment, as stated in the Newberry CSD 2014 Fire General Plan, though dry the majority of the time, the Mojave River is a collection point for storm runoff and has experienced rapid flows during rainy seasons. Two major railroad lines are located in (Burlington-Santa Fe) or adjacent to (Union Pacific) the districts which can delay responses.

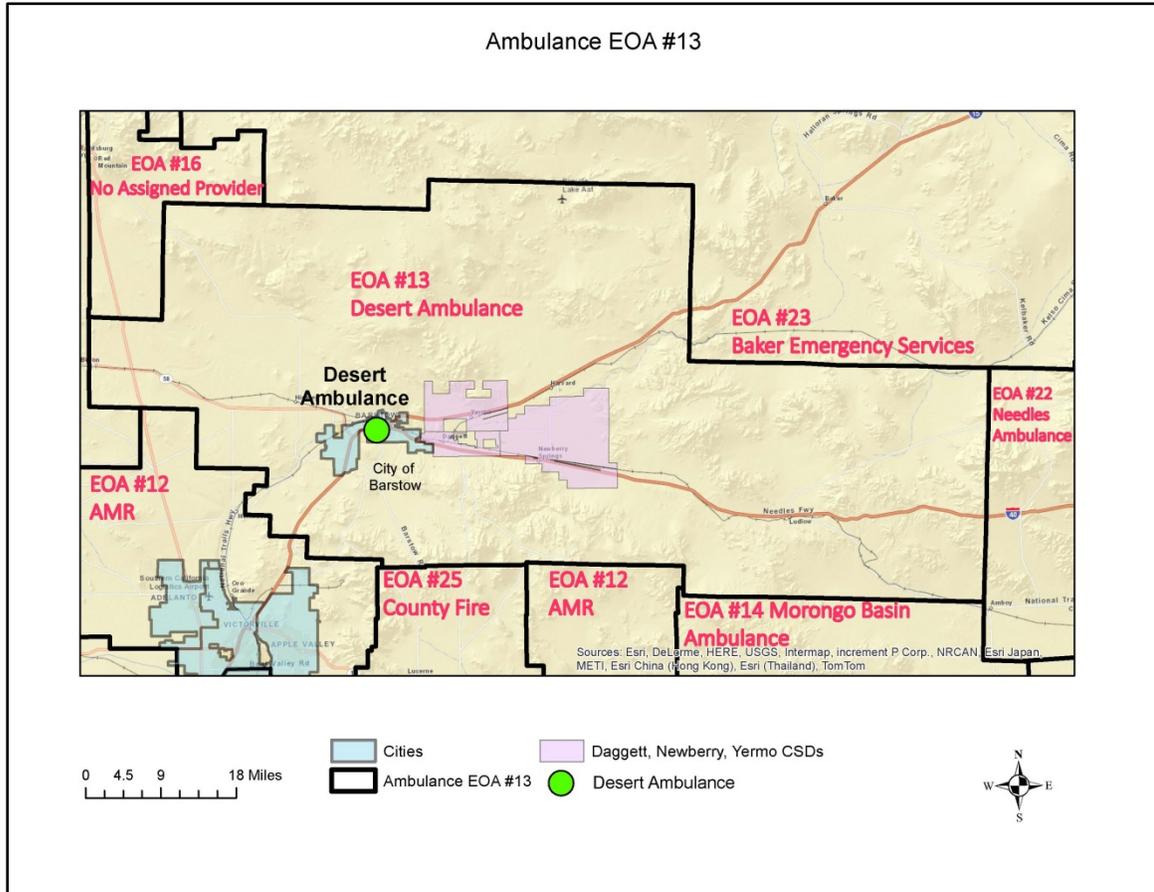
The downgrade of the San Bernardino County Fire Protection District's Harvard station from a full-time force to paid-call status has compounded the issue. The downgrade has placed a burden upon the three CSDs to be the primary responder along the heavily traveled interstates traversing the communities. The Marine Corps base and the Army out of Daggett Airport have picked up some of the load, but that support can be removed at any time.

Further intensifying this circumstance is the distance for the ambulance to travel to serve the community. Ambulance ground transport services are provided by Desert Ambulance, a private company based out of Barstow. Desert Ambulance provides service within the Exclusive Operating Area ("EOA") #13 – Desert Ambulance EOA is assigned by the Inland Counties Emergency Management Agency ("ICEMA").²⁰ The geographical extent of EOA 13 covers 3,697 square miles and includes the City of Barstow; the communities of Daggett, Newberry Springs, Harvard, Yermo, Hinkley, Barstow Heights; and the traffic corridors of Highway 58 and Interstates 15 and 40. Mercy Air Ambulance, another private company, provides for air transport when necessary. A map of EOA 13 with the ambulance dispatch location is shown below.

This report does not address Desert Ambulance except to the extent to establish the relationship with the fire agencies and to evaluate the adequacy of services by the fire agencies to both fire and medical emergency calls.

¹⁹ California Department of Transportation.

²⁰ ICEMA is a joint powers authority composed of the Counties of San Bernardino, Mono, and Inyo with the San Bernardino County Board of Supervisors as the ex-officio ICEMA Board of Directors.



Travel time from Desert Ambulance in Barstow to each of the communities is as follows.

Daggett CSD office	15 minutes
Yermo CSD office	16 minutes
Newberry CSD office	25 minutes
Harvard fire station	27 minutes

These travel times assume that the few ambulances of Desert Dispatch are at the dispatch location and not in use. The issue is not the lack of a local ambulance dispatch presence, but that it is coupled with a local volunteer emergency response force. As a result, the volunteer emergency units must wait until the ambulance arrives in order to clear the scene.

Funding Challenges

The lack of funding is the second major challenge in service delivery for fire protection and emergency response. The three CSDs do a commendable job with the limited resources available to them. Nevertheless, emergency services are the most demanding of volunteer activities today. The rural nature of the communities means fewer private landowners (due to larger lot sizes and approximately 30% of the combined land being public), which results in fewer property taxes going to the fire providers thereby compounding the service delivery challenge. Additionally, there are

challenges to keeping a small community fire agency viable. In days of old, training requirements were less time consuming and it was easier to keep volunteers. Over the past 20 years, the number of volunteer firefighters has decreased by as much as 10 percent, according to the National Volunteer Fire Council.²¹ Today, fire service has become increasingly complex, and new state and federal mandates have made training increasingly difficult and costly. The training demands that are placed upon volunteer firefighters are just as stringent as if they were paid professionals.²² In addition, the costs associated with new apparatus and equipment has increased exponentially.²³

For Daggett, Newberry, and Yermo, the districts are rural and having a volunteer fire protection and emergency medical force may be satisfactory. However, the interstates are heavily traveled corridors. A response to the interstates can mean a delayed response to residents within the CSDs. As stated in the Newberry CSD Fire Department General Plan, being an all-volunteer force, "Availability time varies from day-to-day and is not predictable. Most personnel are of working class which is a constraint for available personnel during normal working hours, generally Mon-Fri 0600-1800".

Even though each CSD has multiple fire stations at times in the past, presently each is only able to fund the operation of one active station. Additionally, payment for equipment and training has been a challenge. For example, in August 2008 the loss of an emergency response vehicle due to an accident left Yermo without a functioning fire fighting vehicle for several weeks. During that time, fire crews at the Marine Yermo Annex responded to calls within Yermo CSD. In addition to fire protection and emergency response, the property tax revenue that each CSD receives must also fund general administration, park and recreation, and streetlights.

As stated in the Newberry CSD 2014 Fire General Plan, maintenance on equipment and apparatus is primarily performed in house due to financial constraints roughly 90% of the time, with specific needs contracted out. Also, population increases are minimal and do not offer a long term increase of tax revenue to predict increased support for services. Given the current climate Newberry CSD is status quo and will not be able to increase service level or apparatus without substantial financial increase to support it. In the past, federal and state grants have been used to upgrade and maintain equipment, personal protective equipment, and training. Since grant availability has dramatically declined, different revenue or supportive sources are being sought. Training is conducted in house by department instructors or hired personnel (subject to available funding) to which all fire departments are invited. Due to financial constraints, formal classes and group sessions are not common. This circumstance and its reasoning also apply to Daggett and Yermo.

²¹ National Volunteer Fire Council. "Retention & Recruitment Guide." 2008. www.nvfc.org/index.php?id=1056.

²² Yuba City Fire Department. "Consolidation – Training Issues for Volunteers". Submitted to the National Fire Academy. 2001.

²³ International Fire Chiefs Association, Volunteer and Combination Officers Section. A Call for Action. The Blue Ribbon Report. Preserving and Improving the Future of the Volunteer Fire Service. 2004.

F. Update for Newberry CSD

The 2009 service review identified that Newberry CSD purchased a road grader in 2006 from funds from the one-time Kiewit Pacific Corporation donation²⁴ in order to keep the non-maintained County roads in acceptable condition for fire protection and emergency medical services in the event of inclement weather. In 2013, the district notified LAFCO that it sold the road grader, and thus, no longer performs road maintenance. The district placed the funds from the sale into its reserve account. Therefore, further review on this matter is not necessary.

G. Conclusion for Determination III.

All three CSDs provide streetlight, park and recreation, and fire protection services. Streetlighting and park and recreation services are adequately provided. Due to the age of each of the community center buildings, upgrades and improvements are necessary.

For Daggett CSD and its water service, of concern to LAFCO staff is not the water violations identified, rather the failure to assess the situation in an appropriate manner and notify the County Department of Public Health. Failure to notify the regulatory agency for the local water system disregards the rules and regulations that are in place to ensure public health and promote transparency. As a result, such inattention to the rules and regulations in place are a disservice to the community.

For fire protection and emergency response, the paradox is that with scant property tax revenue akin to a rural agency funding an all-volunteer force with satisfactory equipment, it is the inherent responsibility of the CSDs not only to provide service to its residential and commercial areas, but to wild fires in the vast public lands and incidents along two of the four interstate highways that exit Southern California to the east.

²⁴ In FY 2004-05 the Kiewit Pacific Corporation provided a one-time \$350,000 donation to Newberry CSD to garner support for operation of a rock quarry and asphalt batch plant for approximately two years in the southern portion of the district. Before receipt of the donation, Newberry CSD engaged in legal action against Kiewit on the environmental effects of the project.

Determination IV.

Financial ability of agencies to provide services

This determination outlines the accounting practices of the districts, reviews debt and obligations, net assets, and fund balance in order to determine the financial ability to provide services. LAFCO staff obtained copies of the districts' financial documents from the districts and public sources: assessment and foreclosure data from the San Bernardino Assessor's Office, and the California State Controller's report for special districts.

Each of the districts experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. With the exception of water charges collected by Daggett CSD, the ongoing operations of the districts are primarily funded by property taxes. Fire protection and related activities comprise the largest expense for each of the agencies and its cost increases annually. Further, the districts do not adhere to the constitutional requirements for the establishment of an appropriations limit and statutes related to finances of a community services district.

A. Transparency and State Law Requirements

Reserve Policy

CSD Law (Government Section 61112) requires those districts that have their own treasurers to adopt and annually review reserve policies. This oversight enforces the district treasurer's accountability. A review of the minutes from each agency from May 2013 to May 2014 does not identify a review of reserve policies for any of the districts, but each has its own treasurer.

Management Discussion in Audit

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of the districts has elected to omit the Management Discussion and Analysis information, as identified in the available audits. LAFCO staff indicates that the Management Discussion and Analysis provides an understanding of the context for the agency's operations.

Daggett CSD

CSD Law requires formal budgets and fiscal transparency (Government Code §61110 et seq). Final budgets must conform to generally accepted accounting and budgeting procedures for special districts and must be adopted by September 1 at a noticed hearing. Since 1995-96 Daggett has not adopted a budget and each year the independent auditor uses the 1995-96 budget for the required budgetary comparison portion of the audit. In other words, for almost two decades (last when President Clinton

was in his first term in office) Daggett has operated without a current and adopted budget.

Further, to promote transparency, the law requires the general manager to forward a copy of the final budget to the county auditor; lacking a budget this requirement cannot be met.

By lacking an adopted budget, Daggett CSD violates multiple CSD Law requirements, does not conform to the letter and spirit of the law, and hinders transparency. This circumstance was identified in the 2009 service review determined by the LAFCO Commission as a function of the adoption of Resolution 3063, has not been corrected by the district, continues to be in violation of State law, and is being reiterated in this service review. This circumstance, in the staff opinion, is a symptom of the District's management challenges.

Newberry CSD

The independent auditor issued a disclaimer of opinion for the 2010 and 2011 audits. This type of report is issued when the auditor tried to audit an entity but could not complete the work due to various reasons and does not issue an opinion on the financial statements. The auditor states that he was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Substantial records and receipts for credit card expenditures, including detailed property records, have not been retained thus making them unavailable for the audit.

For the 2012 audit, the auditor identified significant deficiencies in the district's internal controls. These deficiencies mirror the deficiencies identified in the Grand Jury Report which prompted this off-cycle service review. The 2013 audit does not identify any significant deficiencies.

Filing Requirements

Government Code Section 26909 requires all districts to provide for regular audits²⁵; the districts conduct annual audits. However, the one-year timeframe to complete an audit is not being met. As of the date of this report, only Newberry CSD has responded to LAFCO's request for a copy of the FY 2012-13 audit (however it was not completed until August 2014). The FY 2012-13 audits for Daggett CSD and Yermo CSD remain outstanding.

Section 26909 also requires districts to file a copy of the audit with the county auditor within 12 months of the end of the fiscal year. According to the County Auditor's Office, as of June 19, 2014 the last audits it had received were FY 2011-12 for Daggett CSD and Yermo CSD, and FY 2010-11 for Newberry CSD. As for the FY 2013-14 audits, as of June 30, 2014 the audits were not completed and are past due pursuant to Section 26909.

²⁵ This requirement is reinforced in Community Services District Law, Government Code Section 61118.

Government Code Section 61110 states that all districts shall file a copy of its annual budget with the County Auditor²⁶. According to the County Auditor's Office, since 2008 the only budget that it has received is from Yermo CSD for 2009-10 (the year of the last LAFCO service review).

B. Employment Benefits and Post-Employment Benefits

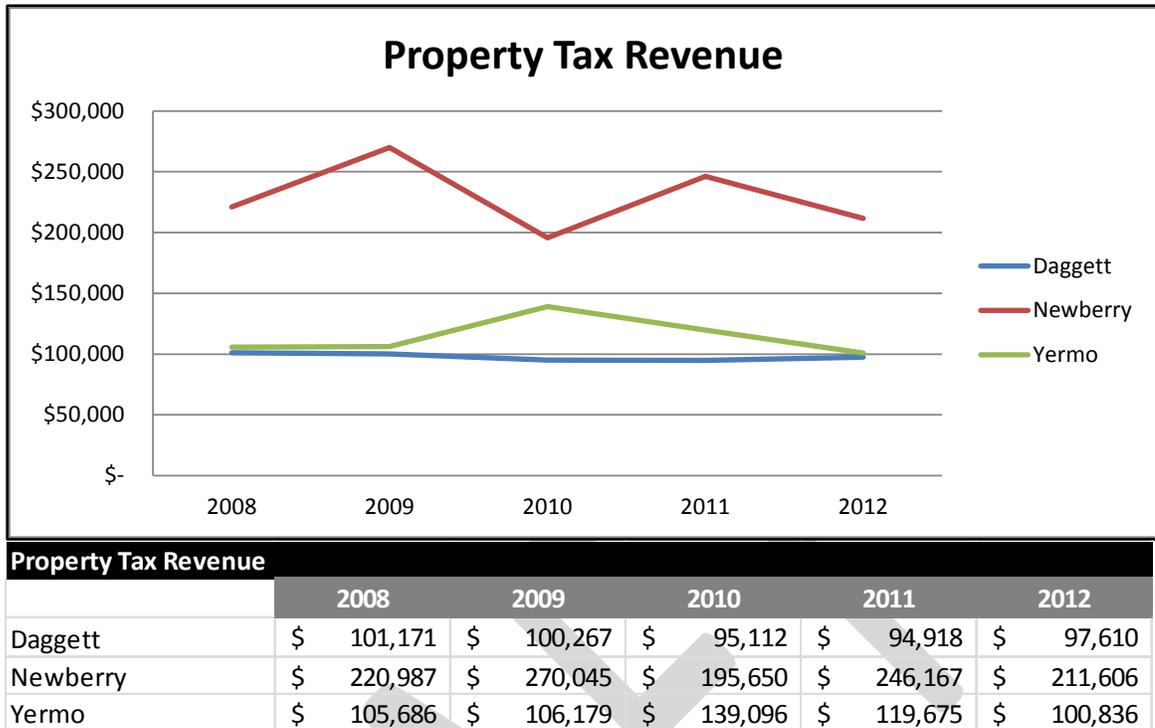
A review of CalPERS and SBCERA member listings do not identify the districts as a member. The districts' financial statements do not identify any other post-employment obligations. Therefore, there are no identified unfunded liabilities that could have a future impact on the districts' financial condition.

C. Revenues and Expenditures

Each district's primary source of revenue for fire protection and emergency response, park and recreation, and streetlights is from the receipt of each's share of the one percent general levy property tax. On average Daggett receives 25% of each tax dollar and Newberry and Yermo 12% (the percentage is based upon an agency's proportional share of the ad valorem property tax, to include debt, pre-Proposition 13). As this revenue source is relatively stable and lags about two years behind changes in market conditions, this indicator can potentially depict the level of stability of an agency's revenue base. This is particularly problematic when the overall tax base is capped at a maximum two percent growth under Proposition 13 and while districts are experiencing decreasing property values. Increases in costs for labor and benefits, training, replacement of equipment and facilities all have grown at a rate greater than two percent.

As shown on the figure below, Daggett's main revenue source was the least volatile during the economic downturn and recovery. Conversely, Newberry CSD receives the most property tax revenue and has been the most volatile during this timeframe. In 2010, the County allocated \$45,961 in excess property tax revenues to Yermo CSD (as shown by the sharp increase in 2010). As a result, Yermo CSD returned the excess property tax revenues, but the excess property tax revenues remain on the books. By removing this occurrence, a relatively flat line would be shown for Yermo CSD. For Newberry CSD, there was a reassessment of property assessments which explains the up and down receipt of property tax revenue.

²⁶ This requirement is reinforced in Community Services District Law, Government Code Section 61110.



The primary expenditure activities in order are: water (Daggett only), fire protection and emergency response, park and recreation, and streetlights. From this, salaries and wages and operations expenses comprise the highest percentage of expenditures.

For Daggett, the water fund annually processes a transfer to the General Activities (General Fund) to pay for the water service's share of the general district administration. A review of the water fund's annual activity shows a minor decrease in funds in 2008. As shown in the figure below, from 2009 through 2011 the water fund experienced revenues greater than expenditures; this is primarily due to the rate increase that took effect in 2009. However, for 2012 and 2013 the water fund has operated with a net loss of \$23,184 and \$115, respectively.

Daggett CSD – Water Activity from 2009-2013

	2009	2010	2011	2012	2013
	Actual	Actual	Actual	Actual	Actual
Operating Revenue	189,385	166,760	162,026	172,366	175,054
Operating Expenses					
water purchases	-	-	-	(4,868)	(15,000)
pumping	(32,249)	(31,557)	(29,545)	(34,160)	(31,754)
water treatment	(4,327)	(4,600)	(1,702)	(2,409)	(8,212)
admin & general	(18,629)	(43,305)	(49,020)	(55,796)	(58,374)
transmission & distribution	(28,474)	(22,862)	(21,951)	(33,034)	(41,949)
depreciation & amortization	(14,406)	(17,141)	-	(19,105)	(18,080)
Total Operating Expenses	(98,085)	(119,465)	(102,218)	(149,372)	(173,369)
Non-Operating Revenues	-	-	-	-	-
Non-Operating Expenses	-	-	-	(2,453)	(1,800)
Transfers In (Out)	(39,714)	(23,226)	(22,354)	(43,725)	-
Net Income (Loss)	51,586	24,069	37,454	(23,184)	(115)

The three figures below show the net cost of each district's governmental activities for the past five years. The data shown is taken directly from each district's audits (included in Attachments #5-7) and the representation differs slightly for each district. Additionally, the independent auditor for each district has to make corrections to each prior year's audit; often the prior year corrections are substantial. Daggett CSD lacks an adopted budget and therefore does not have a numerical and hierarchical account structure for use in its general ledger and income statement, and operates strictly on a cash basis. During the years reviewed for Newberry CSD and Yermo CSD, the districts also did not have a numerical and hierarchical account structure for use in its general ledger and income statement and have challenges with proper accounting implementation. Addressing these deficiencies should lessen the amount of corrections required by the independent auditor in its annual audit.

DAGGETT CSD						
		2008	2009	2010	2011	2012
Revenues						
Property Taxes		101,171	100,267	95,112	94,918	97,610
Other		5,721	1,219	3,252	865	1,467
Total Revenues		106,892	101,486	98,364	95,783	99,077
Expenditures						
Current:						
Salaries & Benefits		28,445	24,659	23,888	17,393	52,306
Fire Protection		14,289	18,525	14,841	22,778	24,747
Parks & Rec		527	775	1,865	22,950	24,934
Streetlighting		3,381	3,920	3,773	3,693	4,778
Administration		35,758	36,932	59,072	17,442	29,996
Debt:		5,675	5,525	5,375	2,200	6,000
Capital Outlay:		5,689	5,090	10,181		
Total Expenditures		93,764	95,426	118,995	86,456	142,761
Revenue Gain (Loss)		13,128	6,060	(20,631)	9,327	(43,684)
Prior Year Correction		16,491	2,999	3,296	(3)	(177)
Interfund Transfers Water Fund		(33,478)	39,993	23,226	22,354	60,268
Fund Balance, Ending		49,369	98,421	104,312	135,990	152,397
Fund Balance restated in next year's audit					131,761	148,168
source: Daggett CSD audits						

The data in the figure above is taken from Daggett CSD's audits. The Interfund Transfers identified on page 39 for 2009 (\$39,714) and 2012 (\$43,725) are taken from the State Controller's Report for Special Districts and differ from the amounts identified above taken from audit data.

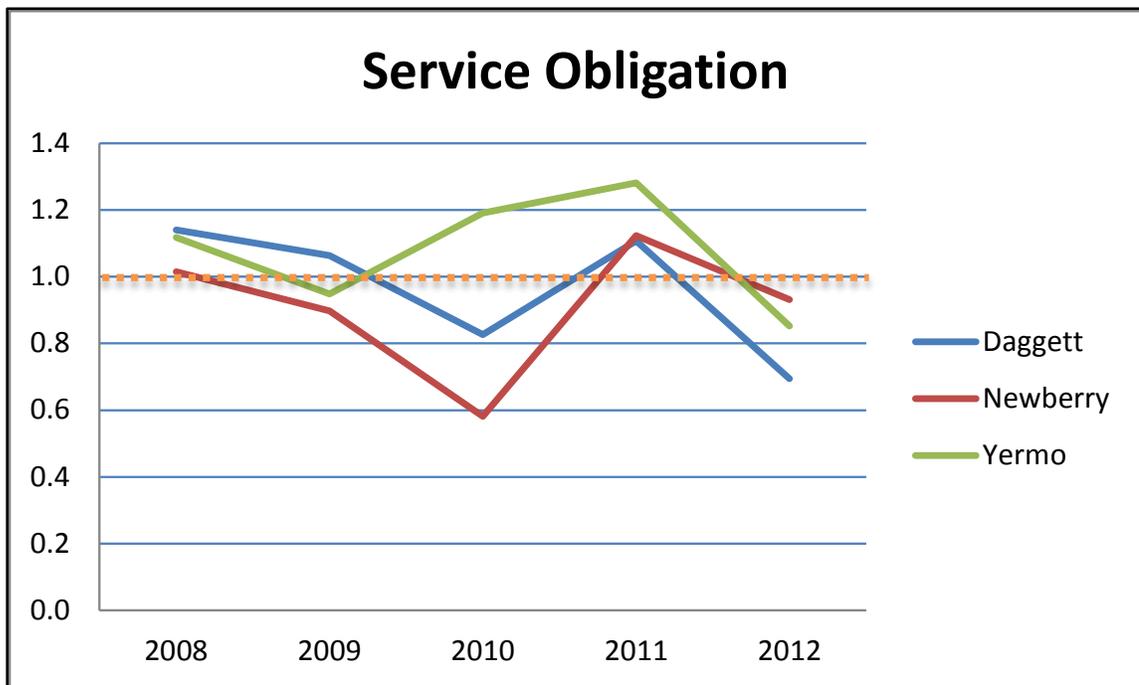
NEW BERRY CSD						
		2008	2009	2010	2011	2012
Revenues						
Property Taxes		220,987	270,045	195,650	246,167	211,606
Other		22,262	31,216	41,692	14,416	27,082
Total Revenues		243,249	301,261	237,342	260,583	238,688
Expenditures						
Current:						
Fire Protection		90,634	85,529	53,196	80,315	117,088
Parks & Rec		11,997	18,866	12,596	21,736	27,819
Administration		75,989	80,081	95,031	103,703	85,388
Other		25,562	25,020	32,868	352	92
Debt:		26,658	26,657	-	25,955	25,955
Capital Outlay:		8,142	99,639	214,520	-	
Total Expenditures		238,982	335,792	408,211	232,061	256,342
Revenue Gain (Loss)		4,267	(34,531)	(170,869)	28,522	(17,654)
Prior Year Correction		227	(222)	302	153,349	17,508
Fund Balance, Ending		364,754	330,001	159,434	341,305	341,159
source: Newberry CSD audits						

YERMO CSD						
		2008	2009	2010	2011	2012
Revenues						
Property Taxes		105,686	106,179	139,096	119,675	100,836
Other		4,958	15,344	(1,204)	38,892	28,208
Total Revenues		110,644	121,523	137,892	158,567	129,044
Expenditures						
Current:						
Fire Protection		36,059	42,922	46,578	48,129	58,402
Parks & Rec		36,059	42,922	46,578	48,129	58,402
Administration		15,831	18,845	20,450	21,129	25,640
Other		-	2,465	2,136	-	1,178
Capital Outlay:		11,041	41,120	-	6,379	
Total Expenditures		98,990	148,274	115,742	123,766	143,622
Revenue Gain (Loss)		11,654	(26,751)	22,150	34,801	(14,578)
Prior Year Correction		1,190	8,057	(345)	3,351	(155)
Fund Balance, Ending		62,654	43,960	65,765	103,917	89,184
source: Yermo CSD audits						

E. Fiscal Indicators – Governmental Activities

The accumulation of consistently presented financial information allows a reader to understand an agency's financial position and determine whether there is improvement or deterioration. The following three indicators are for the governmental activities of the districts (fire protection and emergency response, park and recreation, and streetlights); this does not include the water activity of Daggett CSD.

Service Obligation measures whether or not a government's annual revenues were sufficient to pay for annual operations. In most cases, as the percentage of general revenues decreases, an agency loses its ability to respond to changing conditions and to citizens' needs and demands. It is calculated by dividing operating expenditures by operating revenues. A ratio of one or higher indicates that a government lived within its annual revenues. During this timeframe, Daggett CSD and Yermo CSD outspent its revenues two of the years with Newberry CSD outspending three of the years.

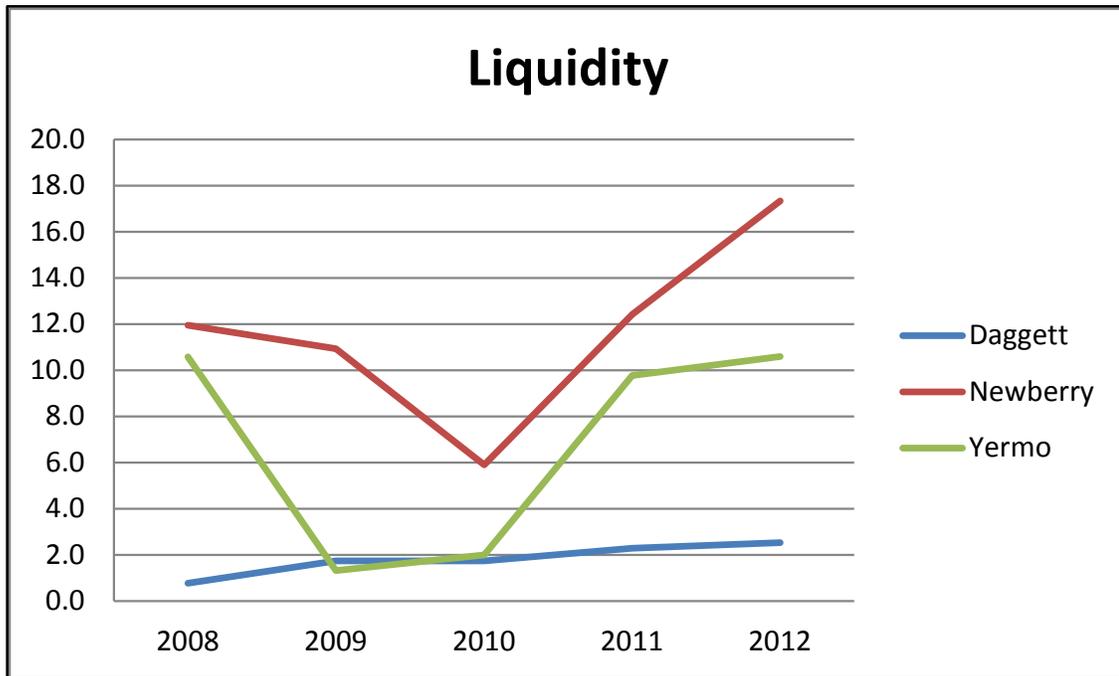


Service Obligation					
	2008	2009	2010	2011	2012
Daggett	1.1	1.1	0.8	1.1	0.7
Newberry	1.0	0.9	0.6	1.1	0.9
Yermo	1.1	0.9	1.2	1.3	0.9

Liquidity measures a government's ability to meet its short-term obligations. In other words, if a short-term obligation became due would the agency be able to satisfy that obligation with cash. It is calculated by dividing current liabilities by cash and investments. The higher the ratio suggests a government is better able to meet its short-term obligations. For agencies not meeting its service obligations (see previous indicator), the literature suggests a ratio of ten or above. Using this guideline, if Daggett CSD had to pay-off its short-term obligations its cash and investments would be significantly reduced, thus potentially further impacting service delivery.

As shown, Newberry CSD has experienced a wild swing for this indicator. In FY 2009-10 Newberry CSD purchased a water tender for \$181,335. As described in the 2011-12 audit, in May 2013 a letter of intent to purchase was signed between Newberry CSD and Fire Trucks Plus in the amount of \$150,000 to sell the district water tender that was financed through Kansas State Bank. In October 2013 Fire Trucks Plus sold the truck and would not respond to the district. The fire truck had been sold and was in Colorado in possession of Deer Trail Fire Protection. Fire Trucks Plus during this time filed bankruptcy. The district was told that it along with all others would need to file a lawsuit to try to recoup money with no promises of any remuneration. In December 2013 the district received a settlement agreement that \$96,000 was owed to Kansas State Bank. Deer Trail Fire paid the balance owed and the district signed all transfer documentation and Deer Trail Fire Protection now owns the truck. No money was received in the

transaction. Given the difference in the sale price (\$150,000) and settlement amount (\$96,000), this transaction resulted in a loss of \$54,000 for Newberry CSD; this does not include legal costs and staff time.



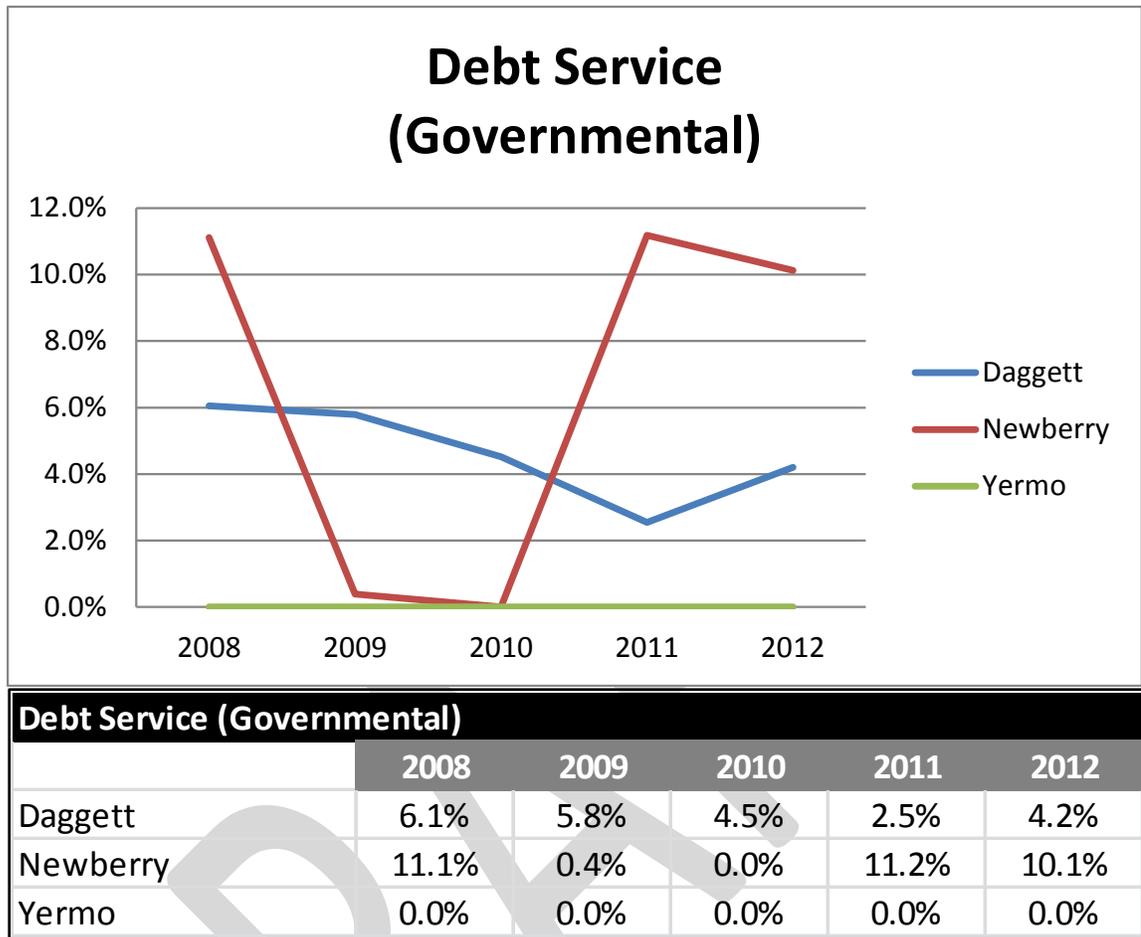
Liquidity					
	2008	2009	2010	2011	2012
Daggett	0.8	1.7	1.7	2.3	2.5
Newberry	12.0	10.9	5.9	12.4	17.3
Yermo	10.6	1.3	2.0	9.8	10.6

Debt Service looks at service flexibility by determining the amount of total expenditures committed to annual debt service. It is calculated by dividing operating expenses by debt service. Service flexibility decreases as more resources are committed to annual debt service.

Daggett CSD general fund has one bond issue outstanding for park and recreation as of June 2012. The bond was issued in 1979 for \$165,000 and has a current interest rate of five percent. Annual payments are \$4,000, and the bond matures in 2019.

The Newberry CSD audits lists a contract payable due in seven annual installments of \$25,955 beginning in 2009 and ending in 2016 for the purchase of the water tender (see Liquidity indicator above). Of concern is that this debt was not identified in the State Controller's Report for Special Districts. The information in the State Controller's Report is provided by districts, so the inclusion of debt in one document and the exclusion of the debt in another document questions the district's financial reporting practices.

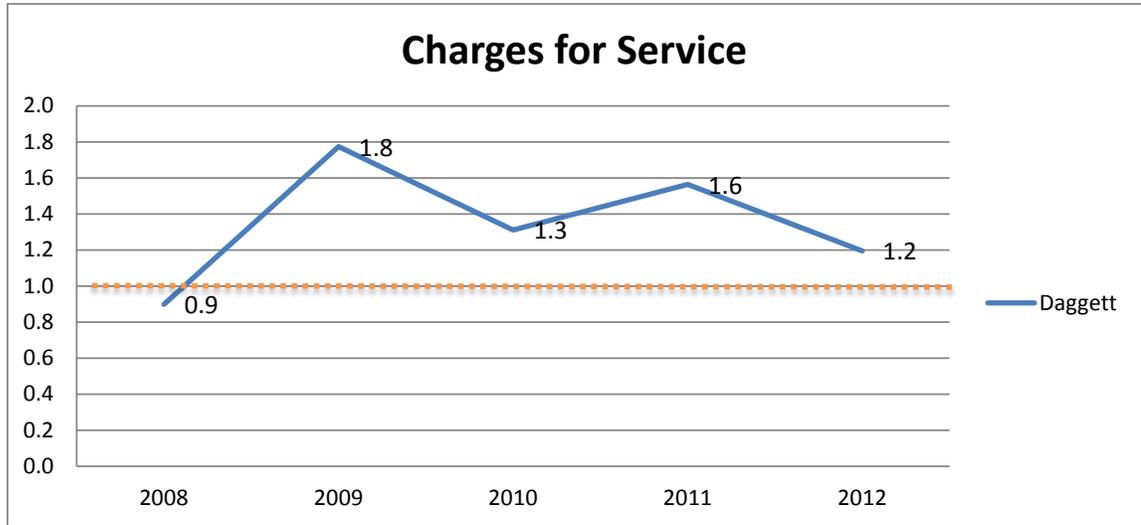
Yermo CSD has not reported any debt for this timeframe.



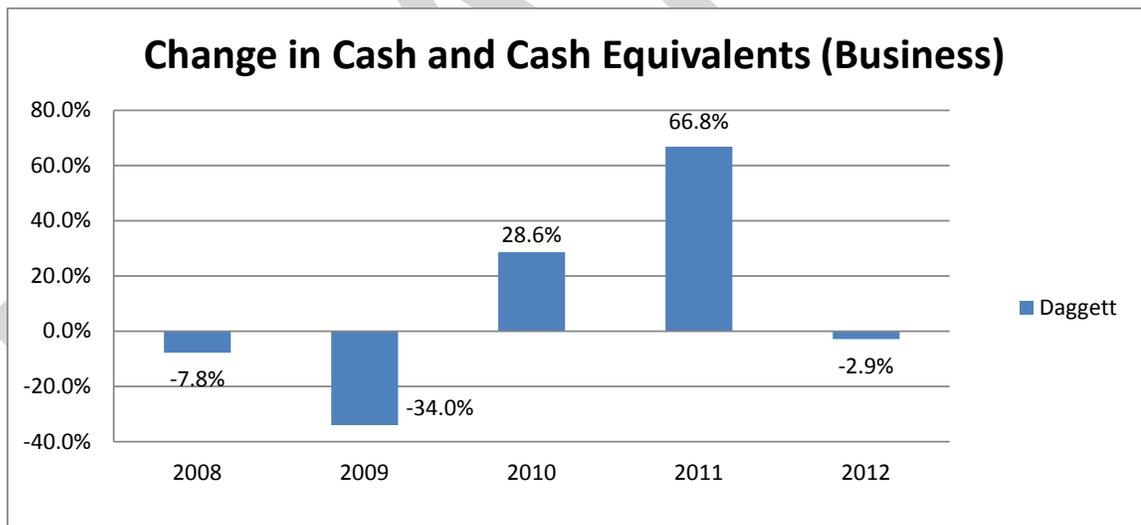
F. Fiscal Indicators – Business-type Activities (Daggett CSD Water)

The sole business-type activity is water which is provided by Daggett CSD.

Charges for Service addresses the extent to which water charges covered total expenses. It is calculated by dividing operating expenses by charges for service. A ratio of one or higher indicates that the service is self-supporting. About six years ago Daggett CSD raised its rate for the first time in many years. This accounts for the sharp increase in the ratio. Since the rate increase, service costs have increased while rates have remained even. As a result, it may only be a few years until expenses again are more than charges.

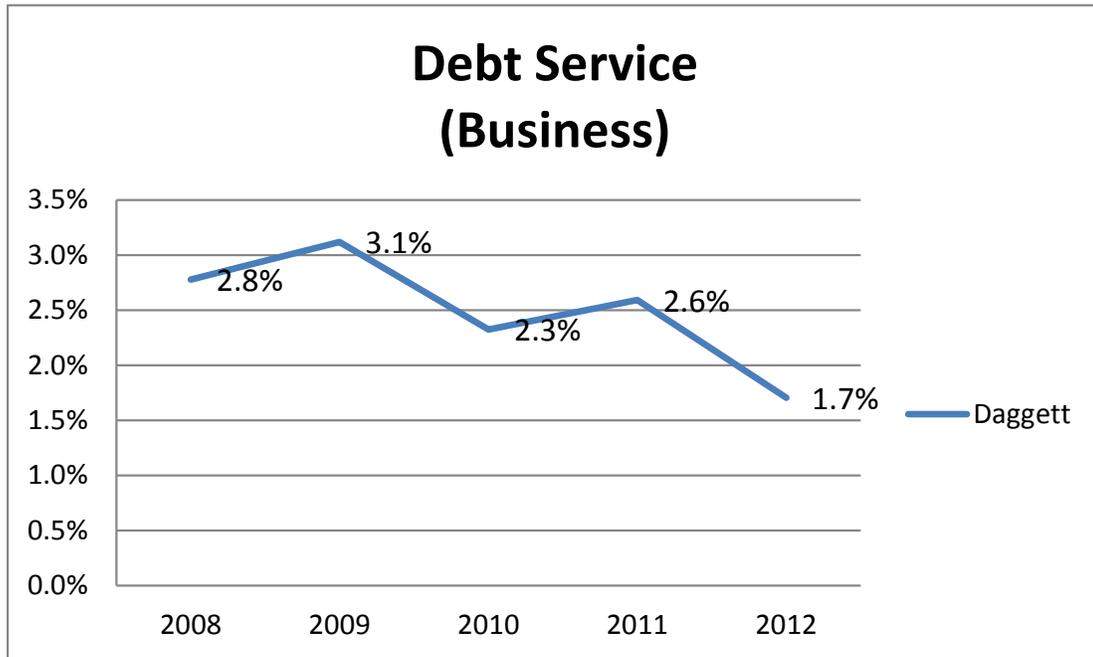


Cash and Cash Equivalents are the most liquid assets of an agency's assets and can be readily converted into cash. A positive percent change from the prior year indicates that a government's cash position has improved.



Debt Service looks at service flexibility by determining the amount of total expenses committed to annual debt service. It is calculated by dividing operating expenses by debt service. Service flexibility decreases as more resources are committed to annual debt service.

Daggett CSD water utility fund has one bond issue outstanding as of June 2012. The bond was issued in 1980 to upgrade the water system for \$131,000 and has a current interest rate of five percent. Annual payments are \$5,000, and the bond matures in 2020. A special tax rate of .0230 per \$100 of assessed value (land and improvements) is levied on property owners on the property tax bill to pay for this debt.



G. Appropriations Limit

Article XIII B of the State Constitution (the Gann Spending Limitation Initiative)²⁷, mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit, which is further acknowledged by CSD Law Section 61113. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9(c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of \$0.125 (12 ½ cents) per \$100 of assessed value for the 1977-78 fiscal year. According to the *County of San Bernardino 1977-78 Valuations/Tax Rates* publication (copy included in Attachment #8), the FY 1977-78 tax rate for the districts was as follows:

1977-78 Tax Rates per \$100 of Assessed Value

District	Daggett CSD	Newberry CSD	Yermo CSD
Tax Rate	\$1.2500	\$0.9110	\$1.0883

Being over the \$0.125 tax rate, the districts do not qualify for an exemption from the requirement of an appropriations limit. Therefore, each must have an appropriations limit. Failure to provide for an appropriation limit would question the districts' ability to expend the proceeds of taxes (general ad valorem share and special taxes), which are the primary revenue source for each district.

²⁷ In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. Further, Government Code Section 7910²⁸ expands upon the Gann Initiative and requires each local government to annually establish its appropriation limits by resolution. Since each agency lacks an appropriations limit, each district also is not in compliance with the above-mentioned statutory requirements. Further, the establishment of an appropriation limit would require Daggett to adopt a budget.

The districts were notified of these requirements in 2009 during the initial service reviews and failed to act. For this service review, in March 2014 LAFCO provided the districts with information regarding the appropriations limit, which included excerpts from the State Constitution and Government Code, examples of calculating the limit, and calculation models from the State Department of Finance. As of the date of this report, LAFCO staff has not received any information from Daggett CSD and Yermo CSD on their intent to adopt the appropriations limit. Newberry CSD has responded to the draft staff report and has indicated that it will begin work on formulating the appropriations limit in the near future.

H. Conclusion to Financial Determination

Each of the districts experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. With the exception of water charges collected by Daggett CSD, the ongoing operations of the districts are mostly funded by property taxes. The information provided indicates that this is not enough to fund capital and needed improvements in the long-run. Fire protection and related activities comprise the largest expense for each of the agencies and its cost increases annually. Further, the districts do not adhere to the constitutional requirements for the establishment of an appropriations limit and other statutes related to finances of a community services district. Specifically, for Daggett CSD, it has failed to operate with a budget since 1995, and Newberry CSDs' independent auditor issued a disclaimer of opinion for the 2010 and 2011 audits.

²⁸ Added by Stats.1980, c. 1205, p. 4059, §2. Amended by Stats.1988, c. 1203, §1; Stats.2007, c. 263 (AB310), §25.

Determination V. **Status of, and opportunities for, shared facilities**

A. Status of shared facilities

According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the Community Center located on County property. The term of the lease is for 30 years, terminating in 2012, with two 10-year options to renew. When asked by LAFCO staff, neither the County Department of Community Development and Housing, County Real Estate Services, nor Daggett CSD could provide a copy of the lease to substantiate the terms of the agreement. Thus, technically the lease has expired and needs to be renewed. LAFCO staff recommends that this matter be addressed and resolved in order to reduce risk by clearly defining the arrangement.

Newberry CSD does not own the land for its northern fire station and operates with a cooperative agreement with the Silver Valley Unified School District for space and utilities. The lease is a 40-year lease for \$1 per year that expires in 2025.

Yermo CSD has an arrangement with the Silver Valley Unified School District for use of Smith Park. Yermo CSD pays for all maintenance costs for the park and allows the Yermo Elementary School use of the park. In turn, the School District pays all the water and electricity costs for the park.

B. Opportunities for shared facilities

For this portion of this determination, please reference the Plan for Service of this service review, which includes a fiscal impact analysis that discusses structure options for the community to consider that would potentially achieve a consistent level of service and economies of scale.

C. Conclusion for Determination V

Newberry CSD and Yermo CSD have agreements with the Silver Valley Unified School District for use of its land and Daggett has its community center facility on County land. The opportunity for shared facilities amongst all three CSDs through a consolidation or joint powers authority would maximize the limited resources available.

Determination VI.

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

A. Governmental Structure

Board of Directors

The CSDs are independent special districts each governed by a five-member board of directors. Members have been either elected at-large by the voters or appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms.

A review of the election results from the County Registrar of Voters website and County Clerk of the Board database identifies that since 2003 a significant portion of elections have not yielded enough interested and qualified candidates for a competitive election to be conducted, resulting in appointments in-lieu of election. There is a correlation with the pool of potential candidates to hold office (registered voters) and the number of candidates seeking office. In a recent edition of its report, *What's So Special about Special Districts*, the state Senate Local Government Committee states that the, "narrow and technical nature of a district's activities often results in low civic visibility until a crisis arises."²⁹ However, the reality of the situation is that the pool of registered voters that could potentially seek candidacy to hold office within the CSDs is minimal, especially within Daggett CSD.

Additionally, each district board appoints a general manager and a fire chief. The fire chiefs for Daggett and Yermo CSDs are also board members of the respective agency (at this time presidents of the CSDs). The law allows for a board member to also be a volunteer firefighter.³⁰ LAFCO staff confirmed with Newberry CSD and Yermo CSD that the fire chief is appointed by the board but reports to the general manager. Conversely, Daggett CSD's fire chief is appointed by the board and reports independently to the board. It remains unclear as to how the Daggett CSD fire chief independently reports to the board as fire chief while also holding the position of board president.

LAFCO staff recommends that the Daggett CSD reporting relationships and chain of command be clarified to reduce confusion.

Daggett CSD

County Registrar of Voters records indicates that since the 2003 election, the district has only yielded enough candidates to conduct elections in 2003 and 2007. The lack of

²⁹ California Senate Local Government Committee, *What's So Special about Special Districts?*, Fourth Edition, October 2010.

³⁰ CSD Law Section 61040(e) reads that, "A member of the board of directors shall not be the general manager, the district treasurer, or any other compensated employee of the district, except for volunteer firefighters as provided by Section 53227." Government Code Section 53227 states that an employee of a local agency may not be sworn into office of that local agency; the section does not apply to any volunteer who does not receive a salary.

elections can be attributed to the size of the district and the number of registered voters (roughly 200 for the past decade). As a result, 10 of 16 seats have been filled by appointment by the County board of supervisors since 2003. Below is the current composition of the board, their positions, and terms of office as of May 2014:

Board Member	Title	Term	Elected/Appointed as of last election
Joseph Morris, Jr.	President	2017	Appointed
Kareen Golden	Secretary	2015	Appointed
Mark Staggs	Director	2015	Appointed
Robert Whipple	Director	2015	Appointed
Sally Vintus	Director	2017	Appointed

As for staff, the board appoints a general manager/treasurer and a fire chief. The fire chief is also a director (at this time board president). The general manager has oversight of all administrative staff, and the fire chief has oversight of all fire personnel. The office is open five days a week during normal business hours (8am-5pm, Mon-Fri), and the general manager is scheduled for duty during office hours.

Newberry CSD

A review of the County Registrar of Voters records indicates that since the 2003 election, the district has yielded enough candidates to conduct elections in 2003, 2007, 2009, and 2013. Since August 2013, the district has four new directors on the board (one appointed in August 2013 and three elected in August 2013) – the high turnover coinciding with the 2012-13 Grand Jury report. As of the last election (August 27, 2013), the district had 930 registered voters. With almost five times the number of registered voters of Daggett CSD, 5 of 15 seats have been filled by appointment by the County board of supervisors since 2003. Below is the current composition of the board, their positions, and terms of office as of May 2014:

Board Member	Title	Term	Elected/Appointed as of last election
Robert Springer	President	2017	Elected
Paula Deel	Vice President	2015	Appointed
Robert Royalty	Director	2015	Appointed
Robert Shaw	Director	2017	Elected
Robert Vassuer	Director	2017	Elected

As for staff, the board appoints a general manager and a fire chief. The fire chief has oversight of all fire personnel. The general manager has oversight of all administrative staff, which includes a treasurer (a contracted position). The general manager position of this district has not been steady since 2008, resulting in a lack of continuity. In late 2013, the district appointed as its general manager an experienced former CSD general manager with over 20 years of prior service. Due to budget constraints, office hours for the district are Wednesday, Thursday, and Friday from noon until 4pm. The general manager is scheduled for duty during office hours.

Additionally, in response to the 2012-13 Grand Jury report, the CSD now has a contract attorney and has formed a finance committee comprised of community members and staff.

Yermo CSD

A review of the County Registrar of Voters records indicates that Yermo CSD has had roughly 800 registered voters for the past decade. Since 2003 seven of 12 seats have been filled by appointment by the County board of supervisors.³¹ Below is the current composition of the board, their positions, and terms of office as of May 2014:

Board Member	Title	Term	Elected/Appointed as of last election
Robert Smith	President	2016	Appointed
Geoffrey L. Berner	Vice President	2014	Elected
Paul Ray	Fire Commissioner	2014	Elected
Melissa Martin	Director	2016	Appointed
David Jensen	Director	2014	Appointed

As for staff, the district appoints a general manager (as of May 2014) and a fire chief. The fire chief is also a director (at this time board president). Due to budget constraints, office hours for the district are Monday, Wednesday, and Friday from 8:30am until 11:30am. The general manager is scheduled for duty during office hours.

It was not until May 2012 that Yermo CSD appointed a general manager as required by CSD Law Section 61050. Nonetheless, the legislative intent for this section is to increase the professionalism of CSD's operations by making it clear that the person who holds the general manager's title is responsible for implementing the board's policies and supervising the CSD activities. The lack of an appointed general manager was the circumstance of limited revenue. A symptom of the lack of a general manger during this time was no reporting in the meeting minutes from August 2013 through February 2014 regarding the LAFCO initiation of a service review, LAFCO staff request for information, LAFCO staff request for a meeting with district personnel, or a report to the board by those in attendance at a meeting with LAFCO staff. In March 2014, the district attended a workshop sponsored by LAFCO that identified the risk and liabilities that CSDs incur when lacking a general manager. In turn, in May 2014 the district appointed a general manger.

B. Accountability for Community Service Needs – Utility and Transparency of the District's Websites

The Special District Leadership Foundation ("SDLF") has created a website transparency checklist which LAFCO staff has used for this service review. The SDLF was created in 1999 and defines itself as "a 501(c)(3) organization formed to provide educational opportunities to special district officials and employees to enhance service

³¹ In 2006, Yermo CSD switched from an odd-year election cycle to an even-year election cycle.

to the public provided by special districts in California.”³² In maintaining a government website all of the following items should be readily apparent.

1. Names of Board or Commission members and their terms of office
2. Names of general manager, fire chief, and key staff along with contact information
3. Election procedure and deadlines
4. Board meeting schedule (regular meeting agendas must be posted 72 hours in advance pursuant to Government Code Sections 54954.2(a)(1) and 54956(a))
5. District’s mission statement
6. Description of district’s services/functions and service area
7. Authorizing statute/enabling act
8. Current district budget
9. Most recent financial audit
10. Archive of Board meeting minutes for at least the last six months
11. List of compensation of board members and staff or link to State Controller’s webpage with the data

In addition, the website of each district should include at least four of the following:

12. Post Board member ethics training certificates
13. Picture, biography and email address of Board members
14. Last three years of audits
15. Reimbursement and compensation policy
16. Financial reserves policy
17. Downloadable Public Records Act request form
18. Audio or video recordings of board meetings
19. Map of district boundaries/service area
20. Most recent Local Agency Formation Commission (LAFCO) Municipal Service Review (MSR) and Sphere of Influence (SOI) studies or link to LAFCO’s site

Daggett CSD does not have a website; therefore it cannot satisfy any of the criteria in the checklist. For Newberry CSD and Yermo CSD, LAFCO staff found substantial inadequacies in revealing information regarding finances, contact information, and meeting notices. Newberry CSD fully meets the criteria for items 2, 8 and 20, and partially meets the criteria for item 1. Yermo CSD fully meets the criteria for items 2 and 10, and partially meets the criteria for items 1, 4, 6, and 13. For the benefit of their districts’ constituents, LAFCO staff’s position is that this information should be easily accessible on all special districts’ websites.

It is LAFCO staff’s opinion that there is no attempt by the districts to conceal information. Rather, the websites need to be regularly updated to include the above-listed beneficial information. LAFCO staff recommends that Daggett CSD consider implementing a website as the benefits of transparency are great. For Newberry CSD and Yermo CSD, LAFCO staff recommends that each district conform to the criteria listed in the SDLF transparency website checklist and take the necessary steps to keep their respective websites current.

³² www.sdlf.org.

C. Governmental Structure Options

Beginning on page 12 of this report is a Plan for Service (which includes a fiscal impact analysis) that was prepared at the direction of the Commission. The Plan for Service evaluates structure options for the community to consider that would potentially achieve a consistent level of service and economies of scale.

DRAFT

ATTACHMENTS

1. 2012-13 San Bernardino County Grand Jury Report
 - a. Excerpt Regarding Newberry CSD
 - b. Responses to Grand Jury Report from Newberry CSD, LAFCO, and County Auditor
 - c. Newberry CSD Updated Response dated March 10, 2014
2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities
 - a. Staff Report dated April 24, 2009
 - b. Resolutions Reflecting Commission Determinations
 - i. Resolution No. 3062 for Yermo CSD
 - ii. Resolution No. 3063 for Daggett CSD
 - iii. Resolution No. 3063 for Newberry CSD
3. Salaries of General Managers from Comparable CSDs
4. Maps
 - a. Location
 - b. Water Providers
 - c. Fire Station Locations
5. Daggett Community Services District
 - a. Audit for FY 2011-12
 - b. State Controller Report Submission for FY 2012-13
6. Newberry Community Services District
 - a. Fire Department Policy and Procedure Manual
 - b. Audits for FY 2010-11 and 2011-12
 - c. State Controller Report Submission for FY 2012-13
 - d. Response to Draft Service Review
7. Yermo Community Services District
 - a. Audit for FY 2011-12
 - b. State Controller Report Submission for FY 2012-13
8. Fiscal Year 1977-78 Tax Rates for Appropriations Limit Requirement

**1. 2012-13 San Bernardino County Grand
Jury Report**

a. Excerpt Regarding Newberry CSD

Attachment 1a

NEWBERRY COMMUNITY SERVICES DISTRICT

BACKGROUND

The Grand Jury received multiple citizen complaints regarding Newberry Community Services District. Issues reviewed were regarding practices, Policy and Procedures and Board actions of the agency.

Due to the numerous issues involved and the detailed information to review, the Grand Jury requested the assistance of an outside consultant. The report that follows is a combination of the Grand Jury and the outside consultant's efforts.

RECOMMENDATIONS

- 13-26. The recommendations within the following report in the Governance Section, numbered 1-3 be responded to appropriately.
- 13-27. The recommendations within the following report in the Accounting and Financial Management Section, numbered 4-7 be responded to appropriately.
- 13-28. The recommendations within the following report in the Internal Controls Section, numbered 8-15 be responded to appropriately.

<u>Responding Agency</u>	<u>Recommendations</u>	<u>Due Date</u>
Newberry Community Services District	1 through 3 4 through 5 8 through 14	09/28/13
LAFCO	15	09/28/13
San Bernardino County Auditor/Controller	6 and 7	09/28/13

NEWBERRY COMMUNITY SERVICES DISTRICT

Table of Contents

Introduction.....	ii
Executive Summary.....	v
Governance.....	1
Accounting and Financial Management.....	7
Internal Controls.....	14

Introduction

Purpose

The Grand Jury received multiple citizen complaints regarding Newberry Community Services District's (NCS D or District) activities.

Background

Community Services Districts are special districts provided for in the State Government Code by the California Legislature to enable residents and property owners in California's diverse communities to achieve local governance, provide needed public facilities, and supply public services. Community Services Districts may be any of the following:

1. A permanent form of governance that can provide locally adequate levels of public facilities and services;
2. An effective form of governance for combining two or more special districts that serve overlapping or adjacent territory into a multifunction special district;
3. A form of governance that can serve as an alternative to the incorporation of a new city; or,
4. A transitional form of governance as the community approaches cityhood.

Community Services Districts are legal entities, defined within State Government Code, with powers:

1. To adopt and enforce rules for administration, operation, and services;
2. To sue and be sued;
3. To acquire real and personal property;
4. To appoint employees, define their qualifications and duties;
5. To engage counsel and other professional services; and,
6. To enter into contracts and joint powers agreements

Community Services Districts are required to have an elected Board of Directors. The Board of Directors are responsible for making policies that ensure District's staff are providing chartered services in a responsible, regulatory compliant, and cost effective manner. State Code prescribes rules governing the manner in which a Board must post public notices of meetings, conduct their meetings, and record actions taken at meetings. Community Services District Board of Directors and their meetings are subject to the Ralph M. Brown Act which requires all Board business, but for specific exemptions such as personnel matters and legal advice, to be conducted in public along with certain other conduct related provisions.

NCS D consists of a five member elected Board of Directors. Current Board makeup consists of three men and two women each living within the Districts boundaries. The Board meets monthly to review Districts Operations and Financials in an open public format. Responsibilities of the

Board include oversight of the NCSF Fire Department, public street lighting, and parks and recreation upkeep and maintenance.

In order to execute their responsibilities, a Community Services District's Board of Directors has the ability to:

1. Obtain legal counsel on matters such as:
 - a. Brown Act compliance.
 - b. Employment related laws.
 - c. Bidding and procurement laws.
 - d. Advice on contracts and memorandums of understanding.
2. Obtain financial advice on planning, investments, accounting, and taxes issues.
3. Hire auditors to:
 - a. Ensure an accurate accounting of all District monies.
 - b. Review the District's system of internal controls.
4. Hire subject matter experts for advice on areas of specific concern.
5. Attend training specifically designed for Special District Board members.
6. Raise revenues via special taxes, benefit assessments, and by charging certain fees.
7. Direct the hiring of qualified staff in sufficient quantities, such that: State and county code requirements are met; a system of internal controls and checks-and-balances are in place; minutes of meetings are taken; bills are paid on time and accurately recorded; and to ensure the services, with which the District has been empowered to provide, are adequately provided. Positions may include a Treasurer, a Board Secretary, and administrative and functional department staff as required.

The Newberry Community Services District was formed on December 15, 1958. The District has been specifically empowered by the County of San Bernardino and the County's Local Agency Formation Commission (LAFCO) to provide the following services:

1. Water, including for management, domestic use, irrigation, sanitation, fire protection, and recreational purposes.
2. Fire Protection, including structural, watershed, suppression, and prevention.
3. Street lighting.
4. Parks and Recreation, including local park development, operation, and maintenance.
5. Sewers, including planning and engineering.

Scope

Utilizing the regulatory framework established for Community Services Districts, as outlined above, the Grand Jury took the following actions to evaluate the issues raised in the citizens' complaints:

1. Subpoenaed financial documents, Board of Director's Meeting Minutes, District Bylaws, District Policy and Procedure manuals, banking records, and certain other district records.
2. Observed District Board of Directors' meetings.
3. Inspected certain facilities.

4. Conducted interviews.
5. Reviewed documentation provided by the District for compliance with State and County code, with its own policies and procedures, and for the adequacy of a system of internal controls.
6. Retained a management consulting firm with expertise in public agency matters and public agency accounting requirements.

Financial Period Reviewed

Financial information reviewed was based primarily upon the District's 2011-2012 fiscal year, which ended on June 30, 2012 and utilized information from the District's General Ledger as of that date.

Acknowledgements

The Grand Jury would like to thank the personnel from the Newberry Community Services District and others for their insight into the finances and operations of the District. In particular, we would like to thank the immediate past General Manager and staff for their efforts in compiling and indexing the many documents required for this review.

Executive Summary

The Grand Jury received multiple citizen complaints of activities conducted by the Newberry Community Services District.

To accomplish these objectives, the Grand Jury reviewed various District documents and records; observed Board of Directors' meetings; inspected certain facilities; conducted interviews; and, retained a management consulting firm with expertise in public agency matters.

A summary of the findings and recommendations contained in this report are presented on the pages that follow, by report section number.

Section 1. Governance

Newberry Springs Community Services District (NCSO) Board meetings are not conducted in accordance with rules of order or professional conduct recognized as best practices in public sector organizations. In addition, the NCSO does not consistently record or post official minutes in a timely manner, in violation of the District's own policies, and compromising the ability of Board members to recall official actions when reviewing the minutes for accuracy. A clear violation of California's Open Meeting Law, also known as the Brown Act, was observed by the Grand Jury and has been the topic of concern by members of the Newberry Springs community.

Further, members of the Board have attended mandatory ethics training. However, expanded trainings on leadership and effectively chairing public meetings are available through the California Special District Association, the Special District Leadership Foundation, the California State Association of Counties, and other bodies.

The Board should attend such trainings, and adopt and adhere to expanded, formal policies and rules regarding conduct at public meetings. In addition, NCSO management should take steps to ensure that records of official Board action are routinely recorded, approved for accuracy, and indexed for timely access by the public.

Based on these findings, the NCSO Board of Directors should:

1. The NCSO Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on *Roberts Rules of Order* and other accepted standards for parliamentary procedure.
2. Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings.
3. Direct the General Manager to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the District's current policy.

Section 2. Accounting and Financial Management

The NCSA has not completed annual financial audits for the previous three fiscal years (2009-2010, 2010-2011, and 2011-2012). State Government Code requires public agencies, including special districts, to conduct annual financial audits within 12 months of the end of each fiscal year. The Board of Directors failure to execute this responsibility is in noncompliance with California Government Code at Section 26909 and 61118 for 2009-2010 and 2010-2011. Further, while State Code requires the County Auditor-Controller to ensure such audits are completed, efforts to monitor and enforce this provision have had limited effectiveness.

Financial reports required by State Government Code to be filed with the State Controller's Office have been submitted by NCSA, but were based upon unaudited and unverified data. Contrary to State code requirements, the District's FY 2011-12 annual report of financial transactions to the State Controller has not been reviewed by an independent public accountant to ensure that it agrees with the official records of the District. The financial information that has been provided, while unaudited, indicates some financial instability, which further underlies the need for regular financial audits.

NCSA lacks basic accounting procedures and controls. Specifically, District does not have: (1) a hierarchical account numbering system; (2) a financial or accounting manual; or, (3) a consistent system to classify expenditures carried out by the District. Further, the District lacks a consistent method for authorizing, classifying, and documenting expenditures from purchase cards.

Based on these findings, the NCSA Board of Directors should direct the General Manager to:

4. Re-adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement.
5. Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual.
6. Create purchase card procedures that require District staff to include documentation showing the purpose and justification for all expenditures.

The Auditor Controller should:

7. Revise *Outside Audit Report* procedures to include corrective actions for special districts that do not comply with State audit requirements for an extended period of time. Such corrective actions could include conducting audits and billing the districts for Auditor-Controller staff time or hiring an outside certified public accountant to conduct the audit and billing the district for the accountant's work.
8. Work with the Newberry Community Services District General Manager to determine a feasible approach to comply with audit requirements established in State Government Code Section 26909. Such approaches could, with the *unanimous* request of the Board of Directors and the *unanimous* approval of the Board of Supervisors, include:

- (a) A biennial audit covering a two-year period;

- (b) An audit covering a five-year period, if the District's annual revenues do not exceed an amount specified by the Board of Supervisors; or,
- (c) An audit conducted at specific intervals, as recommended by the County Auditor-Controller, which shall be completed at least once every five years.

Section 3. Internal Controls

The District has By-laws and a Policy Handbook that contain some internal controls to help protect the District's financial and capital assets against the potential risk of loss or misuse. However, these policies remain insufficient for minimizing risk exposure to potential fraud and abuse. For example, the District's policies on purchase cards do not include spending and transaction limits to ensure that there are sufficient funds to pay for expenditures, segregate duties of purchase approvals and reconciliation to prevent potential fraud, or provide mechanisms for handling disputes and unauthorized charges.

In addition, the policies adopted to establish internal controls are not consistently implemented by Board members and District personnel, further exposing the District to unnecessary costs and potential misuse of District tax dollars for personal benefits. Violations of policies that indicate weak internal controls include:

- The lack of documentation for purchase card expenditures;
- Significant expenditures made with purchase cards without required Board approval;
- Lack of timely payments for purchase card billing statements to avoid potential penalties and fees;
- Reimbursement of expenses without sufficient documentation to ensure they were for District business; and,
- The lack of several key documents and tools such a log of all communication with District Counsel, a policy handbook for the Fire Department, and a catalog of retained District records.

Multiple resignations and terminations by the Board of key personnel within the organization during the audit period coincided with breakdowns in internal controls and the ability of the organization to respond by reassigning functions or implementing compensating controls is limited.

Finally, the District does not have an adequate Capital Management Asset System to control inventory and record key information central to making maintenance and replacement decisions.

Based on these findings, the NCSB Board of Directors should:

9. Revise its purchase card policies to:

- (a) Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards,

subsequently relinquish any purchase cards currently issued to Board members, and

- (b) Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payments, such as:
 - (i) Spending and transaction limits for each cardholder;
 - (ii) Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders;
 - (iii) A process for handling disputes and unauthorized purchases; and,
 - (iv) A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation.

10. Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and (a) discuss questionable disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.

The General Manager should:

- 11. Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards.
- 12. Review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook.
- 13. Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval.
- 14. Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls:
 - (a) District Legal Counsel Log;
 - (b) Policy handbook for the Fire Department; and,
 - (c) Catalog of all retained District records.

15. Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.

The Local Agency Formation Commission (LAFCO) should:

16. Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.

1. NCSO Governance

As a public entity, the NCSO is bound by various laws embedded in the California State Government Code, which establish rules for open meetings and the retention of official records. In addition, best practices are employed by government entities around the world to ensure that the deliberations of public bodies are clearly communicated, and actions are well articulated and accurately recorded. Further, best practices establish various protocol for members of the public to be provided with the opportunity to comment on matters before elected bodies or on matters of general concern, in an orderly, respectful and efficient manner.

NCSO Public Meetings

Because the NCSO is a public entity that derives its authority from the voters, it is incumbent upon members of the elected Board of Directors to establish policies, procedures and rules that govern the manner in which it conducts the public's business. Based on a review of records, testimony from individual Board members and observations at public meetings, the Grand Jury found that: (1) the Board has not formalized a robust policy framework, rules or protocol for conducting public meetings; (2) individual members of the Board and other persons often exhibit inappropriate behavior during public meetings; and, (3) records of official action are not consistently prepared or otherwise completed in a timely manner.

Open Government Policy Framework and Rules Are Weak

NCSO Policy 5070 establishes the "Rules of Order for Board and Committee Meetings." Although loosely based on well-regarded rules defining parliamentary procedures, Section 5070.1.1 states that "These rules of order are intended to be informal and applied flexibly. The Board prefers a flexible form of meeting and, therefore, does not conduct its meetings under formalized rules – Roberts Rules of Order." Subsection 5070.1.1.1 further states that "If a Director believes order is not being maintained, then he/she should raise a point of order – not requiring a second – to the President. If the ruling of the President is not satisfactory to the Director, then it may be appealed to the Board. A majority of the Board will govern and determine the point of order."

The intended flexibility of these Rules of Order is emphasized in other sections of the policy. Subsection 5070.5.1 states that "The President shall take whatever actions are necessary and appropriate to preserve order and decorum during Board meetings, including public hearings. The President may eject any person or persons making personal, impertinent or slanderous remarks, refusing to abide by a request from the President, or otherwise disrupting the meeting or hearing." Further, Subsection 5060.6.1 states that "By motion made, seconded and approved by a majority vote, the Board may, at its discretion and at any meeting: a) temporarily suspend these rules in whole or in part; b) amend these rules in whole or in part; or, c) both." The remainder of the Policy addresses procedures for individual Directors to obtain the floor; and, offering, commenting and moving motions to a vote.

Although different parliamentary procedures have been developed over the years, *Roberts Rules of Order* are generally considered to be the standard for local government entities in the United

States. The *Institute for Local Government*¹ states that formalized rules of order are necessary to “guide the discussion and decision-making process.” Although following parliamentary procedure is not required in California, it is considered to be a best practice, makes public meetings more efficient, and reduces the chances of official actions being declared illegal or challenged for procedural deficiencies.

Further, the League of California Cities, in the organization’s publication *Open and Public IV*, has made the observation that there are certain key principles and goals that should be considered when government bodies develop their policies regarding public meetings:

- A legislative body's need to get its business done smoothly;
- The public's right to participate meaningfully in meetings, and to review documents used in decision-making at a relevant point in time;
- A local agency's right to confidentially address certain negotiations, personnel matters, claims and litigation; and,
- The right of the press to fully understand and communicate public agency decision-making.

Although prepared in the context of the State’s Open Meeting Law (i.e., the “Brown Act”), these principles support the concept that in order to operate effectively, meetings require rules and procedures to ensure orderly, efficient, and productive sessions in a calm, professional setting. The limitations of the District’s current policy, including the desire for “flexibility” embedded in the policy foundation, do not support the accomplishment of these goals. The League of California Cities continues by stating, “An explicit and comprehensive public meeting and information policy, especially if reviewed periodically, can be an important element in maintaining or improving public relations. Such a policy exceeds the absolute requirements of the law . . . A narrow legalistic approach will not avoid or resolve potential controversies. An agency should consider going beyond the law, and look at its unique circumstances and determine if there is a better way to prevent potential problems and promote public trust.”

As will be discussed below, the public trust appears to have been damaged in the NCSD, in part by the manner in which public meetings are conducted, the behavior of Directors during public meetings and inconsistencies with the preparation and maintenance of official records of action. As a first step toward improving public access and communication, the NCSD should adopt more robust policies regarding parliamentary procedure, adhering to the basic principles of *Roberts Rules of Order*, which have been in existence and used by local government agencies in the United States for well over 100 years. When developing these policies, the District should consult with the California Special District Association (CSDA), which can provide resources and make suggestions regarding best practices for special district organizations.

Members of the Board Exhibit Inappropriate Behavior at Public Meetings and May Have Acted in Violation of California Law

¹An affiliate of the California State Association of Counties (CSAC) and the League of California Cities.

As part of the Grand Jury's investigation, members attended NCSB Board meetings and listened to numerous tape recordings of other meetings to assess the effect of the weak policy foundation on proceedings. The following observations were made:

- Before the start of Board meetings, members of the public who wish to address the Board fill out a "Request to Be Heard" card and are provided with three minutes to voice their concerns. Although this is a typical practice in government organizations, members of the public were also permitted to engage in discussions at any time during the meeting, without filing the required Request to be Heard Card. Often, members of the public spoke to individual directors without going through the President and, although some persons would raise their hand to be recognized, in many instances other persons would simply begin to speak without being recognized. Sometimes, multiple conversations occurred simultaneously and discussions between persons in the audience were conducted separately while the Board merely watched and listened.
- In several instances, members of the Board engaged in arguments with one another and members of the public. During these exchanges, the meetings were disrupted as people talked over one another and made sarcastic and snide remarks. In some instances, the arguments between Board members became overly heated, causing some members to walk out while the meeting proceeded. In another instance, a Board member challenged a member of the public who had just finished addressing the Board. This resulted in a brief shouting match between the two. In another instance, a member of the public was talking loudly during the meeting and, when asked by a Board member to be silent, the person responded with an obscene gesture.
- Some Board members were seen slouching in their chairs, keeping their heads down and speaking in voices that could barely be heard by the audience. Such behavior gives the impression that these members are indifferent and/or disinterested in the proceedings, is disrespectful and unprofessional.
- The unprofessional behavior of the Board has been observed for some time by previous employees and members of the public. In March 2012, the resignation letter submitted by a former Fire Chief, stated that his departure was due, in part, to ". . . the public fights and bickering so prevalent on the NCSB Board."
- At the February 26, 2013 meeting of the Board, an argument started regarding whether the Board member could remove an agenda item without a vote of the Board. The item in question concerned an accusation that a sitting member of the Board had committed fraud and conspiracy. During recess, three members of the Board (a quorum) were observed talking together in private, which is a clear violation of the Brown Act. The Newberry Springs Community Alliance, which describes itself as a ". . . grassroots organization of residents and property owners fostering an improvement of Newberry Springs through the engagement of educating the community" regularly blogs critical comments about the Board. In March 2013, this organization blogged "The CSD Board has had a hard time holding a single meeting that doesn't contain a Brown Act violation."

These examples of poor behavior by Board members, and the inability of the President to control both Board member and audience interaction, suggest that the individual members of the Board

have not yet developed the necessary skills to lead or participate in public meetings in a professional manner. Combined with more robust policies, procedures and rules defining parliamentary procedures, Board members should be provided with training on duties, responsibilities and behavior as elected officials.

Further, it is clear that members of the Board may not be familiar with the requirements of the California Open Meeting Law or Records Retention Act, as discussed in the section, below. Accordingly, the City Attorney should be requested to develop and lead workshops on these topics to ensure that current and future Board members have the background and knowledge to adhere to these laws.

Board Members Have Not Been Provided With Appropriate Training

Assembly Bill 1234 requires that all board members of special districts complete a two-hour, on-line Ethics Compliance Training Course after joining the Board. Based on records maintained by the District, all Board members have received this training. The California Special District Association (CSDA) provides training for elected officials and managers of special districts, including various orientation trainings, leadership summits, and related topics such as human relations and resource management. Other courses are provided through the Special District Leadership Foundation, and guides are available through the State Board of Equalization and other bodies. In addition, other trainings are offered by Statewide organizations, such as the California State Association of Counties (CSAC) that may be helpful to the District's leadership. For example, CSAC has an agreement with California State University Northridge to provide special courses for elected officials and managers that can be attended to obtain credit towards a Master Degree in Public Administration. In addition, CSAC offers courses through the *Institute for Excellence in County Government*, which may be beneficial to the District directors, including:

- The Art and Practice of Elected Leadership;
- Getting Things Done: Working Effectively to Achieve Objectives;
- Chairing and Managing Effective Public Meetings;
- Making Impressions: Media Interviewing;
- Negotiation and Collaboration in Complex Environments; and,
- Advanced Practice in Negotiation.²

Although these courses are designed for County elected officials, the topics and content can also be applied to the operations of the NCSO. The members of the Board should explore the opportunity for attending selected courses, with the goal of improving the conduct of public meetings and interactions with each other and members of the public.

Records of Board Actions Are Not Complete or Prepared in a Timely Manner

² Go to http://www.csac.counties.org/sites/main/files/file-attachments/2013-winter-spring-publish_3.pdf to view a complete description of available courses for the Spring 2013 schedule.

NCSD Policy 5060.1.1 states that:

Copies of a meeting's minutes shall be posted for a minimum of 10 days on the NCSD website within 14 (days) of NCSD meeting for public review. Copies of meeting minutes shall be distributed to Directors as part of the information packet for the next regular meeting of the Board, at which time the Board will consider approving the minutes as presented or with modifications. Once approved by the Board, the official minutes shall be kept in a fireproof vault or in a fire-resistant cabinet.

The NCSD does not adhere to this policy.

During the period of this review, the Grand Jury found that Board minutes were not being consistently recorded, posted and secured in the manner prescribed by Policy 5060.1.1. Minutes were generally not transcribed promptly and were not ready for approval at the next regularly scheduled Board meeting. When copies of minutes were requested, the current General Manager reported that she had to look in several locations before they were located. A number of Board minutes were audio recorded but not transcribed for weeks or months later, resulting in some Board members not recalling what actions were taken on agenda items when presented with the written notes for approval.

Members of the Grand Jury reviewed the written notes and listened to numerous audio recordings of Board meetings. The background noise on some recordings made it difficult to hear or understand who was speaking and, in some cases, what was being said. Some audio recordings were started after the meetings were called to order and no references to the dates of the meetings were heard. This creates difficulties with providing an accurate written record of Board proceedings, even when the audio recordings are transcribed. For example, the Board minutes from the August 28, 2012 meeting included a typed side-note that stated the notes “. . . are not transcripts of the meetings; only the hi-lights and hopefully accurate.”

To ensure that there are accurate records of official actions, the Board should direct the General Manager to begin and maintain a process to record, transcribe, post, and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the District's current policy.

Conclusions

NCSD Board meetings are not conducted in accordance with rules of order or professional conduct recognized as best practices in public sector organizations. In addition, the NCSD does not consistently record or post official minutes in a timely manner, in violation of the District's own policies, and compromising the ability of Board members to recall official actions when reviewing the minutes for accuracy. A clear violation of California's Open Meeting Law, also known as the Brown Act, was observed by the Grand Jury and has been the topic of concern by members of the Newberry Springs community.

Further, members of the Board have attended mandatory ethics training. However, expanded trainings on leadership and effectively chairing public meetings are available through the California Special District Association, the Special District Leadership Foundation, the California State Association of Counties, and other bodies.

The Board should attend such trainings, and adopt and adhere to expanded, formal policies and rules regarding conduct at public meetings. In addition, NCSD management should take steps to

ensure that records of official Board action are routinely recorded, approved for accuracy, and indexed for timely access by the public.

Recommendations

The NCSB Board of Directors should:

- 1 The NCSB Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on *Roberts Rules of Order* and other accepted standards for parliamentary procedure.
- 2 Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings.
- 3 Direct the General Manager to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the District's current policy.

Costs and Benefits

There would be minimal cost for the members of the Board to attend leadership and other training offered by CSDA and CSAC.

Parliamentary procedures recognized throughout the world would be followed by the NCSB Board, and the Board members would receive the training necessary to provide leadership and ensure a more professional atmosphere at public meetings. The risk of Directors violating California Open Meeting Laws and the California Records Act would be reduced.

2. Accounting and Financial Management

NCSO Lacks State-Mandated Financial Audits

NCSO has not completed annual financial audits for fiscal years 2009-2010, 2010-2011, and 2011-2012. NCSO is therefore not in compliance with State Government Code Section 26909 for 2009-2010 and 2010-2011, which requires annual audits of financial condition for all special districts within 12 months of the end of a fiscal year.

The State Controller's Office prescribed minimum auditing requirements for special districts, set out in Title 2, Section 1131.2 of the California Code of Regulations, consist of 17 general statements that county auditors or independent accounting firms should consider in preparing an audit program. These 17 statements include the following important steps, among others:

- A proper study and evaluation of the existing internal control and the financial organizational structure;
- A review of the district's report of financial transactions to the State Controller to see that it agrees with official records of the district for the period. The State Controller should be informed of any material difference;
- A determination that expenditures were properly documented, authorized and incurred and are proper charges to the fund and appropriation against which they have been charged; and,
- A verification of all assets and liabilities in accordance with generally accepted auditing standards.

The failure to follow these and the other requirements set out by the State Controller has led to negative consequences for NCSO including: (1) putting NCSO out of compliance with State Code; (2) leaving residents and taxpayers without a reasonable assurance that financial statements are presented fairly and accurately; and, (3) putting the District at greater risk of waste, fraud and abuse due to the absence of any review of internal controls.

The lack of audited financial statements is also not consistent with industry best practices, such as those promulgated by the *Institute for Local Government*, which notes that "audited financial reports alert governing body members if there are irregularities in financial practices and financial reporting."³

³ The Institute for Local Government is an affiliate of the California State Association of Counties and the League of California Cities. The best practices information can be found online at this address: http://www.ca-ilg.org/sites/main/files/file-attachments/resources_3r_Financial_Reporting_and_Accounting.pdf

Auditor-Controller Monitoring of Audit Requirements Has Had Limited Effectiveness with NCS D

State code places responsibility on the County Auditor-Controller for making sure special districts are audited annually or on a different frequency under certain restrictions. Specifically, Section 26909 of the State Government Code requires county auditors to:

Either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided.

The Internal Audits Section of the County Auditor-Controller, which is responsible for performing operational and financial audits of special districts, has taken steps to monitor special districts' compliance with State auditing requirements. However, these efforts have not been successful with NCS D.

The Auditor-Controller has procedures that call for repeated, increasingly assertive correspondence with general managers and district boards that have not completed a financial audit on time. In the case of NCS D's FY 2011-12 audit, the Auditor-Controller relied on the District's general manager's and its certified public accountant's assertions that a contract was in place to conduct audit services. However, as noted later in this section, the work performed by the certified public accountant does not comply with State audit requirements.

The enforcement of Section 26909 is somewhat complicated by the Code's requirement that any costs incurred by the county auditor, including any contracts with accountants, be borne by the special district. County Auditor-Controller management staff has asserted to our audit team that there has been some hesitancy to enforce the annual audit requirement on NCS D due to the District's budgetary constraints. However, there has been no formal steps taken or analysis conducted by the Auditor-Controller to determine the most cost effective method of complying with State audit requirements.

NCS D and Auditor-Controller Have Not Pursued Potential Alternatives to Annual Audits

Neither NCS D nor the Auditor-Controller have studied or pursued potential alternatives to annual audits allowed for in the State Government Code under certain restrictions. Specifically, Government Code Section 26909 allows for the following three alternatives if requested unanimously by the special district's governing board and unanimously approved by the Board of Supervisors:

1. A biennial audit covering a two-year period;
2. An audit covering a five-year period, if the special district's annual revenues do not exceed an amount specified by the Board of Supervisors; or,
3. An audit conducted at specific intervals, as recommended by the County Auditor, which shall be completed at least once every five years.

Given the District's relatively small budget of approximately \$250,000 per year, the Auditor-Controller and District Board members should consider these alternatives, which would require fewer resources to be devoted to financial audits, but would still be in compliance with State requirements.

2011-12 Financial Review Did Not Meet Minimum Audit Requirements

Financial reports required by State Government Code to be filed with the State Controller's Office have been submitted by NCSO, but were based upon unaudited and unverified data. Contrary to State code requirements, the District's FY 2011-12 annual report of financial transactions to the State Controller has not been reviewed by an independent public accountant to ensure that they agree with the official records of the District.

In September 2012, NCSO contracted with a certified public accountant for audit services covering financial transactions in FY 2011-12. The Auditor stated the District did not provide adequate or sufficient documentation to complete an audit and express an audit opinion. However, these services did not meet the minimum requirements prescribed by the State Controller's Office for audits of special districts. Rather, in his transmittal letter to the District's Board of Directors the certified public accountant stated that his work was limited to putting together the financial report that must be filed annually with the State Controller. Further, the letter states that "I have not audited or reviewed the financial statements referred to above and accordingly do not express an opinion or any other form of assurance on them."

The State Controller's prescribed minimum audit requirements are contained in the California Code of Regulations (Title 2, Section 1131.2). As previously mentioned, these minimum requirements include the statement that:

the district's report of financial transactions to the State Controller should be reviewed to see that it agrees with the official records of the district for the period. The State Controller should be informed of any material difference.

The General Manager should prepare the District's financial statements on an annual basis before they are reviewed by the Auditor-Controller or a certified public accountant to ensure they are an accurate reflection of the District's financial condition.

Financial Data Reported to State Controller Indicate Financial Instability and Structural Deficits

Although the data provided to the State Controller's Office is unaudited, a review of such data indicates financial instability, which further underlies the need for regular financial audits. As seen in Table 2.1 below, the District appears to have run a deficit in FY 2009-10 of approximately \$18,000 or about 8 percent of total revenues. Further, the lighting and lighting maintenance function has run deficits ranging from \$41,142 to \$5,011 from FY 2008-09 to FY 2010-11 and the Recreation and Park Function has run deficits of approximately \$25,000 in FY 2009-10 and about \$2,300 FY 2010-11. NCSO management has been unable to identify the cause(s) of these deficits. Additionally, the District's methodology for assigning district-wide costs such as Director's fee, office costs, and accounting and legal fees between the three functional departments is not documented, and therefore cannot be verified.

Table 2.1**NCSD Expenditure Data Reported to State Controller**

Activity	FY 2008-09 Revenues	FY 2008-09 Expenditures	FY 2009-10 Revenues	FY 2009-10 Expenditures	FY 2010-11 Revenues	FY 2010-11 Expenditures
Fire Protection	\$152,701	\$119,179	\$124,762	\$112,437	\$136,411	\$109,611
Lighting and Lighting Maintenance	3,434	44,576	2,141	7,152	2,210	8,698
Recreation and Park	155,645	142,136	98,935	124,115	100,563	102,910
Total	\$311,780	\$287,891	\$225,838	\$243,704	\$239,184	\$221,219

Source: State Controller's Office

NCSD Lacks Sufficient Accounting Procedures and Controls

NCSD lacks sufficient accounting procedures and controls. According to State Government Code 61053, NCSD must:

adopt a system of accounting and auditing that shall completely and at all times show the district's financial condition. The system of accounting and auditing shall adhere to generally accepted accounting principles.

However, the District does not have: (1) a hierarchical account numbering system; (2) a financial or accounting manual; or, (3) a consistent system to classify expenditures carried out by the District. Further, although the State Controller requires special districts to use the modified accrual basis of accounting, it is not employed at NCSD.

NCSD Lacks Account Numbering System and Financial Manual

Beginning in FY 2012-13, the District abandoned utilizing its numerical and hierarchical account structure in favor of an accounting scheme based on account titles. A fundamental objective of accounting is to accurately classify transactions such as expenditures and receipts into proper "buckets" or accounts. Accounts are generally identified utilizing a numeric or alpha-numeric scheme. Accounting identifiers are usually broken down into some type of hierarchical components to accommodate data correlation and reporting activities. The numerical assignment of an accounting identifier also facilitates system to system and intra-system exchanges of data, such as from a Purchase Order system to the General Ledger. The abandonment of account numbers inhibits accurate and efficient hand-offs of accounting data for establishment and performance measurement of budgets and future growth into new and more sophisticated computer system interfaces.

NCSD lacks a financial or accounting manual, which would provide guidance to the General Manager and other staff on how to create and maintain District accounts and prepare the District's income statement, general ledger, and annual financial statement. In addition, a

financial or accounting manual would assist the staff in using modified accrual based accounting, which is required by the State Controller for non-enterprise funds.

The lack of a financial or accounting manual may have led to the following odd general ledger and income statement entries observed by the Grand Jury from FY 2011-12:

- On the District's Income Statement, a revenue line title "Deposits Not Recorded" shows a value of \$121,248.76, which is 47 percent of the District's fiscal year revenue. No explanation was found for the purpose or intended usage of this account.
- Account 5100 titled "Directors Stipend" reflects amounts that are not in increments of \$50 even though Directors are paid \$50 per authorized meeting.
- Account 5101 titled "Secretary Salary" reflects payments made to five individuals ranging from \$39.67 to \$12,640.02. However, the District did not have five secretaries during FY 2011-12.

Expenditures Not Consistently Classified to Support Proper Accounting

NCSD does not consistently classify or document expenditures to allow for proper accounting of the various functions carried out by the District. For example, approximately \$20,000 of purchase card expenditures was placed in a general ledger clearing account because the former General Manager, lacking documentation, could not determine the appropriate cost account. Additionally, a 4,000 gallon Water Tender Truck was acquired via a capital lease, but is being accounted for as an operating lease. This misstates both the District's assets and liabilities. The failure to properly classify expenditures leaves the District non-compliant with the State Code requirement to adopt a system of accounting and auditing that shall completely and at all times show the District's financial condition. It also affects the accuracy of the District's State-mandated financial reporting.

District Has Weak Check Reconciliation Process

NCSD's check reconciliation process has been deficient. The District's FY 2011-2012 account for workers' compensation insurance was overstated by the value of one extra quarterly payment in the amount of \$2,172, which resulted from a voided check not being reversed off the books. This is an indicator of a weak check reconciliation process.

Reconciling bank statements to check registers and to General Ledger account balances is a fundamental management practice and a basic internal control process. This process ensures the bank's records are in-line with the District's records, and that any voided or un-cashed checks are identified for follow-up and corrective action if needed. A check that has been voided must also have its charged reversed on the accounting ledgers. Failure to reverse an entry in the accounting ledger will overstate expenditures and under-state the District's actual cash position. The General Manager has indicated that improvements to the check reconciliation process have been implemented. Identifying any additional prior year problems requires the completion of outstanding audit work.

Conclusions

The Newberry Community Services District (NCS D) has not completed annual financial audits for the previous three fiscal years (2009-2010, 2010-2011, and 2011-2012). State Government Code requires public agencies, including special districts, to conduct annual financial audits within 12 months of the end of each fiscal year. The Board of Directors failure to execute this responsibility is in noncompliance with California Government Code at Section 26909 and 61118 for 2009-2010 and 2010-2011. Further, while State Code requires the County Auditor-Controller to ensure such audits are completed, efforts to monitor and enforce this provision have had limited effectiveness.

Financial reports required by State Government Code to be filed with the State Controller's Office have been submitted by NCS D, but were based upon unaudited and unverified data. Contrary to State code requirements, the District's FY 2011-12 annual report of financial transactions to the State Controller has not been reviewed by an independent public accountant to ensure that it agrees with the official records of the District. The financial information that has been provided, while unaudited, indicates some financial instability, which further underlies the need for regular financial audits.

NCS D lacks basic accounting procedures and controls. Specifically, District does not have: (1) a hierarchical account numbering system; (2) a financial or accounting manual; or, (3) a consistent system to classify expenditures carried out by the District. Further, the District lacks a consistent method for authorizing, classifying, and documenting expenditures from purchase cards.

Recommendations

The Newberry Community Services District Board of Directors should direct the General Manager to:

- 4 Re-adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement.
- 5 Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual.

The Auditor Controller should:

- 6 Revise *Outside Audit Report* procedures to include corrective actions for special districts that do not comply with State audit requirements for an extended period of time. Such corrective actions could include conducting audits and billing the districts for Auditor-Controller staff time or hiring an outside certified public accountant to conduct the audit and billing the district for the accountant's work.
- 7 Work with the Newberry Community Services District General Manager to determine a feasible approach to complying with audit requirements established in State Government Code Section 26909. Such approaches could, with the *unanimous* request of the Board of Directors and the *unanimous* approval of the Board of Supervisors, include:

- (a) A biennial audit covering a two-year period;
- (b) An audit covering a five-year period, if the District's annual revenues do not exceed an amount specified by the Board of Supervisors; or,
- (c) An audit conducted at specific intervals, as recommended by the County Auditor-Controller, which shall be completed at least once every five years.

Costs and Benefits

The costs of implementing with these recommendations would include District staff time to draft and adopt policies and procedures.

The benefits of implementing these recommendations would include stronger controls over accounting and management of the District's finances and greater transparency in the reporting of the District's financial condition. The benefits would also include compliance with State Government Code audit requirements for special districts.

3. Internal Controls

According to the Government Finance Officers Association (GFOA), the purpose of internal controls is to protect government's financial and capital assets against the potential risk of loss or misuse. Further, internal controls are needed to ensure that all financial transactions are properly authorized and data in financial reports are reliable. Although there are references to internal controls in the NCSO By-laws and Policy Handbook, they are (1) insufficient for ensuring that the District's assets are protected against potential loss or misuse and (2) are not consistently implemented by District Board members and personnel.

Deficient Internal Controls for District Expenditures

NCSO revenues are used to procure materials, supplies and services for District business through purchase cards, contracts with outside contractors and consultants, and reimbursement of expenses made by District Board members and personnel. The Policy Handbook requires various protocols for approval of such expenditures, along with sufficient documentation to ensure that expenditures were appropriately tied to District business. However, sufficient documentation of required approval and/or explanations for the appropriateness of the expenditures were not always provided to the Grand Jury.

CAL-Card Purchase Cards

The California Department of General Services has a Master Services Agreement (MSA) with U.S. Bank for purchase card services. Local tax funded agencies such as the District are able to participate in the MSA and obtain CAL-Cards (purchase cards) by submitting required documentation, including a signed Local Agency Addendum to the MSA. Advantages of participating in the CAL-Card program include: (1) no cost for participation; (2) rebates for average transactions, volume sales and prompt payment; and, (3) streamlined purchases by eliminating the need for extensive advertising, bidding and contracting procedures.⁴

Insufficient Internal Control Policies and Procedures

In accordance with the U.S. Bank CAL-Card Program Administrator Guide, the District adopted purchase card policies on July 26, 2011.⁵ However, based on a comparison with GFOA recommended internal control best practices for purchase cards, these policies are not adequate to ensure that the District can minimize the risk of costly, unnecessary, and/or inappropriate purchases. Table 3.1 below illustrates that the District lacks a few key internal control policies such as spending and transaction limits, reconciliation procedures, and a process for handling disputes and unauthorized purchases.

⁴ California Department of General Services, CAL-Card (Purchase Card), <http://www.dgs.ca.gov/pd/Programs/CALCard.aspx>

⁵ District Policy Handbook: Policy Number 3075.

Table 3.1**Government Finance Officer Association (GFOA) Best Practices vs. District Purchase Card Policies**

GFOA Best Practices	District Policy Number 3075	Grand Jury Comments
Clear guidelines on the appropriate use of purchasing cards	3075.3.2 All purchasing card expenses shall be reasonable and necessary to the furtherance of District business. No personal expenses shall be charged on a District purchasing card.	
Spending and transaction limits for each cardholder, both per transaction and on a monthly basis		Spending and transaction limits ensure that the District has sufficient funds to pay for expenditures. The Policy Handbook fails to mention spending limits. The District did not provide the Grand Jury with additional internal usage guidelines for purchase cards.
Review and approval process	3075.3.3¹ The Treasurer shall review and approve purchasing card transactions by the cardholders.	
Timely reconciliation by cardholders and supervisors		Reconciliation includes verifying that purchased goods and services were received, acceptable, and charged appropriately in the purchase card statement. The Policy Handbook fails to mention reconciliation policies and procedures.
Retention of sales receipts and documentation of purchases	3075.3.3¹ All purchase card expenses shall have third-party documents (receipts) attached and the District purpose annotated by the cardholder.	
Segregation of duties for payment approvals, accounting, and reconciliation	3075.3 A purchasing card shall be issued to the General Manager and the Treasurer. Purchasing cards shall not be issued to members of the Board of Directors without a majority vote of approval by the Board. 3075.3.3¹ (Above)	Although both the General Manager and Treasurer are issued a purchase card, only the Treasurer shall review purchases. This is a failure to segregate approval of use from actual use. The Policy Handbook fails to mention reconciliation policies and procedures.
Procedures for handling disputes and unauthorized purchases		If reconciliation occurs on a consistent basis and errors are identified, there should be a process for preventing payment for unauthorized or incorrect charges. The Policy Handbook fails to mention procedures for handling disputes and unauthorized purchases.

Source: "GFOA Best Practice: Purchasing Card Programs," Approved February 2011 and District Policy Handbook, 2012.

¹3075.3.3 is listed twice in the District Policy Handbook.

Segregation of Duties

The District is in violation of the State MSA by allowing District Board members to be purchase cardholders, with a majority vote of approval by the Board.⁶ The MSA explicitly states that the CAL-Card Program is available for use by individual government employees. Pursuant to California Government Code 6140, Board members are responsible for determining policies such as budgets and programs, while the General Manager, a government employee, is responsible for implementing them.

Despite the segregation of duties between policy making and implementation of those policies, such as making purchases, two District Board members⁷ were issued purchase cards and incurred \$10,059 and \$7,985, or a total of \$18,044 in expenditures in FY 2011-12. This represents approximately 25 percent of the total FY 2011-12 expenditures of \$70,767 incurred through purchase cards. When District Board members make purchases of this magnitude, the General Manager and/or Treasurer, as government employees, are placed in an awkward position of approving expenditures for those with the power to terminate their employment. Such conditions diminish the District's ability to effectively implement internal controls.

The State Master Services Agreement and U.S. Bank CAL-Card Program guides identify at least four distinct roles and their respective duties within any agency participating in the purchase card program. The segregation of duties prevents any single person from taking advantage of the purchase card program to make unauthorized and/or personal purchases. In contrast, the District Policy Handbook identifies the General Manager, Treasurer, and any other potential cardholder, but the duties of each are not as clearly defined or segregated.

According to the MSA participating agencies should have the following:

- **Program Coordinator/Administrator:** An individual responsible for management and oversight of the purchase card program, including following contract terms, ensuring timely payment of invoices, developing and enforcing agency policy, procedures and training. A Purchasing Officer or equivalent typically maintains this position.
- **Approving Official:** An individual responsible for monitoring, reviewing, and approving the purchases of assigned cardholders. A Budget Manager for which the funds are to be expended by the assigned cardholders typically maintains this position.
- **Billing Officer:** An individual responsible for the timely management and oversight of the invoice reconciliation and payment process. An Accounting Officer or equivalent typically maintains this position.
- **Cardholder:** An individual designated by the Program Coordinator/Administrator and Approving Official to receive a purchase card and make purchases.

⁶ Approval by the Board of Directors assumes a "yes" vote by at least two Board members, the minimum number of members to achieve a majority when there are three Board members present to establish quorum and take action.

⁷ As of the writing of this report, the Grand Jury could not verify if the two Board members received the necessary approval from other Board members to receive purchase cards.

The District is violating the best practice of segregating duties because the Treasurer appears to serve in at least three of the above roles and perform the following duties simultaneously: (1) recommending internal usage guidelines for the purchasing cards to the Board for approval (Program Coordinator/Administrator duty), (2) approving purchases of assigned cardholders (Approving Official duty), and (3) making purchases on behalf of the District with an issued purchase card (Cardholder duty). Additionally, no personnel are explicitly assigned invoice reconciliation and payment responsibilities (Billing Officer duty) in the District Policy Handbook. It is more appropriate for the General Manager to serve in the function of Program Coordinator/Administrator and Approving Official while the Treasurer serves as the Billing Officer.

Because of the small size of the District, it may be acceptable to issue purchase cards to both the General Manager and Treasurer. However, approving and reconciling purchases should be conducted by someone other than the person making purchases, as recommended by GFOA best practices. Therefore, if both the General Manager and Treasurer continue to make purchases with issued purchase cards, the Treasurer should approve and reconcile the General Manager's purchases and vice versa.

The District should revise its Policy Handbook to (a) exclude Board members as purchase cardholders and (b) include internal controls such as (i) spending and transaction limits; (ii) clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders; and, (iii) a process for handling disputes and unauthorized purchases. Purchase cards issued to Board members should be subsequently relinquished. Additionally, the General Manager should train all staff involved in the purchase card program of the new and revised purchase card policies.

Inconsistent Implementation of Policies and Procedures

In addition to lacking key internal controls for purchase card expenditures, the District has failed to provide consistent documentation to ensure that the internal controls that do exist are executed and serving its purpose(s).

Lack of Receipts make it Difficult to Conclude Appropriate Expenditures

The District spent \$70,767 in FY 2011-12, but the District did not provide receipts explaining what individual charges on the U.S. Bank statements were for. Without such documentation, it is impossible to verify if the charges met the Policy Handbook's criteria of "reasonable and necessary" expenses for District businesses or if personal expenses were charged to the purchase cards and paid for with District tax dollars. For example, typical purchase card expenditures in FY 2011-12 included fuel at a gas station. However, there was an instance when one cardholder made three separate fuel purchases on the same day. Without documentation and further explanation, it is difficult to determine if significant travel for district business occurred on the same day, requiring multiple fueling, or if multiple cars, including personal cars, were fueled with the same District purchase card. Going forward, the Treasurer or General Manager should not approve payment of purchase card transactions without the submission of sufficient documentation demonstrating the appropriateness of the purchase(s). If a cardholder fails to timely submit receipts and other documentation, the cardholder should be held responsible for paying the purchase with their own funds and any subsequent late fees or penalties caused by delays in submitting receipts and/or payment.

Significant Expenditures Occurred without Board Approval

In September of 2011, a single transaction totaling \$11,277 was charged for a purchase from NUVAIR. Three additional purchases from NUVAIR occurred on the same date, resulting in a total of \$12,587 charged to the same purchase card. The initial transaction and aggregate transactions for the same vendor exceed \$5,000. District Policy 3040.2 states that any purchase or expense greater than \$5,000 must be submitted to the Board of Directors for approval. However, approval for the NUVAIR purchase was not recorded in Board meeting minutes. Therefore, internal controls are insufficient to ensure that purchase card transactions comply with other District expenditure policies.

Lack of Timely Payments of Billing Statements

Although the Policy Handbook requires that all purchase card bills shall be paid in a timely manner to avoid late fees and finance charges, half of the billing statements in FY 2011-12 showed that a payment was not previously submitted. The District was not charged any late penalties or fees because their subsequent payments still met the terms of the purchase card agreement. According to the State MSA, the full amount of each participating agency's monthly balance or billing cycle, with the exception of reported fraud or disputed items, is due within 45 days⁸ from the billing cycle date of the invoice. According to District personnel and Board members, payments for a billing statement were made after receiving the subsequent billing statement(s) due to the lack of verification of expenditures.

The General Manager should be designated the role of Program Coordinator/Administrator and ensure that purchase cards are paid in a timely manner. By (a) imposing spending and transaction limits and (b) requiring either the General Manager or the Treasurer approve all purchases prior to incurring actual costs based on the (i) appropriateness of the purchase and (ii) availability of funds, the District can ensure that there are sufficient funds available to pay for all expenditures. By requiring cardholders to pay for any charges that do not have sufficient documentation to justify and verify purchases on the bank statement, the District should have sufficient documentation to reconcile and pay the bank statements in a timely manner and/or have an additional source of revenue, other than District tax dollars, to pay for disputed or unauthorized purchases.

Outside Contracts and Consultants

Requiring Board approval for consultant contracts and expenditures over \$5,000 is an essential internal control to ensure that significant funds are not committed to consultants or vendors that are unqualified, unnecessarily costly, and/or participants in fraud or abuse. Open, public discussions among Board members regarding contracts and expenditures could provide a control to help prevent Board members from personally benefiting from the selection of particular contractors or consultants. The General Manager should diligently review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the procurement into compliance with the Policy Handbook.

⁸ The total number of days could be adjusted depending on the postmark date of the invoice and/or payment.

Reimbursements

While the Policy Handbook may allow reimbursements of expenses directly related to District business, the Board appears to have violated its policies by allowing a Board member to be reimbursed for a personal cell phone and internet bill on May 26, 2012. Policy 2270.3.18 states that the District is not responsible for maintaining or payment of personal internet accounts or related software. Additionally, the District By-laws state that Board members may authorize reimbursement for expenditures made for “operating supplies, or new and replacement items for office use and also for travel expenses.”⁹ The Board members approved the disbursement and the General Manager issued a check equivalent to the entire amount of a personal cell phone and home internet bill. Even if some of the personal cell phone and home internet services were used for District business, there was no additional documentation to justify what portion of the cell phone and home internet bill justified reimbursement.

To improve enforcement of District policies and enhance internal controls against inappropriate use of District funds, the General Manager should review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook. Further, all Board members should carefully review the list of disbursements to be approved on the consent agenda prior to the scheduled Board meeting and (a) discuss questionable disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.

Violations of other Policies Indicate Weak Internal Controls

The Board of Directors has approved District policies to ensure efficient, effective and economical District operations and use of tax funds. However, violations of these policies expose the District to the risk of misuse of tax funds through poor and weak operations.

Lack of a District Legal Counsel Log

In 2009, the Board of Directors adopted a policy to maintain a log of all communication with District Legal Counsel, including the date of the communication, method of communication, and approximate length of time for communication for telephone and in-person communications. However, District personnel reported that no such log was available. The log is supposed to serve as a tool for District personnel to verify District Legal Counsel invoices and expenditures. The Policy Handbook restricts communication with District Legal Counsel to the President of the Board or his/her designee. Therefore, the log also serves as a tool for other District personnel and Board members to be aware of the frequency of District Legal Counsel communication and question any possible misuse of District Legal Counsel for personal benefit, *before* receiving a bill. The District should immediately establish a District Legal Counsel Log to be in compliance with the Policy Handbook and maintain an important control over legal expenditures.

Lack of a Policy Handbook for the Fire Department

A policy handbook, specifically for the operation of the Newberry Springs Fire Department, has not been adopted by the Board, even though a Board policy adopted in 2009 requires one. A

⁹ District By-laws, Article III, Internal Organization, #15.

draft policy handbook for the Fire Department was initiated in 2012, three years after the adoption of the policy. However, approval of the policy is not recorded in Board meeting minutes in 2012 or 2013, as of the writing of this report. The GFOA recognizes that establishing policies and procedures is a critical element of creating and maintaining internal controls. Without policies and procedures, the District cannot ensure that the Fire Department is operating efficiently, nor can it adequately evaluate the performance of Fire Department personnel, including the Fire Chief. The District should immediately adopt a policy handbook for the Fire Department.

Poor Implementation of Record Retention Policies

Despite having guidelines in the Policy Handbook for record retention, the manner in which District records are stored and maintained make it difficult to ascertain whether the District is: (i) providing for the identification, maintenance, safeguarding and disposal of records in the normal course of business; (ii) ensuring prompt and accurate retrieval of records; and, (iii) ensuring compliance with legal and regulatory requirements.

During the course of the investigation, the Grand Jury experienced significant delays in retrieving critical documents. For example, a subpoena was issued in September, 2012 for the latest version of Board approved By-laws and Policies and Procedures. Board approval was initiated on January 24, 2012, although items were not fully remitted to the Grand Jury until March 5, 2013, after a subsequent request in February 2013. However, according to the District's retention record policy, adopted pursuant to California Government Code 60201,¹⁰ these records should be with District personnel and maintained to ensure "prompt and accurate retrieval." Grand Jury members observed several unmarked cardboard boxes in various locations throughout the District office that contained District records, and there was no central log describing the contents of each box and their location, potentially contributing to the delay in record retrieval.

The lack of a proper records management system impedes any third party's ability to determine if the District has been complying with laws and regulations. In contrast, the Secretary of State's guidelines on record management state that proper record management is beneficial because it improves customer service, increases staff efficiency, and allocates scarce resources. The District should catalog all remaining records by category and the catalog should remain in a central location that is easily accessible by District personnel. Any records that exceed the retention periods adopted in the District's policies should also be disposed of.

Staff Vacancies Contribute to Weak Internal Controls

The management staff of the NSCD has been unstable in recent years, with multiple resignations and terminations by the Board of key personnel within the organization. This pattern has been particularly apparent in 2012, as follows:

- The previous General Manager, who also performed the functions of Board Secretary and Treasurer due to vacancies, resigned and was rehired twice during 2012. A third resignation,

¹⁰California Government Code 60201 states that the legislative body of districts may adopt a record retention schedule that complies with guidelines provided by the Secretary of State. It also prohibits districts from destroying certain records, including minutes of any Board meetings.

in July 2012, resulted in the hiring of the current General Manager in October 2012, who resigned on May 22, 2013. The position was vacant at the time this report was finalized.

- The Treasurer position has been vacant since April 2012 and the duties have been assumed temporarily by a member of the Board.
- The Fire Chief, who had been employed by the District since at least 2007, was dismissed by the Board in March 2012. An Interim Fire Chief, hired shortly after the previous incumbent, was dismissed six months later in September 2012. His replacement, a second Interim Fire Chief hired in September, was dismissed by the Board five months later in February 2013. The position of Fire Chief remains vacant, as of the writing of this report, with day-to-day management duties being assumed by a Fire Captain.

With only eight authorized positions, this amount of turnover at the highest levels of the organization is disruptive to operations and result in short-term weaknesses in internal control.

According to testimony received during the Grand Jury's investigation, the Board generally terminated employees due to performance concerns expressed by some members. Conversely, some resignations have reportedly occurred because of the dysfunction of the Board and an environment where individuals feel as though they have been treated unfairly. This was alleged by the Fire Chief in his March 2012 resignation letter, who stated that his resignation was, in part, due to ". . . the public fights and bickering so prevalent on the Board."

According to other testimony, it is sometimes difficult to recruit employees because of the remote location of the NCSO, the small size of the organization, the limited number of hours and pay offered to employees, and other factors. In addition, given recent turnover history and the culture of the organization, some prospective employees may be reluctant to apply. For example, statements were made that hiring a new Fire Chief has been difficult because of the limited number of potential applicants and the recent history of terminations.

Although a close examination of these factors could not be conducted, given the limited resources available to the Grand Jury, the impacts on the organization have been substantial. As stated separately in this section, the breakdown in internal controls has been significant in some instances and the ability of the organization to respond by reassigning functions or implementing compensating controls is limited.

In July 2009, the Local Agency Formation Commission (LAFCO) of San Bernardino County issued a *Service Review and Sphere of Influence Update for the Newberry Community Service District*. Among the various observations made in that report, it was suggested that possible improvements should be examined, including: (1) removing the NCSO fire protection powers from the District and reassigning them to the County; or – more substantially – (2) consolidating the NCSO with two adjacent community services districts, to allow for "economies of scale and provide the opportunity for streamlined governance and compliance with CSD law." These two suggestions merit further review, and more robust analysis of governance and reorganization options should be included in LAFCO's next Service Review of the District, scheduled for 2014.

NCSD Needs an Adequate Capital Asset Management System

The District's management of capital assets is weak compared to GFOA best practices to ensure that entities assess assets, appropriately plan, and budget for any capital maintenance and replacement needs. According to District personnel, an inventory of capital assets only occurs at the time, and with the assistance, of the annual audit. There is no Capital Asset Management System to record the date an asset was purchased, the condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs. Such information is important for District personnel and the Board to review when making key decisions, such as whether to approve an agreement for the consignment and sale of a water tender that was obtained in 2009, or to pursue the various repairs for equipment charged to purchase cards in FY 2011-12. In addition, an adequate Capital Asset Management System should prevent loss or misuse of capital assets through central recording and inventory control. The District should establish a Capital Asset Management System.

Conclusions

The District has By-laws and a Policy Handbook that contain some internal controls to help protect the District's financial and capital assets against the potential risk of loss or misuse. However, these policies remain insufficient for minimizing risk exposure to potential fraud and abuse. For example, the District's policies on purchase cards do not include spending and transaction limits to ensure that there are sufficient funds to pay for expenditures, segregate duties of purchase approvals and reconciliation to prevent potential fraud, or provide mechanisms for handling disputes and unauthorized charges.

In addition, the policies adopted to establish internal controls are not consistently implemented by Board members and District personnel, further exposing the District to unnecessary costs and potential misuse of District tax dollars for personal benefits. Violations of policies that indicate weak internal controls include:

- The lack of documentation for purchase card expenditures;
- Significant expenditures made with purchase cards without required Board approval;
- Lack of timely payments for purchase card billing statements to avoid potential penalties and fees;
- Reimbursement of expenses without sufficient documentation to ensure they were for District business; and,
- The lack of several key documents and tools such a log of all communication with District Counsel, a policy handbook for the Fire Department, and a catalog of retained District records.

Multiple resignations and terminations by the Board of key personnel within the organization during the audit period coincided with breakdowns in internal controls and the ability of the

organization to respond by reassigning functions or implementing compensating controls is limited.

Finally, the District does not have an adequate Capital Management Asset System to control inventory and record key information central to making maintenance and replacement decisions.

Recommendations

The Board of Directors should:

- 8 Revise its purchase card policies to:
 - (a) Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards, subsequently relinquish any purchase cards currently issued to Board members, and
 - (b) Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payments, such as:
 - (i) Spending and transaction limits for each cardholder;
 - (v) Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders;
 - (vi) A process for handling disputes and unauthorized purchases; and,
 - (vii) A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation.
- 9 Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and (a) discuss questionable disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.

The General Manager should:

- 10 Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards.
- 11 Review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure

approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook.

- 12 Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval.
- 13 Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls:
 - (a) District Legal Counsel Log;
 - (b) Policy handbook for the Fire Department; and,
 - (c) Catalog of all retained District records.
- 14 Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.

The Local Agency Formation Commission (LAFCO) should:

- 15 Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.

Costs and Benefits

Implementing these recommendations will require additional staff time, but should be done with existing resources.

Proper internal controls over District expenditures through purchase cards, contracts, and reimbursements should prevent subsequent unauthorized, inappropriate or unnecessary costs. Additionally, a good records management system would help the District (i) increase staff efficiency when key documents are easily accessible and (ii) ensure compliance with legal and regulatory requirements.

**1. 2012-13 San Bernardino County Grand
Jury Report**

**b. Responses to Grand Jury Report
and County Auditor**

Attachment 1b

RESPONSES
TO THE
SAN BERNARDINO COUNTY
2012-2013 GRAND JURY
FINAL REPORT



SAN BERNARDINO COUNTY GRAND JURY
351 N. ARROWHEAD AVENUE, ROOM 200
SAN BERNARDINO, CA 92415-0243
(909) 387-3820



Newberry Community Services District

Established 1958

Robert Royalty
President/Director

September 25, 2013

•

Kathleen Ridler
Vice President/Director

To: San Bernardino County Grand Jury
351 N. Arrowhead Ave
San Bernardino CA 92415

•

Diana Williams
Director

Attn: Presiding Judge

•

Wayne L. Snively
Director

From: Newberry Community Services District
30884 Newberry Road
Newberry Springs CA 92365

•

Paula Deel
Director

Please find attached the following Responses to Findings:

•

Peter Porritt
General Manager

page 1-3 NCS D PC 933.05 Responses to Findings

page 4 Response #1

page 5 Response #1 Attachments

page 6 Response #2

page 7 Response #2 Attachments

page 8 Response #3

page 9 Response #4

page 10 Response #4 Attachments

page 11 Response #5

page 12 Response #5 Attachments

Response 6 & 7 - not ours

page 13 Response #8

page 14-18 Response #8 Attachments

page 19 Response #9

page 20-21 Response #9 Attachments

page 22 Response #10

page 23 Response #11

Treasurer

•

Robert Rogers
Assistant Fire Chief

•

Fire Chief



30884 Newberry Road • PO Box 206 • Newberry Springs, CA 92365-0206
(760) 257-3613 • FAX (760) 257-4314 • NewberryCSD.net

RECEIVED

SEP 27 2013

San Bernardino County Grand Jury

page 24 Response #12
page 25 Response #13
page 26-30 Response #13 Attachments
page 31 Response #14
page 32-36 Supporting Documents-7-9-2013 Minutes
page 37-40 Supporting Documents-2013-2014 Fiscal Year Budget

Newberry Community Services District
PC 933.05 Responses to Findings

1. The NCSD Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on Roberts Rules of Order and other accepted standards for parliamentary procedures.
2. Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conduction public meetings.
3. Direct the General Manger to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the District's current policy.
4. Re-Adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement.
5. Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual.
8. The Board of Directors should - Revise its purchase card policies to:
 - A. Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards, subsequently relinquish any purchase cards currently issued to Board members
 - B. Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payment such as
 - I. Spending and transaction limits for each cardholder
 - V. Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders

VI. A process for handling disputes and unauthorized purchases

VII. A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation

9. Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and
 - A. discuss questionable disbursement with the General Manager and/or
 - B. request to pull questionable disbursements from the consent agenda that results from the delay in submitting such documentation

10. Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards

11. Review consultants or vendors with a single invoice over \$5000.00, or multiple invoices that, together, exceed \$5000.00 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook

12. Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval

13. Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal control
 - A. District Legal Counsel Log

 - B. Policy Handbook for the Fire Department

 - C. Catalog of all retained District records

14. Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties,

maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 1
PAGE 23-24

RESPONSE

On August 13, 2013 the Newberry Community Services District Board of Directors hired Peter Porritt as the new General Manager. On September 5, 2013 Mr. Porritt started his position as General Manager for the District (after having successfully completed a live scan and background check). Mr. Porritt is aware there are several key items that will need to be addressed and this item is one of them. Currently there is no re-structuring of the NCSD Policies and Procedures before the Board. Please see attached copy of Agenda Item 9G dated July 9, 2013 and Approved Minutes from the July 9, 2013 Board Meeting.

NEWBERRY

COMMUNITY SERVICES DISTRICT

AGENDA MATTER:

Enforcement of existing NCSD By-Laws and Policy Handbook while current By-Laws and Policy Handbook are reviewed/updated

EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 14 ..." references to internal control in the NCSD By-Laws and Policy Handbook are not consistently implemented by District Board members and personnel."

DISCUSSION:

All Directors and All Staff review the NCSD By-Laws and Policy Handbook for familiarization of our current rules and policies

Recognize importance of adhering to and enforcing existing By-Laws and Policies to ensure minimum District exposure

Recognize need for By-Law and Policy updates/review

RECOMMENDED ACTION:

Enforce existing NCSD By-Laws and Policy Handbook to ensure minimum District exposure

Begin process of Revise/Update of NCSD By-Laws and Policy Handbook including the following:

safe guarding of the District's Financial and Capital Assets

safe guarding of all NCSD inventory and maintenance records

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9G

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 2
PAGE 23-23

RESPONSE

August 2013 the Newberry Community held a mail ballot election to fill 3 seats on the Board of Directors. The current Board of Directors felt it wiser to wait until after the election and appointment (swearing in) of the newly elected Board Members before sending them to training.

The Budget Committee was made aware of this decision and the 2013-2014 Fiscal Year Budget was structured to afford this training in 2014.

Please see attached copy of Agenda Item 9I dated July 9, 2013 and Approved Minutes from the July 9, 2013 Board Meeting.

Also, please see attached the Approved NCSD 2013-2014 Fiscal Year Budget.

NEWBERRY

COMMUNITY SERVICES DISTRICT

AGENDA MATTER:

ALL NCSD Director' attend CSDA & CSAC Leadership Courses and AB1234 Ethics Training

EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 6 ..."Seek to attend course offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings."

DISCUSSION:

Review 2014 CSDA and CSAC Trainings offered and schedule appropriate class
Review Ethics Training Certificates and schedule renewal or new class

RECOMMENDED ACTION:

Approve future attendance of CSDA and/or CSAC Director Trainings
Direct all Directors to complete Ethics Training

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	unknown	unknown	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	unknown	Education/Training	9I

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 3
PAGE 23-24

RESPONSE

On August 13, 2013 the Newberry Community Services District Board of Directors hired Peter Porritt as the new General Manager. On September 5, 2013 Mr. Porritt started his position as General Manager for the District (after having successfully completed a live scan and background check). Mr. Porritt is aware there are several key items that will need to be addressed and this item is one of them.

Currently, written minutes of all regular and special meetings are posted on the NCSD website within 48 hours of the meeting date. A copy of the audio portion of the meeting is labeled and filed with the approved minutes. This practice will continue until such time as a new/different practice is presented to the Board of Directors for approval.

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 4
PAGE 23-24

RESPONSE

On July 9, 2013 the NCSD Board of Directors considered and approved the re-adoption of chart of account numbers and a standing monthly review finance committee. On August 27, 2013 the NCSD Board of Directors approved the 2013-2014 Fiscal Year Budget including the numerical accounting system. This accounting system is being incorporated into daily use by both staff and Board Members.

Please see attached copy of Agenda Item 9B dated July 9, 2013 and Approved Minutes from the July 9, 2013 Board Meeting.

In addition, please see copy of the Approved 2013-2014 Fiscal Year Budget.

NEWBERRY

COMMUNITY SERVICES DISTRICT

AGENDA MATTER:

Re-Adopt NCSD Numerical Accounting System, Develop basic accounting system and Appoint a monthly review committee

EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 12 ... "Re-adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement."

DISCUSSION:

Review SAMPLE chart of account numbers added to 2013-2014 NCSD Budget

Benefits of a Budget Review Committee

Special Monthly Meeting to pre approve all expenses/warrant registers prior to approval of consent calendar

Move Warrant Register from consent calendar to business Item 9A on NCSD agendas

RECOMMENDED ACTION:

Assign chart of account numbers to all general ledger accounts (income and expense)

Appoint a Budget Review Committee

Schedule Special Monthly Meetings to pre approve all expenses/warrant registers prior to approval of consent calendar at NCSD regular monthly meetings

Move warrant registers from consent calendar to Item 9A at NCSD regular monthly meetings

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9B

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 5
PAGE 23-24

RESPONSE

On September 24, 2013 The Newberry Community Services District board of Directors hired Kerri Zurcher as the new District Treasurer. Upon successful completion of a live scan and background check this individual will start working on or about October 2, 2013. This individual is aware there are several key items that will need to be addressed and this item is one of them.

The Board of Directors has already approved the numerical accounting system. The NCSD does have a current Auditor, David B. Whitford Jr. and the new District Treasurer will be working with the Auditor.

Please see attached copy of Agenda Item "Closed Session" dated September 24, 2013.



Newberry Community Services District

Established 1958

BOARD OF DIRECTORS REGULAR MEETING AGENDA

Tuesday, September 24, 2013

5:30 pm

Newberry Community Center
30884 Newberry Road
Newberry Springs, CA 92365

Posting Locations:

- Newberry CSD Office
- Newberry CSD Website (www.NewberryCSD.net)

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

CLOSED SESSION:

PUBLIC EMPLOYMENT: (Government Code Section 54957)

"To consider the appointment, employment, evaluation of performance, discipline, or dismissal of a public employee or to hear complaints or charges brought against the employee."

Treasurer - Employment

REPORT FROM CLOSED SESSION:

1. WELCOME TO GUESTS

- 2. PUBLIC COMMENTS:** This is the time and place for the General Public to address the Newberry Community Services District Board of Directors on matters within their jurisdiction that are not currently on the printed agenda. A Request to be Heard Card must be completed and submitted to speak. State law prohibits the Newberry Community Services District Board of Directors from addressing any issue not previously included on the agenda. The Board of Directors may receive comments and set the matter for a subsequent meeting. Speakers are asked to limit their comments to three (3) minutes.

Any member of the audience who would like to address the Board on a specific agenda item is required to complete a Request to be Heard Card and submit to the Secretary of the Board, prior to REVIEW AND APPROVAL OF THE AGENDA. Speakers will be limited to three (3) minutes and are asked to voluntarily identify themselves for the record. Speakers will be given an opportunity to address the Board on the specific agenda item prior to the Board's motion and discussion of the agenda item.

3. SUGGESTED FUTURE AGENDA ITEMS, INFORMATION, QUESTIONS FROM BOARD MEMBERS AND STAFF

The president shall poll the Directors followed by staff.

4. WRITTEN COMMUNICATIONS

All written communications are available for public viewing in the office during regular business hours and at the Secretary table at all meetings.

LAFCO Meeting date of 9-18-2013 with an Agenda Item referencing Grand Jury Response to NCSD (Agenda Item #8)

5. REVIEW AND APPROVAL OF THE AGENDA - Action Item

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 8
PAGE 23-24

RESPONSE

On July 9, 2013 the Newberry Community Services District Board of Directors reviewed amendments to their current NCSD Policy # 3075, NCSD Purchasing Card Use Agreement, and on August 27, 2013 approved and passed the amendments and revisions to NCSD Policy # 3075 including the Credit Card Usage Agreement and Cardholder Acknowledgement and Responsibility Form. These amendments/changes went into effect on September 1, 2013.

The NCSD Board of Directors has also separated the duties of their staff by adding additional staff members.

General Manager

District Treasurer

District Office Assistant

Board Secretary

Fire Dept. Office Administrator

The 2013-2014 Fiscal Year Budget reflects the allowance of pay for all positions. Currently all said positions are filled except Board Secretary. That position is being covered by the Board Administrator until a Board Secretary is appointed/hired.

Please see attached copy of Agenda Item 9E dated July 9, 2013.

Also, please see attached copies of NCSD Policy # 3075, Credit Cardholder/User Acknowledgement and Responsibility Agreement and Purchasing Cardholder/User Expense Explanation Form.

NEWBERRY

COMMUNITY SERVICES DISTRICT

AGENDA MATTER:

NCSD Purchasing Card Use Agreement and NCSD Policy #3075

EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 23 ..."Revise its purchase card policies to exclude Board members from use, include additional policies to ensure sufficient funds for paying authorized transactions, spending and transaction limits per cardholder, and requirement that cardholder use personal fund to pay for transactions that lack the timely submission of sufficient documentation, as well as penalties and fees resulting from

DISCUSSION:

Review NCSD Policy #3075 - Purchasing Card Usage

Review NCSD Policy Credit Card Usage Agreement

Review CAL-Card SAMPLE of Credit Cardholder Acknowledgement and Responsibility Form

Review CAL-Card Required Training for Administrators and Cardholders

RECOMMENDED ACTION:

Immediate removal of any purchasing cards assigned to directors and non-staff

Appoint NEW Purchasing Card Administrator including Approval Officer, Billing Officer and Card Holder

Creation of NEW Purchasing Card Use Agreement

Creation of NEW Purchasing Card procedures including limits, proper documentation collections and guarantee of timely payment process

Define duties between General Manager, Treasurer, Purchasing Card Administrator and Card Holder

Creation of Process for handling disputes on un authorized purchases and a requirement for that card holders use personal funds when they violate Purchasing Card Policy

Assign fuel cards to the NSVFD vehicles with limits

Establish NCSD Corporate Card for reoccurring monthly expenses

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9E

Newberry Community Services District

POLICY HANDBOOK

POLICY TITLE: Purchasing Card Usage
POLICY NUMBER: 3075

3075.1 Purpose The purpose of this policy is to prescribe the internal controls for management of District purchasing cards.

3075.2 Scope This policy applies to all individuals who are authorized to use District purchasing cards and/or who are responsible for managing purchasing card accounts and/or paying purchasing card bills.

3075.3 Implementation A purchasing card shall be assigned to the General Manager for monthly re-occurring auto pay bills. Purchasing cards shall not be issued to members of the Board of Directors. All recipients/users of purchasing cards shall read and sign the Credit Cardholder Acknowledgement and Responsibility Agreement.

3075.4 Payment All purchasing card bills shall be paid in a timely manner to avoid late fees and finance charges and to take advantage of the incentive rebate program.

3075.4.1 All purchasing card expenses shall be reasonable and necessary for day to day furtherance of District business. **No personal expenses shall be charged** on a District purchasing card. If there is an overlap on a transaction between personal and District business, the purchasing cardholder/employee shall pay for the transaction personally and then request reimbursement by the District.

3075.4.2 All purchasing card transactions require third-party documents (receipts) attached and the District purpose annotated by the cardholder/user including chart of account number and purpose of purchase. Each Department Head shall review and verify all required documents are attached by completing the Purchasing Cardholder/User Expense Explanation Form before submitting to the Treasurer. Failure to provide the required documents will result in the cardholder/user paying for the transaction out of their own personal money.

3075.4.3 The Treasurer shall review and approve purchasing card transactions received from Department Head(s) or cardholder/users before payment is made. Transactions NOT containing the required documentation will be sent back to the department head(s) or cardholder/user.

3075.4.4 The Treasurer or General Manager will inform the Board if additional purchasing cards are necessary to conduct the business of the District.

3075.4.5 The Treasurer or Purchasing Card Administrator shall have the authority to recommend internal usage guideline for District purchasing cards to the Board for approval.

3075.4.6 The Department Heads and Board shall have the authority to request the Purchasing Card Administrator suspend, limit, or revoke the purchasing card of any cardholder.

3075.5 Accounting All purchases shall indicate the department and chart of account number they will be applied towards (Administration, 1006.4 Education Expense: Mileage). No one (1) purchase shall go over 1/12th of that chart of account numbers total fiscal budget unless pre-approved by the Board. Completion of the Purchasing Cardholder/User Expense Explanation Form will accompany all purchases for payment.

Newberry Community Services District

POLICY HANDBOOK

POLICY TITLE: Credit Cardholder/User Acknowledgement and Responsibility Agreement

The U S Bank Purchasing Card Number # _____ has been assigned to _____ on the _____ day of _____ in the year _____.

By signing this form the above named person acknowledges they are responsible for the security of the purchasing card and for the appropriate use(s) of this card for departmental and official purchases only, as describe in NCSD Policy # 3075 . **No personal purchases are allowed.** Furthermore, the above named person has participated in the training video per CAL-Card Requirements and understands fully their agency's policies and procedures. This Agreement includes all cardholders and all card users.

The above named person understands this card is valid only while employed in the department; upon termination of employment or transfer to another department or agency the cardholder must relinquish this card to the assigned Purchasing Card Administrator for their agency.

Cardholder/User

Date

Purchasing Card Administrator

Date

Newberry Community Services District

Purchasing Cardholder/User Expense Explanation Form

Date of Purchase _____ Name of Cardholder/User _____

Department Incurring Expense _____ Chart of Account # _____

Brief explanation of expense _____

Copy of receipt attached _____ Original receipt received _____

Amount budgeted for Chart of Account used _____ Amount remaining _____

Signature of Department Head authorization payment approval

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 9
PAGE 23-24

RESPONSE

On July 9, 2013 the Newberry Community Services District Board of Directors considered possible way to reduce non-warranted expenditures within the District. Agenda Item 9B addressed this concern. The final decision made by the Board of Directors was to remove the monthly warrant register from the consent calendar and make it Item 9A on the monthly regular meeting agenda. The Board of Directors also gave staff direction that any item not considered normal monthly expense or any expense in question shall be a separate item on the agenda for specific review. This adjustment has already alerted the District to two (2) such expenses. Please see copy of regular monthly meeting agenda with Agenda Item 9A addressing the warrant register.



Newberry Community Services District

Established 1958

BOARD OF DIRECTORS REGULAR MEETING AGENDA

Tuesday, August 27, 2013

6:00 pm

Newberry Community Center
30884 Newberry Road
Newberry Springs, CA 92365

Posting Locations:

- Newberry CSD Office
- Newberry CSD Website (www.NewberryCSD.net)

CALL TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

1. WELCOME TO GUESTS

- 2. PUBLIC COMMENTS:** This is the time and place for the General Public to address the Newberry Community Services District Board of Directors on matters within their jurisdiction that are not currently on the printed agenda. A Request to be Heard Card must be completed and submitted to speak. State law prohibits the Newberry Community Services District Board of Directors from addressing any issue not previously included on the agenda. The Board of Directors may receive comments and set the matter for a subsequent meeting. Speakers are asked to limit their comments to three (3) minutes.

Any member of the audience who would like to address the Board on a specific agenda item is required to complete a Request to be Heard Card and submit to the Secretary of the Board, prior to REVIEW AND APPROVAL OF THE AGENDA. Speakers will be limited to three (3) minutes and are asked to voluntarily identify themselves for the record. Speakers will be given an opportunity to address the Board on the specific agenda item prior to the Board's motion and discussion of the agenda item.

3. SUGGESTED FUTURE AGENDA ITEMS, INFORMATION, QUESTIONS FROM BOARD MEMBERS AND STAFF

The president shall poll the Directors followed by staff.

4. WRITTEN COMMUNICATIONS

All written communications are available for public viewing in the office during regular business hours and at the Secretary table at all meetings.

5. REVIEW AND APPROVAL OF THE AGENDA - Action Item

Review agenda for the purpose of rearranging the order of the Agenda, adding emergency items, or removing items from the Agenda, or moving items from the consent calendar for discussion and/or separate action.

6. CONSENT CALENDAR - Action Item

All matters on the Consent Calendar are to be approved on one motion, unless a Board member, staff member, or any member of the public requests a separate action on a specific item. Questions for **clarification purposes** can be asked prior to acceptance of the consent calendar.

July 9, 2013 Special Meeting Minutes
July 23, 2013 Regular Meeting Minutes
July 30, 2013 Special Meeting Minutes

7. REPORTS

- 7A Sheriff Department Report
- 7B Fire Department Report
- 7C General Manager/Purchasing Card Administrator/Board Administrator Report(s)
- 7D Multi-CSD Luncheon Report
- 7E MWA Technical Advisory Committee Report
- 7F Finance Committee Report
- 7G Parks Report

8. SPECIAL PRESENTATION

None

9. BUSINESS ITEMS

1. Present Item. 2. Public Comment 3. Motion 4. Director Discussion

- 9A Review and Approval of the NCSD July 2013 Warrant Register Action Item
- 9B Final Approval of the 2013-2014 NCSD Budget and Adopt NCSD Resolution No. 65-2013 for the 2013-2014 Fiscal Year Budget Action Item
- 9C Appoint one candidate by majority vote of the Board to fill vacancy on the NCSD Board created by Director Owens' resignation and completes his term ending 12-2015 Action Item
- 9D Public Records Request Action Item
- 9E 2003.1 Contract Labor: Landscape Bids Action Item
- 9F Basketball Project Proposal Update Action Item
- 9G Securing of NCSD Main Building Action Item
- 9H Duarte's Landscape Invoice Action Item

CLOSED SESSION:

PUBLIC EMPLOYMENT: (Government Code Section 54957)

"To consider the appointment, employment, evaluation of performance, discipline, or dismissal of a public employee or to hear complaints or charges brought against the employee."

Treasurer - Employment

REPORT FROM CLOSED SESSION

ADJOURN

DECLARATION OF POSTING:

I, Robert Royalty, **declare under penalty of perjury**, that I am the President of the Board of Directors, of the Newberry Community Services District, and posted the foregoing Agenda, 72 hours prior to the stated meeting, at the District Offices on the 23rd Day of August, 2013 in a place accessible to the public and the District's website at www.NewberryCSD.net.

Approved by: _____

Robert Royalty, Director/Board President

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 10
PAGE 23-24

RESPONSE

On July 9, 2013 the Newberry Community Services District Board of Directors addressed many issues in Agenda Item 9E, this item was included. The Board of Directors appointed Jodi Howard, District Office Assistant, as the Purchasing Card Administrator which includes training of all Cardholders. The new Purchasing Card Policy # 3075 and supporting forms went into effect September 1, 2013. Copies of the above mentioned are included in this packet.

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 11
PAGE 23-24

RESPONSE

Although many of the items discussed by the Newberry Community Services District Board of Directors has hit areas close to this item, it has not been addressed separately from other items. The agreed enforcement of current Policies and By-Laws until new/amended ones are presented is a start. The separation of duties between staff also will help this process along with staff pulling any items other than normal District expenses and placing them on the agenda as a single item of discussion.
As our General Manger settles in to his new job responsibilities like this item will be directly addressed.

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 12
PAGE 23-24

RESPONSE

With the creation and approval of Policy # 3075 and supporting forms that detail the purchases allowed in conjunction with the 2013-2014 Fiscal Year Budget with chart of account numbers the hope is this will clear up past confusion and alert staff to misuse of District Charge Cards. The separation of duties of staff now requires each level of review to sign off on all purchases before payment or reimbursement is requested. The separation of the monthly warrant register from the consent calendar and the monthly Agenda Item 9A addressing the warrant register along with staff singling out any other than normal expenses of the District should also bring any discrepancies to the attention of the Board of Directors.

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 13
PAGE 23-24

RESPONSE

On August 13, 2013 the Newberry Community Services District Board of Directors hired Peter Porritt as their new General Manager. On September 5, 2013 Mr. Porritt started his position as General Manger for the District (after having successfully completed a live scan and background check). Mr. Porritt is aware there are several key items that will need to be addressed and these items are listed.

A. On July 9, 2013 the NCSD Board of Directors addressed the need for the creation of a Legal Counsel Log Book. This document will aid in the tracking of correspondence with the District's Legal Counsel.

Please see attached copy of Agenda Item 9K dated July 9, 2013 along with "Confidential" District Legal Counsel Log Book document.

B. On July 9, 2013 the NCSD Board of Directors addressed the need for a current Newberry Springs Volunteer Fire Department Policy Handbook. Per NCSD Policy # 1071 this document is to be created by the Fire Chief and District General Manager. On July 30, 2013 the NCSD Board of Directors appointed/hired Robert Rogers as their Assistant Fire Chief. He will be acting Fire Chief until such time as a Fire Chief is appointed/hired or he is promoted. The Board of Directors feels confident that Mr. Rogers and Mr. Porritt are qualified to begin this process.

Please see attached copy of Agenda Item 9H dated July 9, 2013.

C. On July 9, 2013 the NCSD Board of Directors addressed the need for the creation of a document to help track the records of the District. Again, this is an item that once all staff members are trained and comfortable with their daily duties will be addressed.

Please see attached copy of Agenda Item 9J dated July 9, 2013 along with Catalog of District Documents form.

NEWBERRY

COMMUNITY SERVICES DISTRICT

AGENDA MATTER:

Creation of NCSD Legal Counsel Log Book and review NCSD Policy #3092

EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 24"Establish District Legal Counsel Log to ensure the District is in compliance with the Policy Handbook and maintains adequate internal control."

DISCUSSION:

Review NCSD Policy #3092, Communication with District Legal Counsel
Review Sample NCSD "Confidential" District Legal Counsel Log Book Document

RECOMMENDED ACTION:

Approve creation of NCSD "Confidential" District Legal Counsel Log Book and direct staff to create such a document and present to Board for final Approval

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9K

NEWBERRY

COMMUNITY SERVICES DISTRICT

AGENDA MATTER:

Creation of NSV Fire Department Policy Handbook and review of NCSD Policy #1071

EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 24 ..."Policy handbook for the Fire Department to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls."

DISCUSSION:

Review NCSD Policy #1071 Newberry Springs Fire Department Policies

Make appointment of qualified and informed Fire Chief and General Manager a priority so this task may be accomplished per NCSD Policy #1071

RECOMMENDED ACTION:

Recognize importance of Fire Department Policy Handbook and its creation upon appointment of Fire Chief and placement of General Manager

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a	Fire Department	9H

NEWBERRY

COMMUNITY SERVICES DISTRICT

AGENDA MATTER:

Establish catalog of ALL NCSD retained documents and review NCSD Policy #3090

EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 24 ..."Establish Catalog of all retained District records to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls."

DISCUSSION:

Review NCSD Policy #3090, Records Retention
Review Sample NCSD Catalog of District Documents

RECOMMENDED ACTION:

Approve creation of NCSD Retained Catalog of District's Retained Documents and direct staff to create such a document and present to Board for final Approval.

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9J

**2012-2013 GRAND JURY REPORT
RESPONSE FORM**

GROUP Newberry Community Services District
AGENCY/DEPARTMENT Board of Directors
SUBMITTED BY
Peter Porritt/General Manager

DATE September 25, 2013
RECOMMENDATION NO. 14
PAGE 23-24

RESPONSE

On August 13, 2013 the Newberry Community Services District Board of Directors hired Peter Porritt as their new General Manager. On September 5, 2013 Mr. Porritt started his position as General Manger for the District (after having successfully completed a live scan and background check). Mr. Porritt is aware there are several key items that will need to be addressed and this item is a large one.

This particular item will require the help of the Assistant Fire Chief (acting as Fire Chief) The goal for completion of this recommendation is January 2014.



Newberry Community Services District

Established 1958

BOARD OF DIRECTORS SPECIAL MEETING

Tuesday, July 9, 2013

6:00 pm

Newberry Community Center
30884 Newberry Road
Newberry Springs, CA 92365

MINUTES

This Document is provided as a complement to the audio recording intended to be included with approval of this document as the official minutes of the herein referenced meeting. A digital copy of the audio recording shall be referenced for identification as "Minutes - July 9, 2013 - AUDIO PORTION"

CALL TO ORDER: President Royalty called the meeting to order 6:05 p.m.

ROLL CALL: By President Royalty

Director Snively - Present
Director Williams - Absent
Director Owens - Absent
Director Ridler - Present
Director Royalty - Present

PLEDGE OF ALLEGIANCE

1. WELCOME TO GUESTS
2. PUBLIC COMMENTS NONE
3. REVIEW AND APPROVAL OF THE AGENDA

Special Meeting: July 9, 2013

MOTION: Director Ridler moved, seconded by Director Snively to accept the Agenda as written with the noted corrections that Business Items are 4 not 9
President Royalty call for the vote

Director Snively - Aye
Director Williams - Absent
Director Owens - Absent
Director Ridler - Aye
Director Royalty - Aye

NOTE: For the record Director Owens arrived at 6:11 p.m.

4. BUSINESS ITEMS

4A. NCSA President regains control of Meeting(s)

Recommended Action: Discussion Only

PUBLIC COMMENTS:

Robert Vasseur

NOTE: Review of our current rules/policies and use of Robert's Rules of Order

4B. Re-Adopt NCSD Numerical Accounting System, Develop basic accounting system and Appoint a monthly review committee

Recommended Action: Assign Chart of account numbers to all general ledger accounts
Appoint a Budget Review Committee

Schedule Special Monthly Meetings to pre approve all expenses/warrant registers prior to approval of consent calendar at NCSD regular monthly meetings

Move warrant registers from consent calendar to item 9A at NCSD regular monthly meetings

PUBLIC COMMENT:

Robert Vasseur

Paula Deel

MOTION: Director Ridler moved, seconded by Director Snively to Adopt NCSD Numerical Chart of Accounting System, Develop basic accounting system and appoint a monthly review committee

President Royalty call for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Aye

Director Ridler - Aye

Director Royalty - Aye

President Royalty appoints Debbie Farrington chairperson of Budget/Finance Committee and acknowledges Daphne Lanier, Robert Shaw and Robert Vasseur as members

NOTE: Moving warrant register to Business Item 9A for pre-review

4C. Hire qualified and sufficient staff for NCSD

Recommended Action: Examine applicants closer to ensure they are well qualified for positions

Treasurer, keep this position separate and redefine job duties including establishment of correct account procedures for the District

Board Secretary, keep this position separate and redefine job duties including the creation of a process to record, transcribe, post and safe guard all meeting minutes and post results within 2 weeks including catalog system of all minutes/audio

General Manager, keep this position separate and redefine job duties and enforcement of NCSD Policies

Fire Dept Administrator, keep this position separate and redefine job duties and enforcement of NCSD Policies

PUBLIC COMMENTS:

None

MOTION: Director Owens moved, seconded by Director Ridler to hire qualified people

AMENDED MOTION: Director Ridler moved, seconded by Director Snively to recognize the positions of Board Secretary, Treasurer, General Manager and Fire Dept

Administrator as 4 separate positions with their own duties and set compensation

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Aye

Director Ridler - Aye

Director Royalty - Aye

MOTION: Director Ridler moved, seconded by Director Snively to set compensation for the 4 positions, Board Secretary, Treasurer, General Manager and Fire Dept Administrator

Board Secretary - \$200 monthly salary

Treasurer - \$300 monthly salary

General Manager - \$783 monthly salary

Fire Dept Administrator - \$600 monthly salary

President Royalty called for the vote
Director Snively - Aye
Director Williams - Absent
Director Owens - Aye
Director Ridler - Aye
Director Royalty - Aye

4D. Approve in Concept the Proposed 2013-2014 Newberry Community Services District Budget

Recommended Action: Approve in concept the proposed 2013-2014 Fiscal year NCSD Budget

Direct staff to keep the proposed budget posted at the District office and on the website until final acceptance of the 2013-2014 Fiscal year NCSD Budget by action of the board
Place agenda item for final acceptance of the 2013-2014 Fiscal Year NCSD Budget at the August 27, 2013 Regular Meeting

PUBLIC COMMENTS:

None

MOTION: Director Snively moved, seconded by Director Ridler to approve concept of the proposed 2013-2014 NCSD Budget

President Royalty called for a break at 7:32 p.m.

President Royalty called meeting back to order at 7:43 p.m.

NOTE: Let the record reflect Director Owens left the meeting at 7:45 p.m.

AMENDED MOTION: Director Ridler moved, seconded by Director Snively to approve in concept the 2013-2014 NCSD Budget with the following changes

Administration item 1012.4 increase to \$3600, Fire Department item 2.1 reduced to zero, FD item 4.1 to \$2500, FD item 4.3 to \$750, FD item 5.1 to \$1000, FD item 5.2 to \$1500, FD item 6.1 to \$260, FD item 7.5 to \$5335, FD item 8.1 to \$200 with total income and expense of \$205,800.00

President Royalty called for the vote

Director Snively - Aye
Director Williams - Absent
Director Owens - Absent
Director Ridler - Aye
Director Royalty - Aye

NOTE: Debbie Farrington will get clean copy to Jodi Howard for posting and the Board thanks her and the committee for all their hard work

4E. NCSD Purchasing Card Use Agreement and NCSD Policy #3075

Recommended Action: Immediate removal of any purchasing cards assigned to directors and non-staff

Appoint new Purchasing Card Administrator including Approval Officer, Billing Officer and Card Holder

Creation of new Purchasing Card Use Agreement

Creation of new Purchasing Card procedures including limits, proper documentation collections and guarantee of timely payment process

Define duties between General Manger, Treasurer, Purchasing Card Administrator and Card Holder

Creation of Process for handling disputes on un authorized purchases and a requirement for that card holder use personal funds when they violate Purchasing Card Policy

Assign fuel cards to the NSVFD vehicles with limits

Establish NCSD Corporate Card for reoccurring monthly expenses

PUBLIC COMMENTS:

Paula Deel

Debbie Farrington

Ellen Johnson

MOTION: Director Snively moved, seconded by Director Ridler to remove purchasing cards assigned to directors - appoint new purchasing card administrator including approval officer - creation of new purchasing card agreement - creation of new purchasing card procedures including limits, proper documentation collections and guarantee of timely payment process - define duties between GM, Treasurer, Purchasing Card Administrator and Card Holder - Creation of Process for handling disputes on unauthorized purchases and requiring card holder use personal funds when they violate Purchasing Card Policy - assign fuel cards to the NSVFD vehicles with limits - and establish NCSO Corporate Card for reoccurring monthly expenses

- Original Motion broke into separate Motions -

MOTION 1: Director Ridler moved, seconded by Director Snively to immediately remove Director Owens' purchasing card

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

MOTION 2: Director Ridler moved, seconded by Director Snively to appoint Jodi Howard as new purchasing card administrator and approval officer and training administrator

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

MOTION 3: Director Ridler moved, seconded by Director Snively to create new Purchasing Card Use Agreement and present to the board

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

MOTION 4: Director Ridler moved, seconded by Director Snively to create a new purchasing card procedure and present to the board

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

MOTION 5: Director Ridler moved, seconded by Director Snively that definition of duties between GM, Treasurer and Purchasing Card Administrator should be with job description

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

NOTE: Dispute agreement should be included with User Agreement - Fuel Card and Corporate Card assignment given to Jodi Howard

**4F. District's Finances and Spending
Recommended Action - Discussion Only**

PUBLIC COMMENTS:

None

- NOTE:** re present this idea after budget resolution
- 4G. Enforcement of existing NCSD By-Laws and Policy Handbook while current By-Laws and Policy Handbook are reviewed/updated**
Recommended Action - Discussion Only
PUBLIC COMMENTS:
None
NOTE: follow current rules and present for first review in August, By-laws & Policies
- 4H. Creation of NSV Fire Department Policy Handbook and review of NCSD Policy #1071**
Recommended Action - Discussion Only
PUBLIC COMMENTS:
None
NOTE: Fire Dept will present to Board when ready
- 4I. All NCSD Directors attend CSDA & CSAC Leadership Courses and AB 1234 Ethics Training**
Recommended Action - Discussion Only
PUBLIC COMMENTS:
None
NOTE: training should be considered after January 2014
- 4J. Establish catalog of ALL Retained District documents and review NCSD Policy #3090**
Recommended Action - Discussion Only
PUBLIC COMMENTS:
None
NOTE: recommend use of form after hiring of full staff
- 4K. Creation of NCSD Legal Counsel Log Book and review NCSD Policy #3092**
Recommended Action - Discussion Only
PUBLIC COMMENTS:
None
NOTE: recommend use of form after staff in place

ADJOURN

Director Ridler moved, seconded by Director Snively to adjourn the meeting
President Royalty called for the vote

- Director Snively - Aye
- Director Williams - Absent
- Director Owens - Absent
- Director Ridler - Aye
- Director Royalty - Aye

President Royalty declared the meeting adjourned at 8:35 p.m.

Respectfully Submitted,

Kathleen S Ridler

Director Ridler - Board Administrator
July 10, 2013

**Newberry Community Services District
2013-2014 Proposed Budget**

1000.0 ADMINISTRATION

1001.0 Advertising	\$300.00
1002.0 Annex	
1002.1 Annex Capital Improvement	\$0.00
1002.2 Annex/Parking Lot Electric	\$1,250.00
1002.3 Annex Propane	\$1,800.00
1002.4 Annexr Repair/Maintenance	\$500.00
1003.0 Auditor	\$29,150.00
1004.0 Bank Fees	\$100.00
1005.0 Director Stipends	\$4,500.00
1006.0 Education Expenses	
1006.1 Education: Tuition	\$3,925.00
1006.2 Education: Books	\$500.00
1006.3 Education Expense: Lodging	\$555.00
1006.4 Education Expense: Mileage	\$800.00
1007.0 Election Expenses	\$3,000.00
1008.0 LAFCO	\$100.00
1009.0 Legal Expenses	\$5,000.00
1010.0 Office Expense	
1010.1 Office Supplies	\$750.00
1010.2 Office Equipment: Maintenance/Repair	\$600.00
1010.3 Office Equipment: Purchases	\$0.00
1010.4 Postage/Shipping	\$500.00
1010.5 Annex Telephone/Fax	\$500.00
1010.6 Subscription/Membership Fees	\$500.00
1002.3 Annex Internet	\$1,000.00
1011.0 Outside Bookkeeping	
1011.1 Stewart's	\$580.00
1012.0 Administrative Personnel Expenses	
1012.1 Salary: Board Secretary	\$2,400.00
1012.2 Salary: General Manager	\$9,400.00
1012.3 Salary: Office Assistant	\$7,200.00
1012.4 Salary: Treasurer	\$3,600.00
1012.5 Payroll Taxes (District Portion)	\$3,250.00
1012.6 California State Distribution - no cost item	\$0.00
1012.7 Department of Justice - Live Scane	\$210.00
1013.0 SDRMA Insurance: Liability/Bonding	\$4,700.00
SUB-TOTAL	\$86,670.00

**Newberry Community Services District
2013-2014 Proposed Budget**

2000.0 PARK & RECREATION

2001.0 Community Events		
2001.1	Community Event: Advertising	\$150.00
2001.2	Community Event: Expenses	\$12,500.00
2002.0 Community Center Expenses		
2002.1	Consumable Supplies	\$850.00
2002.2	CSD Electric	\$6,000.00
2002.3	CSD Propane	\$3,000.00
2002.4	Contract Labor: Cleaning	\$4,620.00
2002.5	Health Permits	\$1,000.00
2002.6	Maintenance/Repair: CSD Building	\$500.00
2002.7	Pest Control	\$600.00
2003.0 Grounds Expenses		
2003.1	Contract Labor: Landscape	\$4,900.00
2003.2	Disposal Services	\$1,800.00
2003.3	Maintenance/Repair: Equipment	\$500.00
2003.4	Maintenance/Repair: Grounds	\$1,500.00
2003.5	Maintenance/Repair: Well	\$1,000.00
2003.6	Mojave Water Agency Fees	\$100.00
2003.7	Park: Capital Improvements	\$0.00
2003.8	Park: Electric	\$900.00
2003.9	Water Testing Fees	\$600.00
SUB-TOTAL		\$40,520.00

3000.0 STREET LIGHTS

3001.0	Street Lights	\$5,000.00
SUB-TOTAL		\$5,000.00

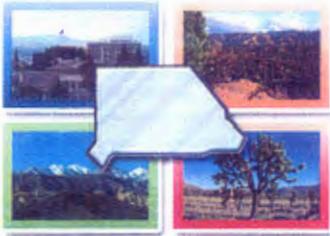
**Newberry Community Services District
2013-2014 Proposed Budget**

5000.0 INCOME

5001.0 Interest	
5001.1 Bank Interest	\$500.00
5001.2 Certificate of Deposit	\$0.00
5001.3 Savings Account	\$0.00
5002.0 Rental	
5002.1 Building Rental	\$800.00
5002.2 Equipment: Table/Chairs	
5003.0 Fire Department	
5003.1 Fire Department: Burn Permits	\$2,000.00
5003.2 Fire Department: Response Charges	\$0.00
5003.3 Fire Department: Grant Income	\$0.00
5003.4 Fire Department Donations	\$0.00
5004.0 Other Income	
5004.1 Kiewitt Fund Transfer for public events	\$10,000.00
5004.2 Rebate: Purchasing Card	\$0.00
5004.3 Copies	\$0.00
5004.4 Fireworks Donations	\$2,500.00
5005.0 San Bernardino County Tax Share	\$190,000.00
TOTAL	\$205,800.00

Expense Totals

1000.0 Administration	\$86,670.00
2000.0 Park and Recreation	\$40,520.00
3000.0 Street Lights	\$5,000.00
4000.0 Fire Department	\$73,610.00
Total	\$205,800.00
BALANCE BETWEEN INCOME AND EXPENSES	\$0.00



LAFCO

Local Agency Formation Commission for San Bernardino County

215 North "D" Street, Suite 204
San Bernardino, CA 92416-0480
909.383.9900 | Fax 909.383.9901
E-mail: lafco@lafco.sbcounty.gov
www.sbclafco.org

Established by the State of California
to serve the Citizens, Cities, Special Districts
and the County of San Bernardino

COMMISSIONERS

JIM BAGLEY
Public Member

KIMBERLY COX, Vice Chair
Special District

JAMES V. CURATALO, Chair
Special District

ROBERT A. LOVINGOOD
Board of Supervisors

LARRY McCALLON
City Member

JAMES RAMOS
Board of Supervisors

DIANE WILLIAMS
City Member

ALTERNATES

DAWN ROWE
City Member

JANICE RUTHERFORD
Board of Supervisors

SUNIL SETHI
Public Member

ROBERT W. SMITH
Special District

STAFF

KATHLEEN ROLLINGS-McDONALD
Executive Officer

SAMUEL MARTINEZ
Assistant Executive Officer

MICHAEL TUERPE
Project Manager

REBECCA LOWERY
Clerk to the Commission

LEGAL COUNSEL

CLARK H. ALSOP

September 25, 2013

RECEIVED
SEP 27 2013

SUPERIOR COURT OF CALIFORNIA
COUNTY OF SAN BERNARDINO
OFFICE OF THE PRESIDING JUDGE

Honorable Marsha G. Slough, Presiding Judge
Superior Court of California
County of San Bernardino
303 West Third Street, Fourth Floor
San Bernardino, CA 92415-0302

Dear Judge Slough:

This response is provided to the *2012-13 San Bernardino County Final Grand Jury Report* identifying issues related to the Newberry Community Services District and the Local Agency Formation Commission for San Bernardino County (hereafter LAFCO).

Recommendation #15: "Review suggestions made in its (LAFCO) 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014." (*Italics included by LAFCO staff*)

Response: On August 21 and September 18 LAFCO reviewed Recommendation #15 outlined above as well as the Grand Jury concerns related to the operations of the Newberry Community Services District. By action taken September 18, LAFCO has directed its staff to undertake an immediate off-cycle service review for the Newberry Community Services District as well as the Yermo and Daggett Community Services Districts to address the concerns outlined in the Grand Jury Report and Recommendation #15. The Commission chose to look at all three communities on the basis that the original report addressed the regional area and outlined the concerns for future sustainability of services. Due to the severity of the issues identified in the Grand Jury report, LAFCO was concerned that the next service review, while currently scheduled for 2014, would be delayed. Therefore, an off-cycle response was approved.

The Commission's direction to its staff is to undertake a detailed analysis of the various service delivery options (which will include but will not be limited to consolidation, transfer of service to a more regional entity, etc.) available for the area. A copy of the report presented to the Commission for the September hearing is included for your information. LAFCO staff will be contacting the three

Community Services Districts in the near future to request submission of financial and service plan documents to commence the study.

Should you have any questions on this response or LAFCO actions to be undertaken, please do not hesitate to contact me directly at the address or phone number listed above or by email at: kmcdonald@lafco.sbcounty.gov.

Sincerely,



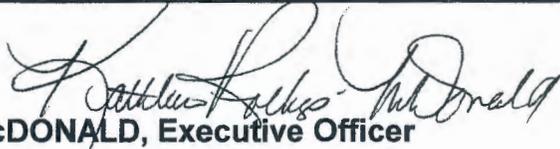
KATHLEEN ROLLINGS-McDONALD
Executive Officer

Attachment

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

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: SEPTEMBER 10, 2013
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION



SUBJECT: Agenda Item #8 – Consideration of Response to San Bernardino County Grand Jury Report Related to the Newberry Community Services District

RECOMMENDATION:

Staff recommends that the Commission approve the response to the San Bernardino County Grand Jury Report related to the Newberry Springs Community Services District as follows:

1. Concur with the 2012-13 Grand Jury Final Report Recommendation #15 and determine the option for addressing the information needs identified – Option #1 or Option #2 – as outlined in this report; and,
2. Authorize the Executive Officer to submit the response to the Presiding Judge of the Superior Court outlining the Option chosen to address the recommendation by the deadline of September 28, 2013.

BACKGROUND:

At the August 21, 2013 hearing the Commission reviewed the staff report related to the mandatory response to the 2012-13 Grand Jury Final Report (copy included as Attachment #1) related to the Newberry Community Services District. Recommendation #15 relates to LAFCO and reads as follows (the italics have been provided by LAFCO staff):

“Review suggestions made in its 2009 report (*Service Review for the Communities of Daggett, Yermo and Newberry Springs*) and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.”

The reorganization options identified in this 2009 report included, among others, is the consolidation of the three CSDs into a single agency, which the staff recommendation supported through a consolidated sphere of influence. The staff's rationale was identified as being that the three CSDs were experiencing governance issues (compliance with audit requirements, budget compliance, etc.) to varying degrees and the consolidation would pool resources to allow for the hiring of professional staff to move them toward compliance. The August staff report provided two options for consideration to respond to the Grand Jury:

OPTION #1 Concur with Recommendation #15 and direct staff to provide a more detailed analysis of the potential consolidation of the District during the second cycle review, anticipated to be 2014 but could be later in time; or,

OPTION #2 Concur with Recommendation #15 and because of the severity of the issues identified direct staff to undertake an off-cycle review of the Newberry Community Services District, as well as the Yermo and Daggett Community Services Districts, to provide a more detailed financial and operational analysis for governance options. The only issue with undertaking this option would be funding since the revenues for service reviews must come from the Commission's mandatory apportionment process, as no fees can be charged for the process.

The key issue of concern for LAFCO staff was the estimated cost of in conducting this special study. At the August meeting staff was directed to see if there were mechanisms to reduce the cost of Option #2, then estimated to be between \$15,000 and \$20,000. Staff has reviewed the cost estimate and identified that in order to provide the necessary information on the actual cost and structure of any governance changes (such as a preparation of a financial and governance analysis including documentation of a future board of directors, etc.), the necessary outreach to the residents and property owners in the area, and the costs of hearings before the Commission, staff believes that \$15,000 is needed. Some of the direct costs associated with the estimates anticipated at this time include:

- Notice to all landowners and registered voters of at least a single community meeting, if not more, and the Commission's consideration. In 2009 the cost for conducting a community meeting and providing individual notice had a direct cost of \$2,144. In addition there would be a charge from the Registrar of Voters to provide the mailing list currently estimated at \$240 per district. The total cost for two mailings would be \$4,768.
- Legal advertising in the Desert Dispatch, the newspaper of general circulation in the area, for the prior service review was \$810. The estimate for legal advertising would be \$1,620 (one community meeting and Commission hearing).
- Travel and salary costs for staff to meet with the staff of each of the districts and possibly needing to develop the information to complete the study \$3,000.

The total of the estimated direct costs are \$9,388. The indirect costs of LAFCO staff, at all levels, to provide the report needed and the presentation to the Commission would consume the remaining \$5,612, for a total cost of \$15,000.

At the July hearing staff identified in the unaudited financial report for Fiscal Year 2012-13 the potential of an additional carryover of \$37,692. Since that time, the final year-end financial reports have been received and this figure has been verified; therefore, there is some additional funding available for this study. LAFCO staff would recommend that if there is an interest in moving forward with a special study of governance options for the three communities, that the cost be divided between LAFCO (\$10,000) and the First District (\$5,000). The First District funding identified in this proposal is for financial assistance to LAFCO staff in gathering and disseminating information on governance options for the three communities. Staff believes that it is extremely important that governance issues be reviewed and discussed within the communities as this will be the last major area of potential developable lands in the I-15 and I-40 corridors for the future, being the gateway to the Mojave Preserve and other federally held lands.

Based upon the Commission's determination of option, staff will prepare the letter response to the presiding judge of the Superior Court and submit by the September 28, 2013 deadline. Should the Commission have any questions, staff will be happy to answer them prior to or at the hearing.

KRM

Attachment – August 12, 2013 Staff Report



County of San Bernardino

INTEROFFICE MEMO

DATE: October 2, 2013

PHONE: 386-9000

FROM: **LARRY WALKER** *LW*
Auditor-Controller/Treasurer/Tax Collector

TO: **MARSHA G. SLOUGH**, Presiding Judge
Superior Court of California

SUBJECT: **RESPONSE TO 2012-2013 SAN BERNARDINO COUNTY GRAND JURY REPORT**

The Auditor-Controller/Treasurer/Tax Collector (ATC) respectfully responds to the 2012-13 San Bernardino County Grand Jury Final Report (hereinafter "The Report"). There was one recommendation in The Report that addresses ATC and one follow-up recommendation from the 2010-11 Grand Jury Report that is also related to ATC.

Grand Jury Report 2012-13

<u>Finding</u>	<u>Recommendation</u>
No Finding	13-27

Grand Jury Report 2010-11

<u>Finding</u>	<u>Recommendation</u>
No Finding	2011-30

Recommendation 13-27

[Rec. 6, p.12]

We partially concur with this recommendation, while noting that no funding exists for the suggested work in the absence of voluntary cooperation by the agency. ATC had procedures in place to notify special districts of their duties.

For the FY 2009-2010 report, ATC Internal Audits Section (IAS) sent Newberry Community Services District (NCSD) the following reminder and late notice letters:

- Late Notice 1 – July 8, 2011
- Late Notice 2 – February 10, 2012
- Late Notice/Reminder Letter – May 7, 2013

In addition to the letters, ATC also contacted the General Manager of NCSD in February of 2013 to obtain his permission to work directly with the District's external auditors, DB Whitford, to discuss the status and submission of the outstanding reports. DB Whitford informed ATC that due to tax season they were unable to provide the reports, but indicated their intent to submit them as soon as possible.

ATC has modified our special district notification procedures. We now send the reminder letters annually in December. We also begin the late notification process much sooner. Our notification process is as follows:

- **Reminder Letter**-December 1st - Letter is sent to remind districts that their financial statements for the previous fiscal year are due to ATC before next June 30th.
- **Late Notice 1**-July 1st - Delinquent notices are mailed to non-compliant districts.
- **Late Notice 2**-October 1st - (three months after the financial statements are overdue).
- **Final Notice**-January 1st - (six months after the financial statements are overdue).
- An annual report will be presented to the Board of Supervisors no later than June. The report will include any district that has not submitted annual financial statements to ATC after receiving the final notice from our office. ATC will cause the audit of the non-compliant districts financial statements following the Board of Supervisors' acceptance of the annual report, which will include cost estimates for the delinquent work.

[Rec. 7, p.12]

Members of ATC are available to work with the NCSD General Manager to determine the best approach to bring the District in compliance with Government Code section 26909.

Recommendation 2011-30

ATC does not concur with the Grand Jury response to the follow-up of this recommendation. ATC's response to this recommendation on September 30, 2011 was not reported as we responded. ATC's response to this recommendation was as follows:

“ATC Central Collections will cooperate with the Public Defender to implement this recommendation.”

It appears the County Administration's response was included in place of ATC's response. Central Collections does not conduct fee studies for departments. Central Collections is able to provide limited accounts receivable and collections data to departments for fee studies.

The 2012-2013 Grand Jury's question and answer below does not accurately characterize ATC's responsibility in the implementation of the recommendation.

Question: *“Has the recommendation been implemented?”*

Answer: *“The recommendation has not been implemented. The Central Collections Department was advised that the Public Defender's Office and Internal Audit are responsible for implementing this recommendation.”*

The Public Defender's office is responsible for implementation of this recommendation. ATC Internal Audits Section does not conduct fee studies and does not have the ability to implement the recommendation. County departments are required to independently review their departmental fees on an annual basis and report to the Board of Supervisors. Any analysis provided by ATC would be conducted by the Management Services Section of the Controller Division. We respectfully request the Grand Jury revise the report to reflect that it is the sole responsibility of the Public Defender's office to implement the recommendation and to clarify that 1) Central Collections is a division within ATC, not a department, and 2) ATC assistance to the Public Defender to study costs is available from ATC Management Services Section.

Please feel free to contact me if you have any questions.

LDW:MJB:wds

**1. 2012-13 San Bernardino County Grand
Jury Report**

**c. Newberry CSD Updated Responses
dated March 10, 2014**

Attachment 1c



Newberry Community Services District

March 10, 2014

Established 1958

TO:

The County of San Bernardino Grand Jury
Honorable Marsha G. Slough, Presiding Judge, Superior Court of California
351 North Arrowhead Ave.
San Bernardino, Calif. 92415

Robert Springer
President/Director

Paula Deel
Vice President/Director

Robert Royalty
Director

Robert Shaw
Director

Robert Vasseur
Director

Le Hayes
General Manager

Jodi Howard
Board Secretary
Office Administrator

Kerri Zurcher
Treasurer

Robert Rogers
Fire Chief

Daphne Lanier
Assistant Fire Chief
Fire Dept. Admin.

FROM:

Newberry Community Services District
PO Box 206
30884 Newberry Road
Newberry Springs, Calif. 92365

SUBJECT:

Updated response to the recommendations provided by the Grand Jury in its 2012-2013 Final Report.

RECEIVED
MAR 18 2014

LAFCO
San Bernardino County

Please note that subsequent to the 2012-2013 Grand Jury report the citizens of Newberry Springs and some members of the Board of Directors saw the pressing need for substantial changes. Three new Board Members were elected to serve on the Board and they took office in December, 2013.

Our Board of Directors:

President Robert Springer, Vice President Paula Deel, Director Robert Royalty, Director Robert Shaw, and Director Robert Vasseur. Each member of our Board has lived many years in Newberry Springs and they are determined to create an effective CSD which will serve the needs of our community while adhering to best practices and procedures.

Our Current Staff members are:

Le Hayes, General Manager. Mr. Hayes was hired on January 14th, 2014 and has 22 years of experience as the General Manager for Baker CSD. He retired from Baker CSD and moved to Newberry Springs in August of 2013.

Jodi Howard is our Office Secretary and Secretary to the Board. She has excellent secretarial skills and meets the public well.

Kerri Zurcher is our Treasurer. Kerri works full time for a major Real Estate firm as their Bookkeeper and has excellent financial accounting/budgeting skills.

Robert Rogers is our Fire Chief. Roger has 22 years of Firefighting and medical aid experience.

Daphne Lanier is our Assistant Chief and Fire Department Administrator. She has been in the administrator position for several years and has an excellent understanding of policy and procedures.

Additionally we have 22 well trained and dedicated volunteer firefighters.



Due to budget constraints, all of our staff members are part time. Our office hours are Wednesday, Thursday and Friday from noon until 4pm.

Following are our updated responses to the Grand Jury Recommendations:

Recommendation 1.

The Grand Jury recommended the Board of Directors should: "The NCSD Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on *Roberts Rules of Order* and other accepted standards for parliamentary procedure.

Response:

The By Laws and Policy Handbook of the Newberry CSD are currently being revised. Our policy will then substantially adhere to the California Special Districts Association "Board Meeting Conduct" policy recommendations.

Recommendation 2.

The Grand Jury recommended: "Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings."

Response:

Directors Deel and Shaw have attended Board Member training provided by CSDA in Fountain Valley on January 23rd, 2014. The remainder of our Directors, our General Manager and our Treasurer will attend the training titled "Governance Training" provided by SDRMA, and funded by LAFCO, on Tuesday March 25 at the Mojave Water Agency in Apple Valley, California. Most of our Directors have completed the AB1234 ethics training and all have filed their Conflict of Interest form 700.

Recommendation 3.

The Grand Jury recommended: "Direct the General Manager to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the districts current policy."

Response:

Our policy is being amended, noting that Board Minutes drafts prepared by the General Manager or the Secretary to the Board may contain mistakes or omissions. The Board Minutes drafts are not official until they have been reviewed and approved by the Board of Directors. They are then posted on the NCSD website, stored and backed up electronically in a secure password protected pdf format as well as file secured hard-copy.

Recommendation 4.

The Grand Jury recommended: "Re-adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement."

Response:

We are currently using such a system formulated in cooperation with our auditing firm, David Whitmore located in Riverside, California. Our enclosed Budget uses the recommended system.

Recommendation 5.

The Grand Jury recommended: "Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual."

Response:

Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future.

Recommendation 8: Revise its purchase card policies to:

(a) Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards, subsequently relinquish any purchase cards currently issued to Board members, and

(b) Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payments, such as:

- (iv) Spending and transaction limits for each cardholder;
- (v) Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders;
- (vi) A process for handling disputes and unauthorized purchases; and,
- (vii) A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation.

Response:

No Board member currently holds or will be issued a Newberry CSD credit card. Our Treasurer tracks available funds and she and the General Manager, assisted by our Office Secretary closely examine each purchase to ensure its validity and that it serves a valid CSD purpose. Purchases by the Treasurer, General Manager or other staff members now require approval by another staff member. No staff member may approve their own purchase. Each purchase requires that receipts be attached to a form documenting the purchaser, the date, and justification for the purchase.

If a purchaser does not submit the required documentation validating the purchase in a timely manner or if the purchase does not clearly meet district needs, the purchaser is personally responsible for the expenses. Misuse of a credit card is grounds for immediate dismissal.

Recommendation 9.

The Grand Jury recommended: "Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and (a) discuss questionable

disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.”

Response:

We no longer use a consent agenda item. Alternatively we are using an agenda item entitled “Pay Bills and Approve the Bills already Paid.” Included in the meeting packets provided to the Directors and the Public is a list of the bills which have been paid since the last meeting and a list of the bills to be paid at the current meeting, ensuring that every Board Member and every member of the Public can see every bill which has been paid and can avail themselves of the opportunity to question any bill. Checks are prepared to pay the current bills and once those bills are reviewed and approved the checks are presented to the Board for signatures. Each check requires the signature of two Board Members. This procedure also helps to ensure that bills are paid in a timely manner.

Recommendation 10.

The Grand Jury recommended: “Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards.”

Response:

Currently there are four credit card holders. Jodi Howard, our District Secretary and Secretary to the Board is our purchasing card Administrator. She has verified that board members and staff are aware of the new procedures. Additionally, all of our credit card holders are senior staff members well aware of problems we’ve had in the past and who are determined that those problems will not recur.

Recommendation 11.

The Grand Jury recommended: “Review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook.”

Response:

Currently only our Auditor and Legal Counsel have submitted invoices which meet this criterion. Those expenses have been authorized by the Board. We are currently working on our revised Policy Manual adopting CSDA standards entitled “Expense Authorization- Policy #3040” and “Employment of Outside Contractors and Consultants. Policy #3042”

Recommendation 12.

The Grand Jury recommended: “Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval.”

Response:

Currently our General Manager, Board Secretary and Treasurer all review any request for reimbursements. When our revised Policy Manual is completed and approved we will adopt

CSDA standards for Expenditure Reimbursement – Policy #4025 which reads in part: “Whenever District employees or directors desire to be reimbursed for out-of-pocket expenses for item(s) or service (s) appropriately relating to District business, they shall submit their requests on a reimbursement form approved by the General Manager. Included on the reimbursement form will be an explanation of the District-related purpose for the expenditure(s), and receipts evidencing each expense shall be attached.” Subsections of that policy further specify who may approve these expenses, prohibiting staff or Board Members from approving their own expenditures, and specifying that all expenditures must be reasonable and necessary. We are working diligently to completely revise our policy manual and see no reason to reinvent the wheel. We will substantially adopt the policy model recommended by CSDA.

Recommendation 13.

The Grand Jury recommended: “Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls:

- (a) District Legal Counsel Log;
- (b) Policy Handbook for the Fire Department; and,
- (c) Catalog of all retained District Records.

Response:

- (a) We are now creating the Legal Counsel Log having received a portion of that information from legal counsel.
- (b) A Fire Department Policy Handbook has been created by Daphne Lanier, Assistant Fire Chief and Fire Department Administrator. The document will be submitted to the Board of Directors for revision and approval.
- (c) At the time we were working with the Auditor to bring our required annual audits up to date, our Board Secretary and Treasurer were searching records locate necessary supporting documents that were placed in separate file boxes with labels specifying the contents. Additionally, in moving our offices from one location to another we are examining files to ascertain which files will be resident in the new office and which will be placed into archival storage. Those boxes will also be labeled to indicate content.

Recommendation 14.

The Grand Jury recommended: “Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.”

Response:

We have very little property, buildings, vehicles or machinery that meets this requirement. Our land was acquired in the 1950’s and is classified as *older infrastructure* exempt from capital assets management. We do have a minor amount of Fire Department equipment meeting the requirement and will establish a system for capitalizing that equipment in the future.

Recommendation 15.

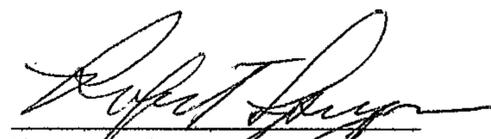
Recommendation by the grand jury to direct Local Agency Formation Committee (LAFCO) to conduct an immediate Municipals Services Review (MSR) for review.

Response:

We are working closely with Michael Tuerpe from LAFCO on our next MSR and fully expect to meet/exceed their expectations. This process is currently active and we are participating to the fullest extent.

Should you have questions please contact us by mail.

On Behalf of the Board and Staff of Newberry CSD

A handwritten signature in black ink, appearing to read "Robert Springer", written over a horizontal line.

Robert Springer
Board President

Enclosures:

Current Budget

Current Agenda

Current Board Minutes

- 2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities**
 - a. Staff Report dated April 24, 2009**

Attachment 2a

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: APRIL 24, 2009

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
MICHAEL TUERPE, LAFCO Analyst

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #6: Municipal Service Reviews for the Communities of
Daggett, Newberry Springs, and Yermo

INITIATED BY:

San Bernardino Local Agency Formation Commission

INTRODUCTION

San Bernardino LAFCO has chosen to undertake its Municipal Service Reviews on a regional basis. By action taken in February 2002, the Commission divided the county into five separate regions, with the North Desert Region defined as the territory north of the San Bernardino/San Gabriel Mountains, east of the Los Angeles County line, south of the Inyo County line, and generally west of the Mojave Water Agency boundary. The Commission has further identified by policy declaration its community-by-community approach to sphere of influence identification.

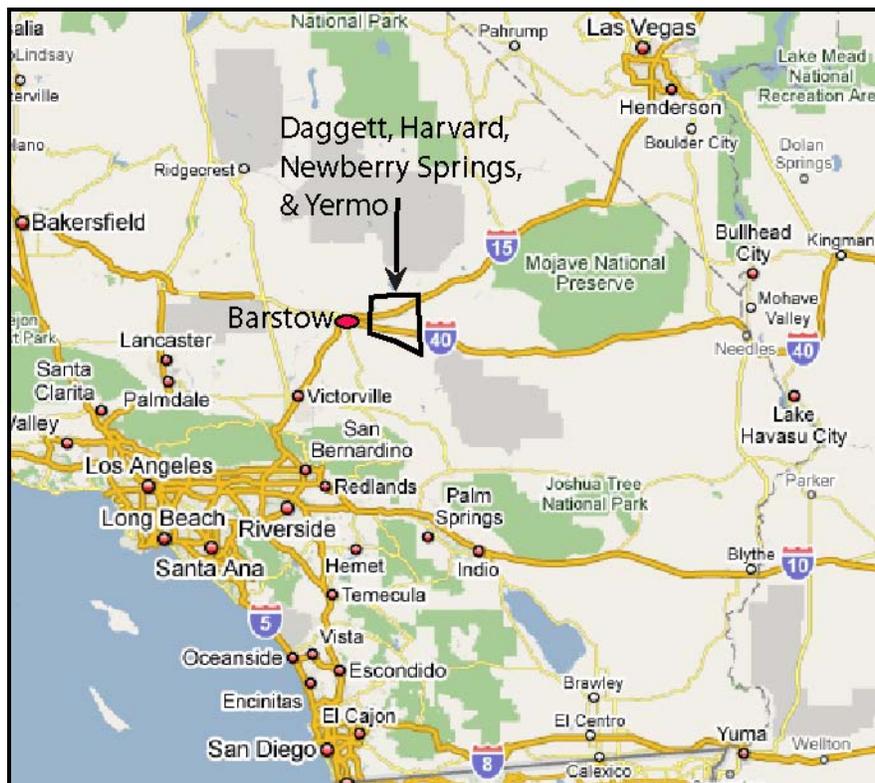
Presented in this report are the municipal service reviews and sphere of influence updates for the Daggett Community Services District (CSD), Newberry CSD, and Yermo CSD. Included within these districts are the defined communities of Daggett, Newberry Springs, Yermo, and a portion of the community of Harvard (within the Yermo sphere of influence). These communities are the northeastern most populated areas of the North Desert Region which are, or could be served by multi-function agencies.

These communities are presented in a single report due to their interrelationship, location within the Interstate 15 and Interstate 40 corridors, their historic divide from the larger Barstow community and their enclosure by public lands (military and preservation lands). These communities are generally east of the San Bernardino Meridian line (the line between Ranges 1 West and 1 East) which is generally the line dividing the communities of Daggett, Yermo, Harvard, and Newberry Springs from the City of Barstow. In addition, the

community services districts which serve these communities essentially provide the same services, operate under the same law (Community Services District Law [Government Code Section 61000 et. seq]), are located adjacent to one another, have a historic divide from the Barstow community, and rely upon each other for assistance in service delivery, such as fire protection. As this report will outline, these three districts strive to provide their range of services, generally fire protection, streetlighting and park and recreation, within their limited financial resources and they have succeeded in providing a governmental voice for their communities.

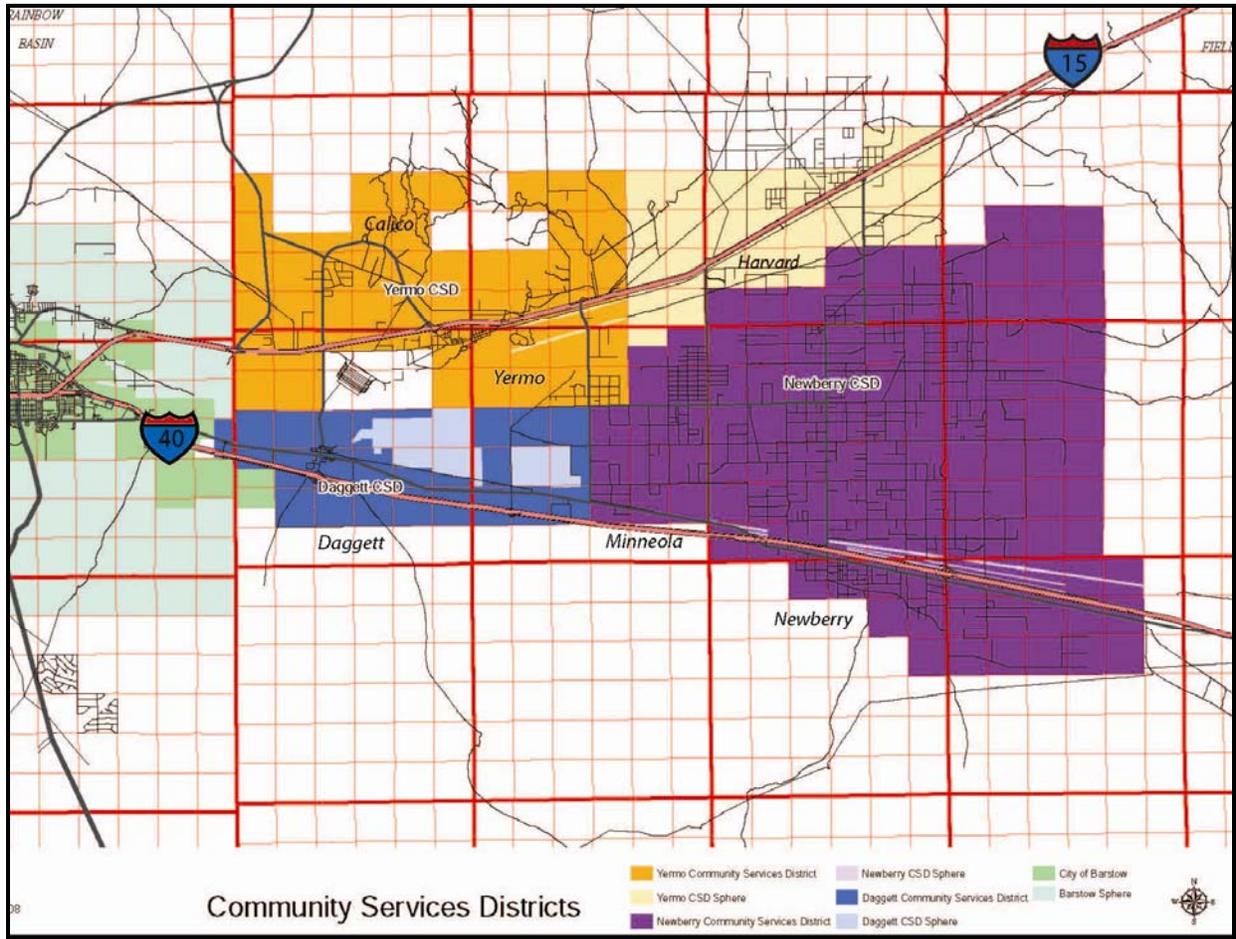
While the permanent population of these communities may be low, the transient activity is high. As shown in the map below, the communities are along two of the four major highway routes leaving southern California to the east. Additionally, railway traffic passes through the communities into and out of one of the largest rail classification yards in the country located in Barstow. Therefore, emergency response for the Interstate 15, Interstate 40 and rail corridors is important and warrants discussion in a single report.

Map Showing Major Routes Leaving Southern California



Below is a map of the communities in a regional context with the City of Barstow to the west, which is also included in Attachment #1.

Daggett, Harvard, Newberry Springs, and Yermo Communities



The residents and landowners within the communities of Daggett, Newberry Springs, and Yermo are directly served by the community services districts that overlay them:

- Daggett Community Services District
- Newberry Community Services District
- Yermo Community Services District

The residents and landowners of the Harvard community are within the Yermo CSD sphere of influence, and they receive their services through County operated special districts. Residents and landowners also receive direct services from regional service providers:

- County Service Area 40 (television)
- San Bernardino County Fire Protection District and its North Desert Service Zone

(areas within the sphere of influence of the community services districts but not within their boundaries, including the Harvard community, and the Marine Corps Yermo Annex)

Other regional service providers include:

Barstow Cemetery District (eight square miles within Daggett CSD and three square miles within Newberry CSD)
County Service Area 70 (unincorporated County-wide)
Mojave Desert Resource Conservation District
Mojave Water Agency
San Bernardino County Flood Control District

COMMUNITY HISTORY:

The following provides a historical perspective of the communities from information gathered from historic books¹, the San Bernardino County Regional Parks website², interviews³, and the municipal service review for the Mojave Water Agency (LAFCO 3033).

Human activity in these communities can be traced back thousands of years to native settlers and travelers. However, not until the early 1880s did this area begin to sprout defined communities, beginning with the community of Calico. Situated in the North Desert region of the County, Calico was roughly 12 miles east of what is now the City of Barstow and four miles north of Yermo in the Calico Mountains. Activity flourished in the Calico community towards the end of the 19th century (in the northern area of the current Yermo CSD) with prospectors seeking fortune. Founded in 1881, Calico was a mining boomtown with extractions of silver and borax and grew to a population of 1,200. The town supported bars, gambling halls, trading posts, churches, and a newspaper. Silver was the predominant strike and was abundant and high in quality. South of Calico, around the rail line junction connecting Calico with the main east-west rail lines through the State, arose the town of Daggett (formerly called Calico Junction and then renamed after then California Lieutenant Governor John Daggett).

In the mid-1890s the price of silver declined and silver was no longer used as a form of currency. The Calico silver mines were no longer economically viable so the Town's population began to shrink. Calico survived in the 1900s by shifting its focus to borax mining, which was a more labor intensive activity. With the price of silver down, Daggett as well shifted its focus to become a shipping center for borax mined in Calico. At the turn of the century, Daggett was larger than either Barstow or Victorville and was anticipated to become the metropolis of the Mojave Desert. But fate once again stepped in, and in 1907

¹ Casebier, Dennis G and the Friends of the Mojave Road. Guide to the East Mojave Heritage Trail. Tales of the Mojave Road Publishing Company, Norco, CA, 1989.

Various, Once Upon a Desert. Mojave River Valley Museum Association, Barstow, CA, 1994; Patricia Keeling, Editor.

² San Bernardino County, Regional Parks, Accessed May 22,2008, Last update April 12, 2008, <http://www.co.san-bernardino.ca.us/parks/calico.htm>.

³ Interview with Lawrence Alf and Beryl Bell of Daggett CSD, May 27, 2008.

borax mining moved to Death Valley and Calico was abandoned. After the borax companies moved, the surrounding communities of Yermo and Daggett became fractions of what they previously were.

East of Daggett and Calico, the first settlement in Newberry Springs was founded in about 1911. The Santa Fe Railway used the water from Newberry Springs for its steam engines and to deliver water east to Ludlow and Baghdad and created a rail stop in the community.

In 1926, Route 66 was established from Chicago to Santa Monica and quickly became known as the "Mother Road" primarily bringing travelers from the East. Route 66 traversed through the southern portions of the communities of Daggett and Newberry Springs. This portion of Route 66 was decommissioned in 1985, being replaced by Interstate 40 for east-west travel. CALTRANS provided on/off ramps within Daggett and Newberry; therefore, the closure of Route 66 did not adversely affect these communities to the extent as the other communities to the east within the County (such as Amboy and Ludlow).

In 1951, Walter Knott, founder of Knott's Berry Farm, purchased the Calico town and began restoring it to its original condition referencing old photographs as a tourist attraction. Five of the original town buildings exist today, and many others were recreated as replicas of their originals. In 1966, Walter Knott donated the town to San Bernardino County, and Calico became a county regional park. The last original inhabitant of Calico, before it was abandoned, Mrs. Lucy Bell Lane, died in the 1960s. Her house remains as the main museum in the town. Today, the park operates mine tours, gunfight stunt shows, gold panning, a restaurant, the Calico & Odessa Railroad and a number of general merchandise stores. Calico is a registered California historic monument and is the "official state silver rush ghost town" of California.

Today, the largest economic presences in the overall community are the Silver Valley Unified School District, the Yermo Annex to the Marine Corps Logistics Base Barstow, the San Bernardino County Regional Park at Calico Ghost Town, and Union Pacific Rail Yard. The Silver Valley Unified School District encompasses the four communities and Fort Irwin, and includes four schools and the district headquarters. The Yermo Annex encompasses approximately 1,859 acres and is primarily a storage and industrial complex. It was established in 1942 as a supply center for the United States Navy and was transferred to Marine Corps command in 1954. The Yermo Annex is surrounded by Yermo CSD on the west and north, and Daggett CSD on the south. The Yermo Annex is not within the boundary or sphere of either the Daggett or Yermo community services districts.

A brief history of the major Government events in the communities is described below, listed chronologically by end date:

1955 The application for formation of the Daggett CSD was directed for placement on the ballot by County of San Bernardino Board of Supervisors action and was originally approved by the voters with the authorized functions for providing water, sewer, refuse, fire protection, park and recreation, street lighting, mosquito abatement, and police services to the Daggett community.

- 1958 The application for formation of the Newberry CSD was directed for placement on the ballot by County of San Bernardino Board of Supervisors action and was originally approved by the voters with the authorized function for providing water, sewer, refuse, fire protection, park and recreation, police, and streetlighting to the Newberry community as those were then defined in law.
- 1962 The application for formation of the Yermo CSD was directed for placement on the ballot by County of San Bernardino Board of Supervisors action and approved by the voters, whereby it succeeded to the Yermo Fire Protection District. The District was originally approved by the voters with the authorized functions for providing water, sewer, refuse, fire protection, park and recreation, streetlighting, mosquito abatement, police protection, library, and road and incidental works construction and improvement services to the Yermo community. The initial active service powers were fire protection, park and recreation, and streetlighting.
- 1965-69 In 1965, the application for formation of County Service Area 40 was directed for placement on the ballot by County of San Bernardino Board of Supervisors action and approved by the voters to provide television translator signals for the area generally defined as Daggett, Newberry, and Yermo. Litigation against the formation was filed by John R. Beyers and heard in 1968. This action was resolved through special legislation and the District formed in 1969. Further information can be found in the municipal service review for County Service Area 40 (LAFCO 3022).
- 1972 Sphere of influence established for County Service Area 40 (LAFCO 1270). The sphere establishment comprised the communities of Daggett, Harvard, Newberry Springs, and Yermo, thereby reinforcing the concept of the combined community.
- 1973 Sphere of influence established for Newberry CSD (LAFCO 1261). The original sphere encompassed approximately 59 square miles (50% of present sphere) and mainly did not include the area between Minneola Road and Dune/Hereford Road (a part of present sphere).
- Sphere of influence established for Yermo CSD (LAFCO 1266). The original sphere is the same as its present configuration.
- Sphere of influence established for Daggett CSD (LAFCO 1271). The original sphere encompassed approximately six square miles and mainly consisted of the populated center of the district.
- 1976 When special districts were granted representation on the San Bernardino LAFCO Commission, all special districts were limited to the functions/services provided at that time. The affected districts responded to LAFCO's request to list their active functions and services by providing the following:

- Daggett CSD identified to LAFCO that the active functions were water, streetlighting, park and recreation, and fire protection (response included in Attachment #8).
- Newberry CSD identified to LAFCO that the active functions were streetlighting, park and recreation, and fire protection (response included in Attachment #8).
- Yermo CSD identified to LAFCO that the active functions were streetlighting, park and recreation, and fire protection (response included in Attachment #8).

Pursuant to adoption of the “Rules And Regulations Of The Local Agency Formation Commission Of San Bernardino County Affecting Functions And Services Of Special Districts” in 1976 and amendments thereafter, the functions and services active for Districts have been specified and the procedures required to apply to the Commission for activation of any other latent powers have been defined.

1978-79 Newberry CSD submitted an application to annex 111 square miles for the primary purpose of extending improved fire and emergency services to the area (LAFCO 1783). The application for annexation extended into the sphere of influence of Yermo CSD located outside the Yermo CSD’s boundaries by 28 miles and into the former Barstow Park and Recreation District within the overall Daggett community by six miles. After considering the district’s application, the Commission expressed concern regarding the district’s expansion into the Yermo CSD sphere of influence and the probable impact of the proposal on the operation of the “Daggett pool” located on the Barstow Daggett Airport property and continued its consideration of the proposal to the next hearing. Following the initial hearing, the Newberry CSD board of directors voted to exclude the six square miles within the Barstow Park and Recreation District from the proposal.

At the continued hearing, the Commission determined that there was not sufficient information to support the reduction of the Yermo CSD sphere of influence that Newberry requested. The annexation proposal was reduced by 59 square miles to encompass 52 square miles in five separate areas and subsequently completed January 9, 1979.

1981 Annexation of 175 acres to Daggett CSD initiated by property owner petition for the purposes of clarifying the District’s boundary to recognize service delivery. The territory already received the full range of services provided by the district (except for streetlighting) and wished to play an active role in the community (LAFCO 2127).

- 1982 The Commission approved the expansion of water and sewer powers for Newberry CSD in August 1982. The District defined the rationale for service expansion as the ability to provide the full range of services to a proposed development (LAFCO 2168) generally defined as being between I-40 and the Railroad, east of Newberry Springs Road. Water and sewer service as well as the proposed development never materialized.
- The Commission approved the expansion of water powers for Yermo CSD (LAFCO 2189) in October 1982. Referencing the staff report for LAFCO 2189, Yermo CSD hoped to form an improvement zone surrounding the private water system within its boundaries and acquire and improve the water system over time. At that time, the water system was deteriorated, under-sized, and without adequate water supply or storage. Costs for the effort were unknown. No record of the Yermo CSD pursuing acquisition of the private water system has been identified.
- 1984 In September 1983, the Daggett CSD Board of Directors initiated a sphere of influence expansion and annexation request to expand the district by approximately 30 sq. miles (LAFCO 2245 and 2246). The territory included the Barstow-Daggett Airport, Yermo Annex, and the Edison Solar One/Two Plant. Over a series of several hearings, LAFCO staff removed the Yermo Annex from the sphere consideration due to its military use and lack of need of the services available from the District but retained the Barstow Daggett Airport and Edison facilities within the sphere, encompassing approximately 24 sq. miles. In addition, the annexation request was reduced to encompass approximately 19 square miles for the purpose of providing fire services and to better identify the District's service area and gain additional revenues for emergency responsibilities. The annexation excluded the Barstow-Daggett Airport and the utility property and lands which surrounded them.
- 1985 Three square mile sphere expansion and annexation to Newberry CSD and detachment from Barstow Recreation and Park District, to better reflect the Newberry community (LAFCO 2306 and 2307). The territory was located at the southwestern corner of the District's boundary and was bisected east/west by National Trails Highway (formerly Route 66).
- 1989 Sphere expansion and annexation to Daggett CSD of 320 acres and detachment from Barstow Recreation and Park District in order for the area to receive CSD services (LAFCO 2492 and 2493).
- 1996 Newberry CSD submitted an application to expand its sphere of influence by 392 square miles to allow for the planning to ultimately provide fire protection and paramedic services to future industrial-type facilities to the south and east of the existing District (LAFCO 2798). The Commission denied the proposal based upon the following determinations:

- Future planning of the proposed sphere expansion area would not result in a comprehensive approach for services offered by the District;
- The District was primarily concerned about fire protection and paramedic services to future industrial-type facilities that may or may not be approved for construction or use. In addition, the Planning Conditions of Approval anticipated the delivery of these services through the County with funding provided by the industrial developments;
- Delivery of fire and paramedic services could reasonably be provided by County Service Area 38 (fire) through expansion of its service boundary; and
- The bulk of the area would not benefit from the District's services.

In response to the Commission's concerns, the District amended its sphere expansion request to include only 71 square miles generally southeast of the District's boundaries and north of Twentynine Palms Marine Corps Base (LAFCO 2798A). The Commission continued consideration of the alternative sphere expansion request to allow for submission of materials for further analysis. Soon after the continuance, the Newberry CSD withdrew its alternative sphere expansion request which the Commission acknowledged and accepted.

1984 - 2001 Since 1984 Daggett CSD has been providing water service within a portion of Yermo CSD territory. This expansion was prompted by the need for water service to the Silver Valley High School and Silver Valley Unified School District offices. In contemplating the construction needs of the School District, it requested that Daggett CSD provide the service because no other entity within the area was capable of providing the level of service required. Between 1984 and 2001, Daggett CSD allowed residents along the water main in Daggett Yermo/Ghost Town Road to connect.

AB 1335 (Gotch), effective January 1, 1994, required LAFCO approval prior to the extension of service by a city or district outside of its boundaries (Government Code Section 56133). During the fall of 1993, LAFCO staff requested that agencies respond to a survey regarding services provided outside an agency's boundary to clarify those contracts grandfathered by the legislation. Daggett CSD did not respond to LAFCO's request.

In 2001, the Commission reviewed and approved an out-of-agency service contract authorizing Daggett CSD to provide domestic water and water for fire protection purposes within a defined service area inside Yermo CSD territory. The application to the Commission was prompted by LAFCO staff's response to a County Planning Department referral on a proposed Conditional Use

Permit for a development project which indicated that Daggett CSD would serve the area, a part of Yermo CSD.

The service area defined by LAFCO SC#135 is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water within this service area to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels.

2004 - 2005 In November 2004 the Commission initiated the municipal service reviews and sphere of influence updates for the North Desert region of the County. In June 2005, LAFCO staff conducted a general meeting for all the North Desert agencies to discuss the municipal service review and sphere of influence update process.

2005 - 2006 LAFCO staff apprised all the community services districts within the County of the rewrite of Community Services District Law (Senate Bill 135 [Kehoe]), effective January 1, 2006. The update of CSD Law included new provisions related to governance and latent powers for community services districts.

Pursuant to the 2006 re-write of Community Services District Law, those services that LAFCO determined that a district did not actively provide prior to January 1, 2006 were to be designated as a "latent power" (Government Code Section 61002[h]). The districts' responses are summarized below and are included as Attachment #8:

- Daggett CSD identified that it provided water, streetlighting, park and recreation, and fire protection.
- Newberry CSD identified that it provided water (limited to its own facilities), sewer (not active - for planning purposes), streetlighting, park and recreation, and fire protection.
- Yermo CSD identified that it provided streetlighting, park and recreation, and fire protection.

1996 - 2008 In 1996 the Mojave Water Agency began construction on the Mojave River Pipeline in order to offset the depletion of groundwater in the upper reaches of the Mojave River Basin caused by population growth and over pumping from wells. The Pipeline was constructed in three phases and was completed in 2006. The Pipeline spans approximately 76 miles. It can supply up to

45,000 acre-feet of water each year to the upper Mojave River Basin where it percolates into groundwater recharge basins in the Centro subarea (Hodge and Lenwood), and Baja subarea (Daggett and Newberry Springs). It serves the communities of Barstow, Daggett, Hodge, Lenwood, Minneola, Newberry Springs, and Yermo. The recharge sites particular to this report are in the Baja subarea. The first deliveries to the Baja subarea began in 2003 to the Daggett recharge site. Since that time, through October 2008, the Mojave River Pipeline has delivered 12,803 acre-feet of water to the Daggett and Newberry Springs recharge sites. No deliveries are anticipated for the balance of 2008.

1985 - 2009 Since 1985 the Yermo Water Company has been of concern to the California Public Utilities Commission (PUC) and the California Department of Public Health (CDPH)⁴. In general, the concerns of the PUC, CDPH, and the customers of the Water Company center on the Water Company's failure to comply with PUC and CDPH directives and with the quality and pressure of the water.

On April 24, 2008 the PUC issued an Order Instituting Investigation (Order) of the Yermo Water Company (included as a part of Attachment #6). According to the Order, the Water Company has a record of deferred or non-existent maintenance, unmet regulatory mandates, and continuing problems with water quality and service. Pursuant to the Order, the Water Company is directed to show cause why the PUC should not penalize the Water Company in addition to not petitioning the San Bernardino County Superior Court for the appointment of a receiver to assume the operation of the Water Company and its water system. A Pre-hearing Conference convened by an administrative law judge took place on June 11, 2008 to determine if a hearing was necessary. A hearing was deemed necessary and opening testimony has begun. An evidentiary hearing was originally scheduled for November 4, 2008, but was rescheduled to November 20, 2008, and was deferred to January 13, 2009.

On April 6, 2009 the PUC issued a ruling related to its investigation of the Yermo Water Company, directing its legal division to seek receivership of the Company through petition to the San Bernardino Superior Court. On April 17, 2009 an extension to the required response time was provided, until August 2009.

2005-2009 Throughout the processing of the service review for Yermo CSD, LAFCO staff and representatives of the district have discussed the addition of water powers for Yermo CSD as a part of its service review. Yermo CSD's intent was to be considered an option for taking over the Water Company, either

⁴ The California Department of Public Health was formerly known as the California Department of Health Services.

through purchase or as a receiver if the court so determines. On July 9, the Commission approved a request by Yermo CSD to reduce the filing fees for activation of new services to direct cost only since the activation of water powers was intended to be considered as a part of the municipal service review and sphere of influence update process. On October 21, the Yermo CSD Board of Directors took an action to formally discontinue their pursuits to either acquire the Yermo Water Company or to be considered an option should the court determine a receiver for the Yermo Water Company was necessary.

However, in January 2009 the Board of Directors changed direction related to activation of water services due to actions taken by the Public Utilities Commission related to the operations of the Yermo Water Company. The District determined to once again pursue activation of their latent water functions. On April 6, 2009 the District submitted its official application for reactivation and LAFCO staff has assigned it the designation of LAFCO 3008A for processing.

DAGGETT, NEWBERRY, AND YERMO COMMUNITIES

The Commission's policy guidelines for spheres of influence identify that its approach is defined as a "community-by-community" consideration.⁵ This practice employs looking at the whole of the community as defined by the existence of inter-related economic, environmental, geographic and social interests. The Commission's policies point toward the designation of a single sphere of influence for all related service providers.

Discussion of Spheres of Influence Consolidation:

The preamble to LAFCO law reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities. As a part of this review, the Commission is to consider the spheres of influence of the three community services districts. The information outlined within this report opens a discussion of the following question:

"Should the three community services districts that are adjacent to each other and essentially provide the same services ultimately be consolidated?"

In addition, related to the governance and service provision of the districts, staff has concerns which include the apparent lack of familiarity with and adherence to the changes that took place in 2006 through the rewrite of Community Services District Law, as well as LAFCO Law and the State Constitution. The issues needing to be addressed include the following:

1. An adopted budget (Government Code Section 61110 et seq.) – CSD Law requires the annual adoption of a budget which conforms with generally accepted accounting and budgeting procedures and for the general manager to forward a copy of the final budget to the county auditor. Daggett has not adopted an annual budget since FY 1995-96 and has thus operated without a budget for over a decade. Newberry and Yermo have adopted budgets and have stated that they submit them annually to the County; however, neither district recognizes carryover funds or provides a breakdown of revenue categories. The submission by Yermo has not yet been verified by the County Auditor/Controller-Recorder Office. At present they are reviewing internal operations to provide this information.
2. Adoption of annual appropriations limits under the Gann Initiative⁶ (Article XIII B of the State Constitution and Government Code 61113) – The districts do not currently have nor have they ever adopted an annual appropriations limit according to the materials provided and interviews with the districts. Article XIII B of the State

⁵ San Bernardino LAFCO Commission Policy Guidelines for Spheres of Influence.

⁶ In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

Constitution (Gann Limit) mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit, which is further acknowledged by Government Code 61113. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9 (c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of \$0.125 (12 ½ cents) per \$100 of assessed value for the 1977-78 fiscal year. A copy of the FY 1977-1978 property tax rates as provided by the County with each CSD highlighted for reference, is included as Attachment #7. The tax rate for each district for FY 1977-1978 was over the \$0.125 tax rate per \$100 of assessed value (as shown in the chart below).

1977-78 Tax Rates per \$100 of Assessed Value

District	Daggett CSD	Newberry CSD	Yermo CSD
Tax Rate	\$1.2500	\$0.9110	\$1.0883

Being over the \$0.125 tax rate, the districts do not qualify for an exemption from the requirement of an appropriations limit. Therefore, each district must have an appropriations limit.

3. General Manger of a CSD (Government Code 61050) - Since 1955, CSDs have been required to have a General Manager as a separate, designated position, not the performance of these functions by a member of the Board of Directors. Historically, each district did not comply with CSD law; each had a member of the Board of Directors perform these duties. During the processing of this service review and discussion with LAFCO staff each of the districts has come into compliance. Currently, Newberry CSD has contracted for a part-time general manager, and Daggett CSD and Yermo CSD have assigned an employee to the position of general manager.
4. Implementation of board policies (Government Code 61051) - For years members of the Daggett CSD and Yermo CSD boards actively participated in the management and operation of the districts due to the limited financial resources for operation. However, beginning in January 1, 2006 Government Code Section 61050 requires the board of directors to appoint a general manager, who is not a member of the Board of Directors. The legislative intent for this section is to separate the functions of policymaking and implementation, making it clear that the person who holds the general manager’s title is responsible for implementing the board’s policies and supervising the CSD activities.
5. Requirement to have a Designated Treasurer who is bonded (Government Code 61050 61052 and 61053) – Current CSD law and its predecessor provisions have required that the Districts have an appointed Treasurer (Finance Officer prior to January 1, 2006) and that the revenues of the District be deposited into the County Treasury for payment of charges unless the District takes specific action to place

them in either a bank or savings and loan. Current provisions require that the appointed Treasurer be bonded. At the inception of this review, LAFCO staff was aware that the Daggett CSD complied with this provision. However, as of the date of this report, all Districts are in compliance through the Yermo CSD action of February 17, 2009 and Newberry CSD action on March 10, 2009.

6. Providing or engaging in unauthorized services (Government Code Section 56824.10 et seq. [LAFCO law] and 61106 [CSD law]) – If a community services district desires to provide a new or different service anywhere within its boundaries, it must first receive LAFCO approval according to LAFCO and CSD statutes. For LAFCO consideration of a request to provide a new or different service, a community services district must submit an application to LAFCO along with a resolution of initiation of application and a plan for services detailing how the district will finance and provide the service. Currently, there are two instances within the community of providing or engaging in unauthorized services:

- Newberry CSD has purchased and operates a road grader to provide road maintenance service, but the district has not been authorized nor has it formally requested authorization by LAFCO to provide said service pursuant to the Government Code and the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. Further, Newberry CSD is actively grading on County roads and such an action requires written consent from the County, as outlined in CSD Law. To date, the District has provided its resolution seeking County consent, but not the consent from the County.
- Throughout the processing of the service review for Yermo CSD, LAFCO staff and representatives of the district have discussed the addition of water powers for Yermo CSD as a part of the service review. Yermo CSD's intent was to be considered an option for taking over the Yermo Water Company, either through purchase or as a receiver if the court so determines.

In anticipation of being an option to assume the service responsibilities of the Yermo Water Company, on July 22, 2008 the County Board of Supervisors approved the sale of tax defaulted property⁷ to the Yermo CSD for the stated purpose of providing a site for a future well/storage tank for local water service. However, Yermo CSD has not been authorized by LAFCO to provide or engage in water service in any manner pursuant to the Government Code and the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. At the time of the preparation of this staff report, it is staff's understanding that completion of this sale has not occurred

⁷ Chapter 8 of the State of California Revenue and Taxation Code (§3771 et seq.) authorizes the Tax Collector to offer properties for sale that have been tax-defaulted for five years or more to taxing agencies or non-profit organizations.

because the mapping requirements of the State Controller have not been satisfied.

The preamble to Community Services District law states that the intent of the Legislature for CSD Law is:

To encourage local agency formation commissions to use their municipal service reviews, spheres of influence, and boundary powers, where feasible and appropriate, to combine special districts that serve overlapping or adjacent territory into multifunction community services districts.

These districts are adjacent to each other and actively provide essentially the same services with one exception. The following items alone do not support consolidation but together warrant further discussion of a potential future consolidation:

- The three districts can be considered a single community because:
 - Each identifies themselves as interstate corridor communities:
 - Daggett's urban core and industrial uses are located dependent upon access to Interstate 40,
 - Newberry Springs does not have an urban core to the extent of Daggett and Yermo, but its commercial and industrial core is dependent upon access to Interstate 40, and
 - Yermo has an urban core with commercial uses geared towards access to Interstate 15.
 - There is a clear and distinct divide between the Barstow community and the three communities (San Bernardino Meridian line - the line between Ranges 1 West and 1 East). This historic divide has been protected by the Daggett CSD for over 20 years.
 - They share similar General Plan land use designations assigned by the County of San Bernardino Board of Supervisors.
 - The districts actively provide essentially the same services, and there are no geographical impediments that would hinder delivery of the same services of the adjacent districts (streetlighting, park and recreation, and fire protection). The exception is Daggett CSD provides retail water service within its boundaries and it is also currently authorized to do so within the boundaries of the Yermo CSD.
 - The districts are dependent upon each other for service delivery.

- Daggett CSD provides retail water service within the boundaries of Yermo CSD.
- The districts experience challenges related to fire protection services given the limited resources available. Each provides its service through an extensive system of volunteers and rely upon one another and other fire protection agencies for mutual aid to fulfill this mission.
- The areas currently coordinate for community activities such as:
 - A disaster council made up of volunteer citizens of the communities meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan. FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.
 - Electronic Clean-up Program comprising the Daggett, Yermo, and Newberry Springs communities. The three communities rotate the drop-off location in order to assist residents.
- There is a general lack of familiarity with and adherence to the laws which govern these districts, including CSD Law. This is illustrated by the items discussed above.
- Lack of municipal water and sewer systems within the areas hinders the growth of communities and the needed revenue associated with growth to maintain and operate municipal services. Although the districts are rural and agricultural in nature, the populated centers could support a more intense growth based upon the general plan land use designations assigned by the County of San Bernardino.
- Of concern to LAFCO staff is the current and future viability of the three districts based upon their limited financial resources. Paramount to any agency is its financial health. A review of the financial documents of each district indicates that each is in either poor financial health or does not receive enough incoming revenue each year to adequately support the maintenance and ongoing operations of the district.
- Interest in the board of directors' candidacy of the districts appears to be limited. This is supported by the lack of elections held within the past decade. In general, poor financial health and lack of interest in governance are prime indicators of struggling agencies.
- Each of these districts has their own governing board, management systems, accounting/billing systems, bidding, and purchasing. While the districts grapple with financial issues, each agency has its own staff, facilities, and plans. A single district could achieve economies of scale and potentially reduce costs.

- Consolidation of service providers would also result in one or two agencies coordinating efforts to address the availability of water within the overall community.

Given the concerns and information listed above, it is the staff position that a consolidation is necessary in order to provide an opportunity for the districts to function more efficiently and effectively in the short-run and to secure a revenue stream to support the services to be provided. For this review, staff provides the Commission with four options to consider for the sphere of influence updates of the districts:

1. Consolidate the spheres of all three agencies into a single sphere excluding the community of Harvard: Consolidating the spheres would signal the Commission's intent to consolidate the districts while maintaining their ability to plan for future delivery of services within their territory and present sphere areas. Further, it would open the discussion for eventual consolidation. In addition, the exclusion of the Harvard community would separate a defined community from the sphere of influence since no service delivery planning has taken place since the 1970s when it was included in the Yermo CSD sphere. A sphere of influence designation requires that planning for service delivery take place; while the Harvard community's existing level of fire protection service exceeds that of any of the existing CSDs. Eventual replacement of multiple community services districts with a single district would be, in the staff view, the most effective and efficient delivery mechanism for service delivery. This is the primary recommendation of LAFCO staff.
2. Consolidate the spheres of influence of the Yermo and Daggett CSDs into a single sphere of influence excluding the community of Harvard and affirm the sphere of influence of the Newberry CSD. Consolidating the spheres of Yermo and Daggett would signal the Commission intent that they consolidate since they currently or are anticipated to provide the same range and level of service – park and recreation, streetlighting, fire protection and retail water service. The exclusion of the Harvard community would eliminate the planning for extension of service when the primary health and safety issue, fire protection, is currently provided at higher levels through the San Bernardino County Fire Protection District. Leaving the Newberry CSD as a separate entity would acknowledge the differing levels of service delivery.
3. Designate a zero sphere for each district: If the goal is consolidation of the three districts, then this goal would be better accomplished through a consolidated sphere rather than three zero spheres. Further, this option would eliminate the planning capability for the districts and stronger rather than reduced Governance is desired.
4. Affirm the sphere of each district as currently configured: Affirmation of the existing spheres would allow each district to operate as currently configured and plan for additional service capacity or service within its own sphere. This is the recommendation of the three districts.

Based upon a review of the materials submitted to the Commission during this service review, additional information gathered by LAFCO staff, prior Commission considerations,

the policies for spheres of influence adopted by the Commission, and the Legislature's intent in CSD Law and LAFCO Law for a single multipurpose governmental agency for a community, it is the staff's position that the Commission should take Option #1 or Option #2 for consolidation of the spheres of influence and separating the community of Harvard from the discussion. Staff bases its presentation of options on the financial and service delivery challenges and governance issues outlined in detail above.

On January 14, 2009, LAFCO staff provided each of the CSDs with a draft copy of the staff report for their review, comment and input. In addition, on January 21, 2009, LAFCO staff conducted a community meeting at the Silver Valley High School multi-purpose room to review:

- LAFCO's requirement for conducting municipal service reviews of special districts to include a review of the districts' operations, finances, and governmental structure.
- LAFCO's requirement for conducting sphere of influence updates to include a review of the functions and services that the districts are authorized to perform (i.e. water, fire protection) and an analysis of the potential government options for the area with the community the premise of a municipal service review,

Not surprisingly, the opinion of the districts and most of the residents in attendance at the community meeting is that affirmation of the existing spheres (Option #4) is the appropriate action. In general, the districts state that a future consolidation would fragment the degree of governance currently in place and that the districts operate sufficiently given the limited resources. The individual districts' responses are included as a part of Attachments #3, #4, and #5 to this report. After considering the districts' position, LAFCO staff modified its recommendation to support either Option #1 or Option #2 as identified. Staff does not recommend affirmation of the existing spheres because this would not provide the opportunity for a better response to the governance issues facing these agencies, including, but not limited to the financial and service challenges identified in this report.

Government Code Section 56076 defines a sphere of influence as a "plan for the probable physical boundaries and service area of a local agency, as determined by the commission". Should the Commission choose to move forward with either Option #1 or Option #2, it would not affect any district's current boundary or the services that they actively provide as authorized by the Commission. Rather, it would signal the Commission's position that eventual consolidation should take place. As for future governance of a consolidated district, there are mechanisms to ensure representation by existing board of directors on the new board to assure retention of historic/institutional knowledge of operations as well as protections for current resources impressed with a specific public purpose remain within their current area.

Additional Boundary Issues for Commission Consideration:

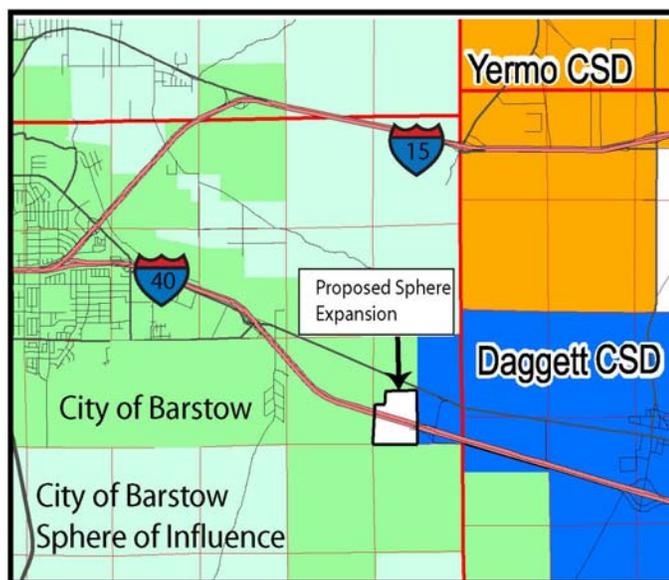
While conducting this review additional sphere issues were identified which will need to be addressed to provide for a clear and definable consolidated sphere boundary under either option. Those issues are identified as:

1. Sphere expansion for area west of Daggett CSD

In 1973, the Commission established the sphere of influence of the City of Barstow (LAFCO 1292) which excluded the area identified on the map below. In 1989, Daggett CSD expanded its sphere and annexed 320 acres which included a detachment from Barstow Recreation and Park District in order for the area to receive CSD services (LAFCO 2492 and 2493). The expansion area included the eastern half of Section 13 of T09NR01W. In 2001, the City of Barstow annexed the Marine Corps Logistics Base – Nebo Annex (LAFCO 2880). The expansion included the northwest quarter of Section 13. None of these actions addressed the southwest quarter of Section 13.

As shown on the map below, what remains is the southwest quarter of Section 13 not being within the sphere of influence of the Barstow community or Daggett CSD. The area is bordered by the City of Barstow (Marine Corps Nebo Annex) on the south, west, and north and by the Daggett CSD on the east.

Proposed Sphere Expansion



Even though the City of Barstow borders this area, the Barstow community would experience challenges in extending the full range of their services to the area. Given the current configuration of the City of Barstow and Daggett CSD and future service delivery, it is the staff’s position that Daggett CSD, as currently configured or a future consolidated CSD would be the most appropriate agency for service delivery.

Therefore, staff recommends that the Commission expand the sphere of influence and include this area within the consolidated sphere. Daggett CSD in its response to the draft staff report did not comment on this sphere option. Sphere expansion to

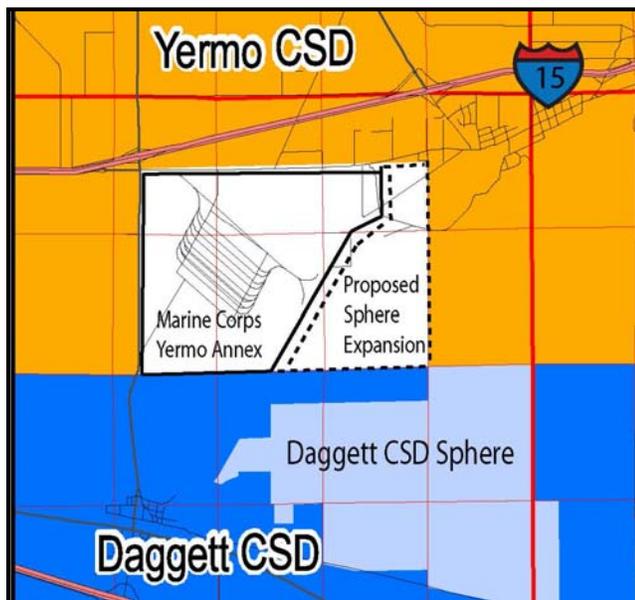
include this area within the consolidated sphere would allow for planning for future service delivery to the area. Should the Commission not move forward with staff's recommendation to consolidate the spheres, staff would nonetheless recommend that the Commission expand Daggett CSD's sphere to include the area.

2. Sphere expansion to include the area east of the Marine Corps Yermo Annex

As shown in the map below, the area east of the Marine Corps Logistics Base – Yermo Annex (hereafter identified as Yermo Annex) is not within the sphere of influence of either community services district. The area is bordered by the Yermo Annex and railway on west, Yermo CSD on the north and east, and Daggett CSD on the south.

In past LAFCO considerations, this area has been considered a part of the military facility; therefore, it has been excluded from sphere of influence discussions for the Daggett and Yermo CSDs. Staff has acquired updated mapping for the Yermo Annex which shows that the area shown on the map below is private property, not a part of the Yermo Annex.

Proposed Sphere Expansion – East of Marine Corps Yermo Annex



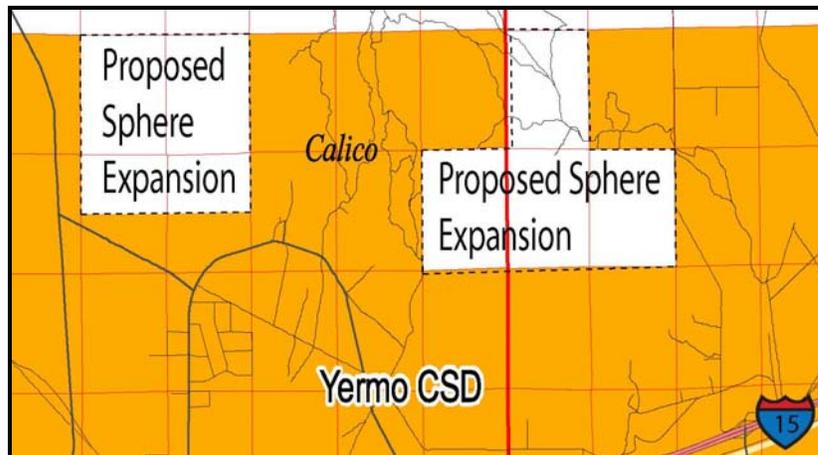
Given the current configuration of the Yermo and Daggett CSD spheres of influence and future service delivery, it is staff's position that the Yermo CSD would be the most appropriate agency to provide services. Service delivery to the area is accessible from the Yermo community, north of the Mojave River. Therefore, staff recommends that the Commission expand the sphere to include this area within the consolidated sphere. Yermo CSD in its response to the draft staff report on page 15 indicates its supports for staff's recommendation. Sphere expansion to include this area within the consolidated sphere would allow for planning for future service

delivery to the area. Should the Commission not move forward with staff's recommendation to consolidate the spheres, staff would nonetheless recommend that the Commission expand the Yermo CSD's sphere to include the area.

3. Sphere expansion to include areas in the northern portion of Yermo CSD

As described previously, LAFCO staff recommends a consolidated sphere. In either option for consolidation, staff recommends that the Commission expand the sphere to include the areas identified in the map below to provide a clear and definable consolidated sphere boundary.

Proposed Sphere Expansion – Northern Yermo

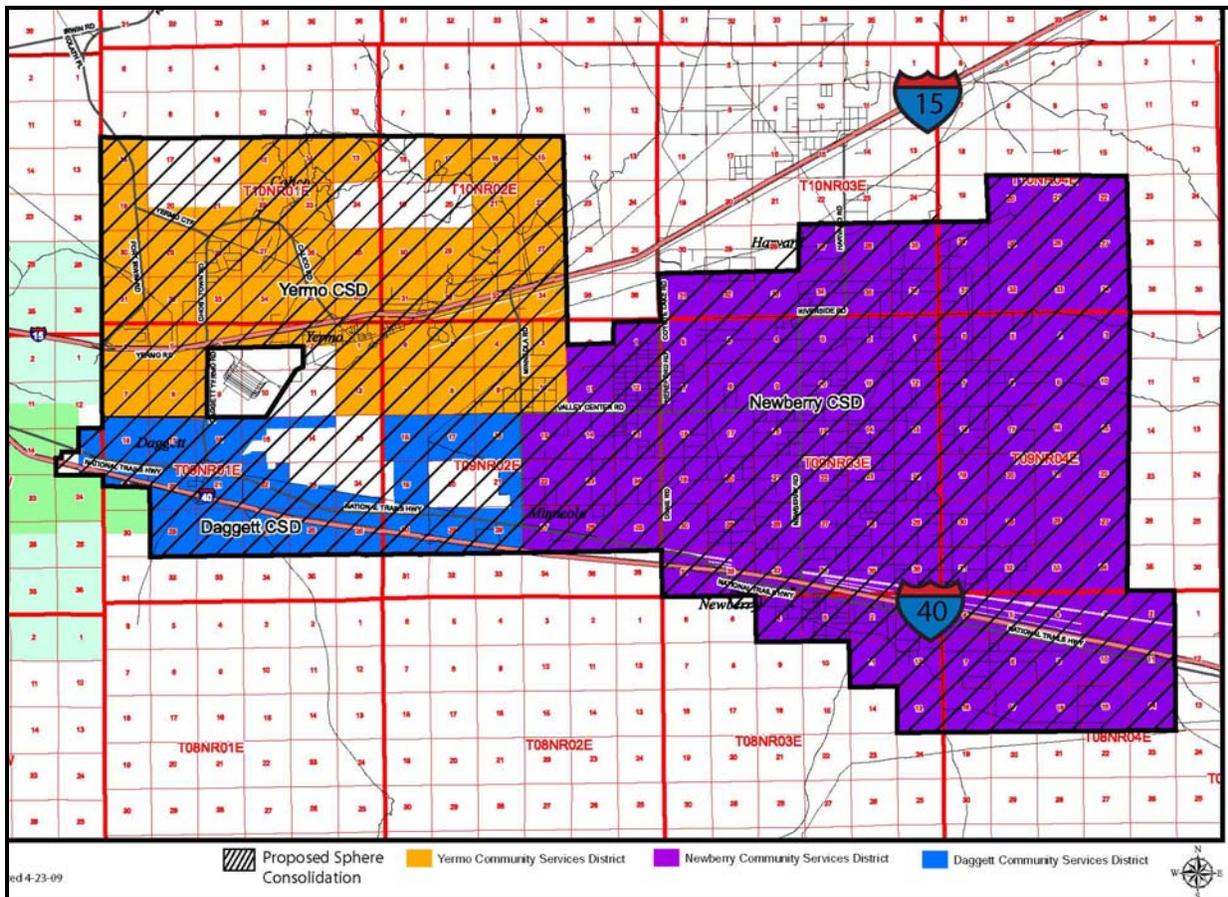


The proposal files related to Yermo CSD do not indicate why these areas were excluded from Yermo CSD's sphere of influence in the 1970s. Currently, the areas are a combination of Government and private lands. The private lands are predominantly owned by mining entities. The western area has County of San Bernardino General Plan land use designations of Resource Conservation and Rural Living, and the eastern area has a designation of Resource Conservation.

Because of the type of activities present in these areas and future service needs, staff believes that Yermo CSD, either individually or as a part of the consolidated sphere, would be the most appropriate agency to provide services since the areas are accessible only through the Yermo community. Therefore, staff recommends that the Commission expand the sphere of influence and include these areas within the consolidated sphere. Yermo CSD in its response to the draft staff report on page 15 outlines its support for staff's recommendation. Sphere expansion to include these areas within the consolidated sphere would allow for planning for future service delivery to the areas. Should the Commission not move forward with staff's recommendation to consolidate the spheres of the three districts, staff would recommend that the Commission continue the discussion of this sphere of influence to the next Commission hearing.

The maps shown below represent LAFCO staff's recommended options for this municipal service review/sphere update as described above.

OPTION #1
Proposed Consolidated Sphere of Influence for all
Three CSDs with Sphere Modifications



Or

MUNICIPAL SERVICE REVIEWS AND SPHERE OF INFLUENCE UPDATES

INTRODUCTION:

Municipal service reviews pursuant to Government Code Section 56430 and sphere of influence updates pursuant to Government Code Section 56425 are being conducted for the Daggett Community Services District (LAFCO 3045), Newberry Community Services District (LAFCO 3046), and Yermo Community Services District (LAFCO 3008). The districts' responses and supporting materials are included as Attachments 3, 4, and 5, respectively, to this report and are summarized in the following information.

Daggett CSD (hereafter identified as Daggett) is an independent special district governed by a five member board of directors, elected at-large. Daggett was formed in 1955 with the authorized function to provide water, sewer, refuse, fire, park and recreation, street lighting, mosquito abatement, and police services to the Daggett community. Currently, Daggett is authorized by LAFCO to provide water, street lighting, park and recreation, and fire protection pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*.

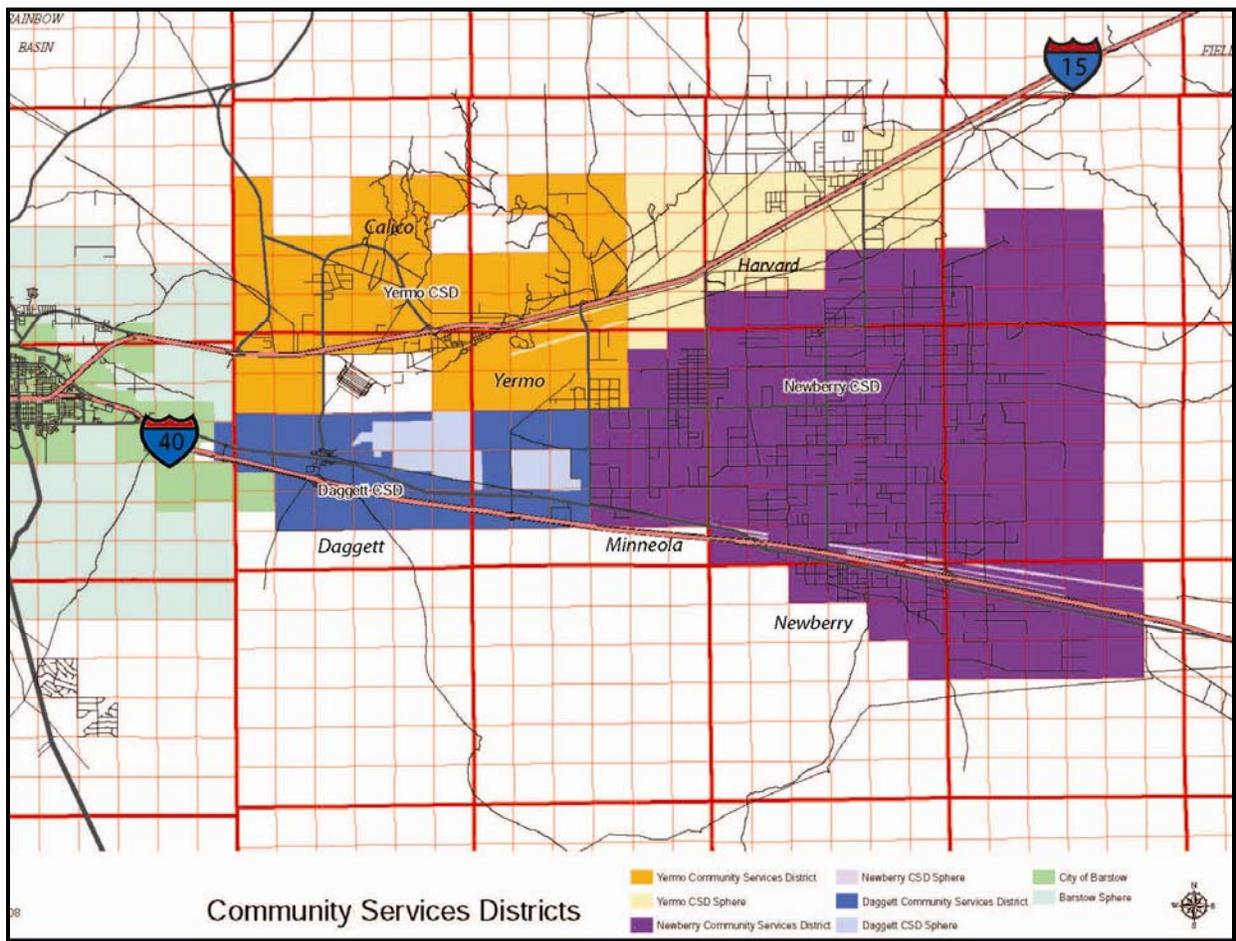
Newberry CSD (hereafter identified as Newberry) is an independent special district governed by a five member board of directors, elected at-large. Newberry was formed in 1958 with the authorized function to provide water, sewer, refuse, fire protection, park and recreation, police, and streetlighting to the Newberry Springs community. Currently, Newberry is authorized by LAFCO to provide water, fire protection, streetlighting, park and recreation, and sewer services. Newberry is not a retail water provider; rather it utilizes water from its own wells for its facilities and for fire protection purposes. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to ultimately plan for a sewer collection and treatment system. As discussed later in this report, LAFCO staff recommends modification of the service description of Newberry's sewer powers to more accurately reflect the service provided.

Yermo CSD (hereafter identified as Yermo) is an independent special district governed by a five member board of directors, elected at-large. Yermo was formed in 1962 through a reorganization which included dissolution of the Yermo Fire Protection District and succession to its responsibilities. The District was originally approved by the voters with the authorized function to provide water, sewer, refuse, fire protection, park and recreation, streetlighting, mosquito abatement, police protection, library, and road services to the Yermo community. The initial active service functions were fire protection, park and recreation, and streetlighting. Currently, Yermo is authorized by LAFCO to perform fire protection, streetlighting, and park and recreation powers.

LOCATION AND BOUNDARIES:

The service reviews and sphere study areas are located in the north desert portion of the County and are generally bordered by a combination of section lines and the City of Barstow boundary and sphere on the west which includes area west of Fort Irwin and Ord Mountain Roads; a combination of section lines and half-section lines on the north; a combination of section lines and Manix Road on the east which includes areas one mile east of Troy Dry Lake; and a combination of the City of Barstow boundaries and section lines on the south which includes area south of Interstate 40 and a small portion of the City of Barstow sphere of influence. A map of the three districts with the City of Barstow to the west is shown below and is included in Attachment #1.

Map of the Daggett, Newberry Springs, and Yermo Communities

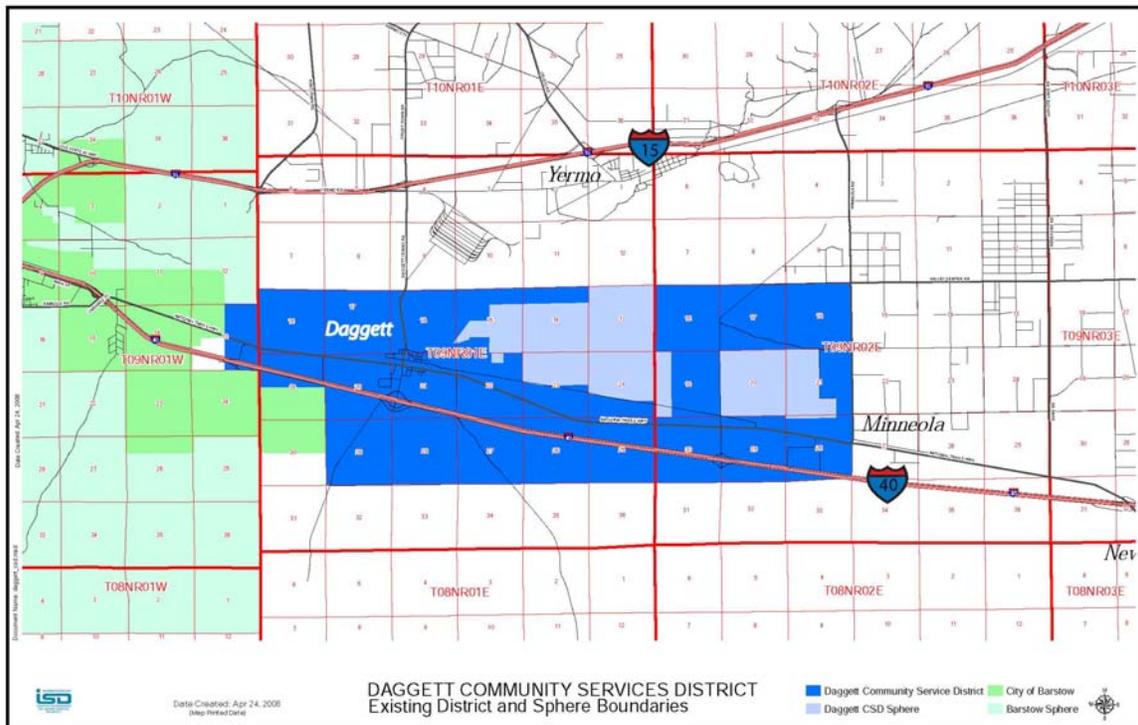


Daggett CSD

As shown on the map below and included in Attachment #3, Daggett’s boundary and sphere of influence comprise approximately 26 square miles and within the sphere but not

within Daggett’s boundaries are the Barstow-Daggett Airport and the utility facilities known as Solar One and Two. Geographical reference points within Daggett or its sphere are Interstate 40, the Barstow-Daggett Airport, and the former Solar One and Two solar energy projects.

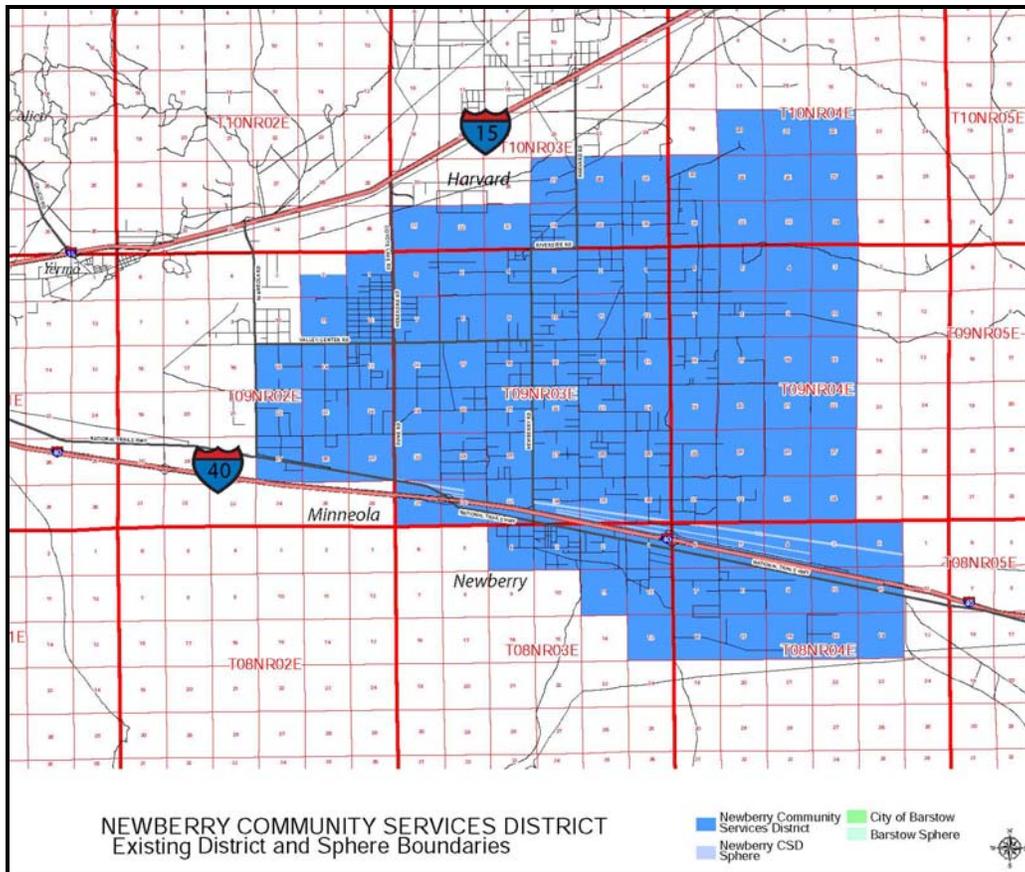
Daggett Community Services District



Newberry CSD

Newberry’s boundary comprises approximately 117 square miles. Newberry’s exterior boundary and sphere of influence boundary line are coterminous, as shown in the map below and included in Attachment #4. Newberry’s sphere includes the exclusion areas of portions of pipelines owned by Pacific Gas and Electric Company and portions of the railway lines located in the southern area of the District. Geographical reference points within Newberry Springs are Troy Dry Lake, Interstates 15 and 40, and the Mojave River.

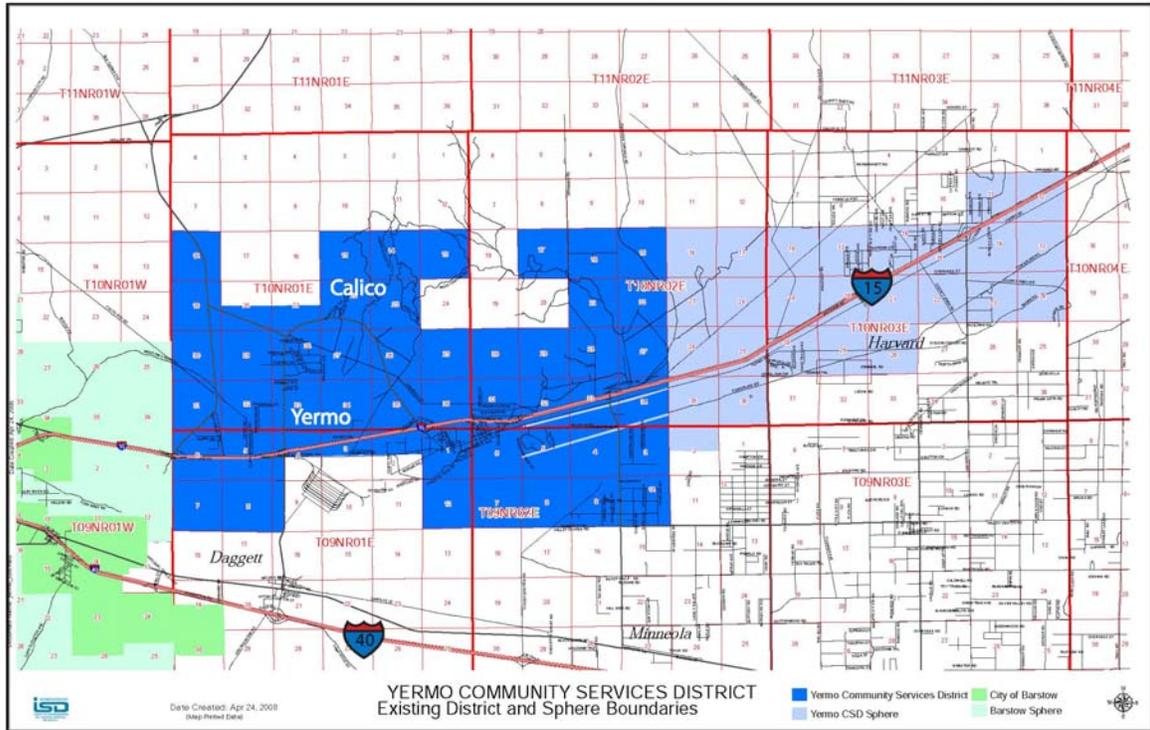
Newberry Community Services District



Yermo CSD

Yermo's boundary and sphere of influence comprise approximately 74 square miles. As shown on the map below and included in Attachment #5, the sphere extends easterly of Yermo and includes the community of Harvard. Yermo's sphere includes the exclusion areas of portions of railway lines and portions of electrical lines located in the eastern area of Yermo. Geographical reference points within Yermo are Interstate 15, the Mojave River, Calico Early Man Archaeological Site, and Calico Ghost Town, a County regional park, and the now closed Lake Delores.

Yermo Community Services District



MUNICIPAL SERVICE REVIEW SUMMARY

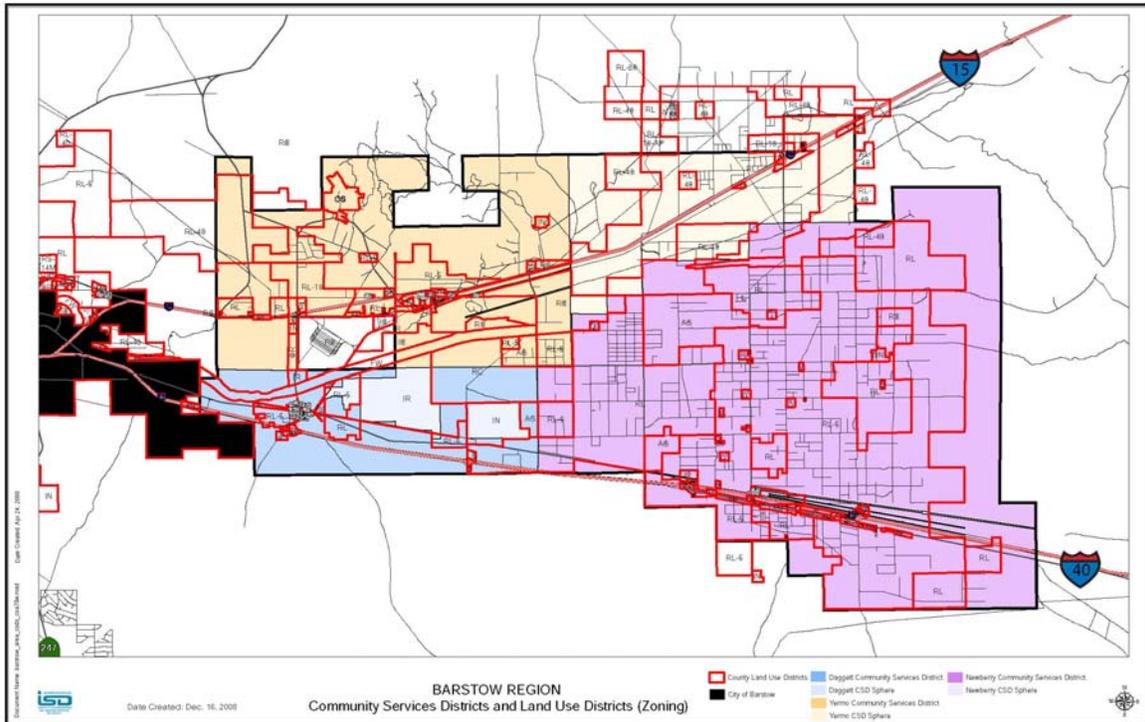
Newberry and Yermo prepared a service review consistent with LAFCO's policies and procedures and the factors required by Government Code 56430. The districts' response to LAFCO's requests for materials includes, but is not limited to, financial information.

Daggett did not prepare a service review consistent with San Bernardino LAFCO policies and procedures, failing to complete the requested Municipal Service Review form. The District's response to LAFCO's requests for materials includes, but is not limited to, its response to the District Profile Sheet and financial transaction reports. Additional information was obtained from an interview with Daggett personnel on May 27, 2008 at the Daggett CSD facility in Daggett, CA and follow-up phone conversations and e-mail transmittals.

I. Growth and Population Projections for the Affected Area.

While the north desert portion of San Bernardino county, in general, has experienced significant growth, Daggett, Harvard, Newberry, and Yermo can be characterized as a rural and agricultural community that have historically experienced slow growth. This is, in the staff opinion, due to its rural, agricultural, and industrial nature and the lack of a region wide provider for water and sewer services. As shown in the map below, the vast majority of the land use designations assigned by the County of San Bernardino are Resource Conservation (RC) allowing one unit to 40 acres and varying levels of Rural Living (RL). Other land use designations include Agricultural (AG), Institutional (IN), Community Industrial (IC), Highway Commercial (CH), Floodway (FW), Regional Industrial (IR), Residential Single (RS), and Open Space (OS). There are existing Williamson Act contracts within the Harvard area (RS-10-AP) outside the existing sphere which restricts the land uses to agriculture for a minimum period of 10 years.

Map of County General Plan Land Use Designations



Population

As of August 14, 2008, Daggett had 195 registered voters, Newberry had 1,001 registered voters, and Yermo had 632 registered voters. Utilizing the growth forecast for transportation analysis zones, as identified in the Southern California Association of Governments (SCAG) 2008 Regional Transportation Growth Forecast, the 2000 Census estimates and the population growth projections are as follows:

District	2000*	2010	2015	2020	2025	2030
Daggett	775	885	1,005	1,102	1,214	1,378
Harvard **	824	941	1,068	1,171	1,290	1,464
Newberry **	2,071	2,366	2,686	2,944	3,242	3,682
Yermo	1,500	1,713	1,945	2,132	2,349	2,667

* 2000 Census estimate

** The 2000 Census estimate and SCAG forecasts both include Harvard in the Newberry figures. For the purposes of this report, staff extrapolated the 2000 Census block data for the general Harvard area and applied the same growth increase for the population forecasts from 2010 to 2030.

These areas are not anticipated to experience significant growth (including Harvard within the Yermo CSD sphere) within the coming years. This determination is made due to about one-third of the land being publicly owned, the land use designations assigned by the County, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. The land ownership breakdown of each district's boundary is as follows:

Daggett CSD

Land Owner	Sq Miles	Percentage
Private	13.2	64.1%
US Bureau of Land Management	6.1	29.4%
County of San Bernardino	0.7	3.8%
United States of America	0.4	1.5%
State of California	0.2	1.2%
Total	20.6	100.0%

Newberry CSD

Land Owner	Sq Miles	Percentage
Private	90.2	78.9%
US Bureau of Land Management	23.9	20.9%
State of California	0.1	0.1%
County of San Bernardino	0.1	0.1%
Total	114.3	100.0%

Yermo CSD

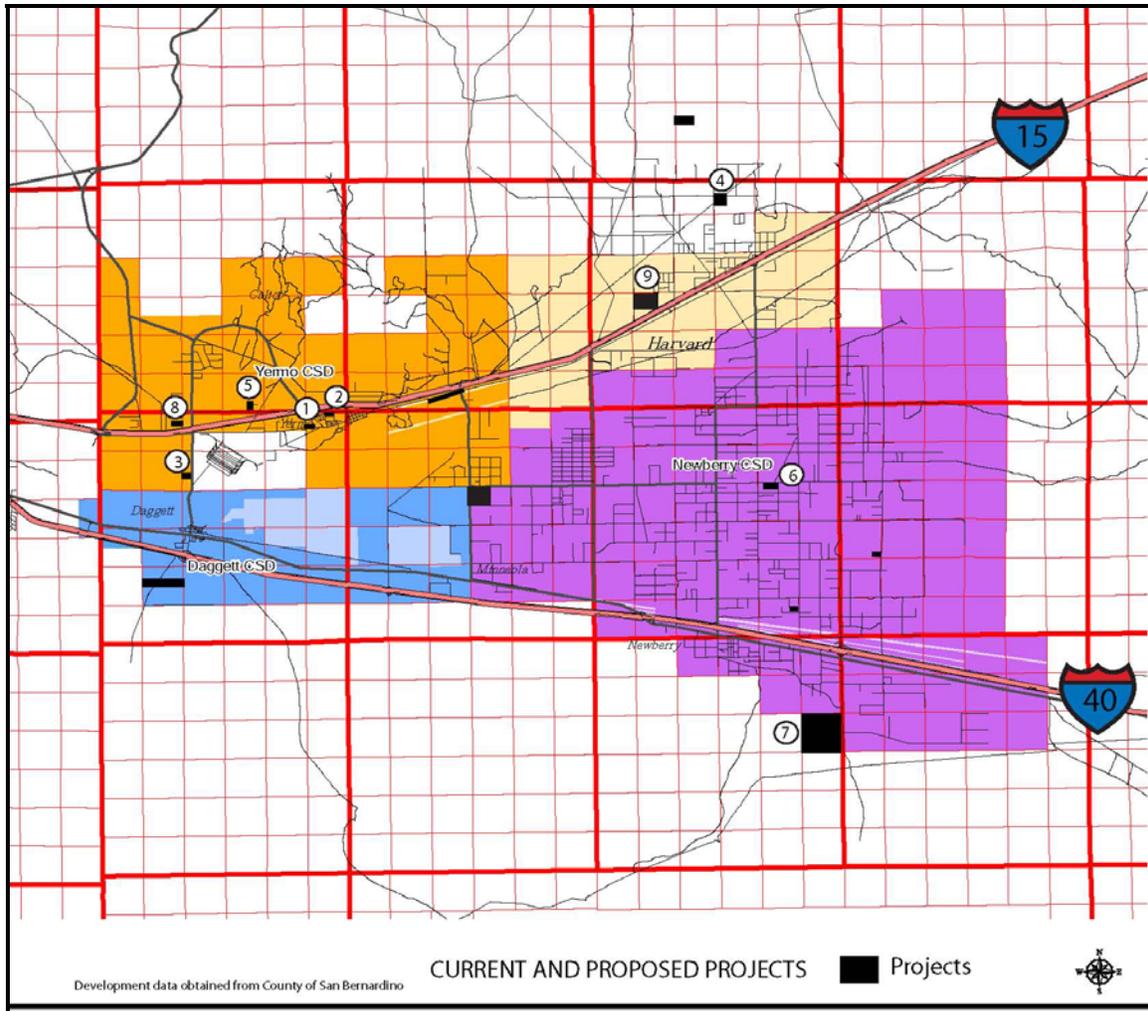
Land Owner	Sq Miles	Percentage
Private	25.7	52.9%
US Bureau of Land Management	20.6	42.3%
County of San Bernardino	1.4	2.8%
State of California	0.9	2.0%
Total	48.6	100.0%

Historical trends indicate low growth in the community in comparison with other urban areas of the North Desert region of the County. However, LAFCO staff has received project notices which anticipate General Plan Amendments, tentative tract developments, and Conditional Use Permits for increased residential and commercial development within the area. The most significant of these projects are anticipated for large commercial and service-oriented uses geared toward the busy Interstate 15 traffic. These future projects will increase the need for public services within the community. However, the single most tangible factor that could limit growth will be the availability of water. These projects are adequately accounted for in the projections listed above. Since 2005, the larger of these projects are included in the following with the respective project identified on the map below.

Map No.	PROJECT NAME	YEAR SUBMITTED	AREA	NUMBER OF RESIDENTIAL UNITS/LOTS PROJECT DESCRIPTION
1	Calico Yermo Partners	2008	Yermo	General Plan amendment from Rural Living and Highway Commercial to Service Commercial on 16 acres; Conditional Use Permit to establish 149,139 sq. ft. of retail space, 23,679 sq. ft. for restaurants, 2,256 sq. ft. for motel, 4,851 sq. ft. theater all in several structures, and a major variance to allow 100' sign height of 25' by 75' on 16 acres; Merge three lots on 16 acres
2	15 & Minneola LLC	2008	Yermo	General Plan amendment from Rural Living to Highway Commercial on 37.76 acres; Tentative Parcel Map 18457 to create seven commercial lots on 48.6 acres; five Conditional Use Permits to establish a travel center that includes a motel/convenience store/gas station/RV park/several restaurants in five phases on 37.76 acres
3	TPM 18932	2008	Yermo	Three commercial lots on 17.4 acres
4	TPM 18722	2008	Harvard	27 residential lots on 138.05 acres
5	P200700175/CF	2007	Yermo	General Plan amendment from Rural Living to Retail Commercial on 5.59 acres; Conditional Use Permit to establish a used car dealership with a caretakers residence and an office on a portion of 5.59 acres
6	P200601271/CF	2007	Newberry	General Plan amendment from RL-5 to Retail Commercial on 40 acres; Conditional Use Permit to establish an outdoor RV storage area with a 1,200 SF Office on 20 acres and a nursery with a 1,200 SF office on 20 acres
7	Kiewit Pacific Company	2006	Newberry	Reclamation Plan for Fort Cady Rd quarry to modify conditions of approval
8	Old Grove Properties	2006	Yermo	Revision to an approved action to add 66 RV site and tent sites to an existing campground on a portion of 37.17 acres
9	KHL Development LLC (Lake Dolores)	2005	Harvard	General Plan amendment from Rural Living to Planned Development; Tentative Tract 17345 to create 1,408 residential lots and 33 lettered lots; Planned development to establish a senior residential community on 262.57 acres

The figure below shows the location of the projects submitted to the County Land Use Services Department since 2005:

Location of Current and Proposed Projects



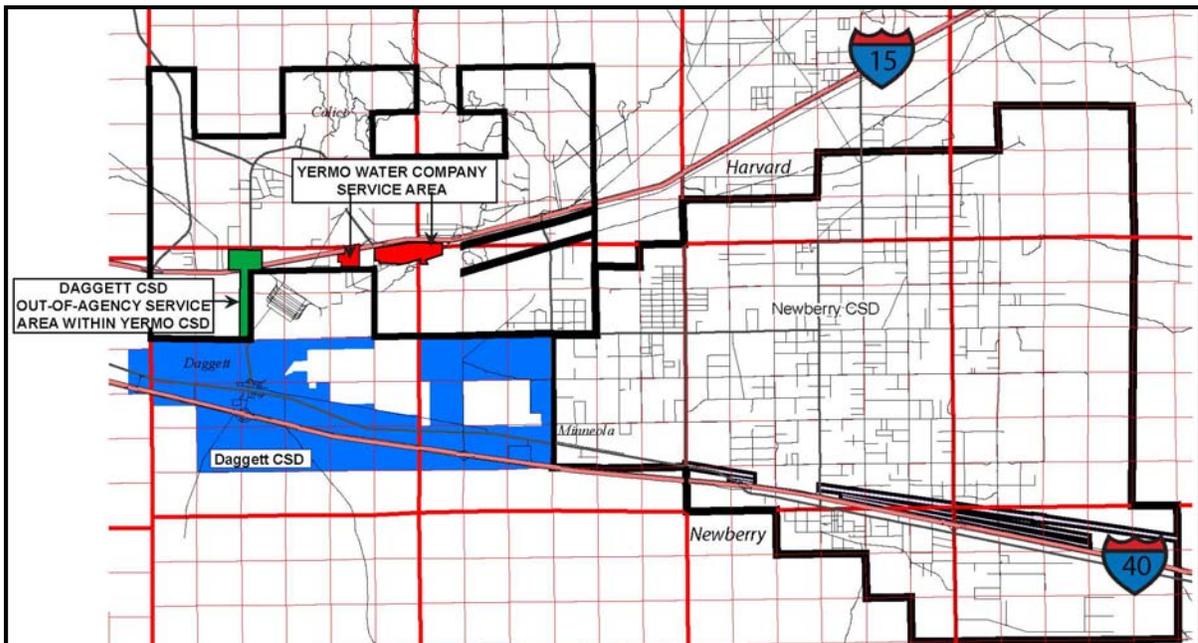
II. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies.

A. Water

Currently, the Daggett CSD and Yermo Water Company are the only domestic water service providers within this region. These service providers are shown on the map below which is included as a part of Attachment #1. Daggett delivers water within its boundaries and to a 1.25 mile area within Yermo CSD territory. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water to a small portion of the Yermo community. The Yermo Water Company has been under investigation by the PUC, culminating in the April 2009 order to place it in mandatory receivership. Final action on this order is

anticipated to be provided by August 2009. In the areas not within a municipal water provider, including Harvard, water service is provided on-site through wells.

**Map of Water Providers within the Region:
Daggett CSD and Yermo Water Company**



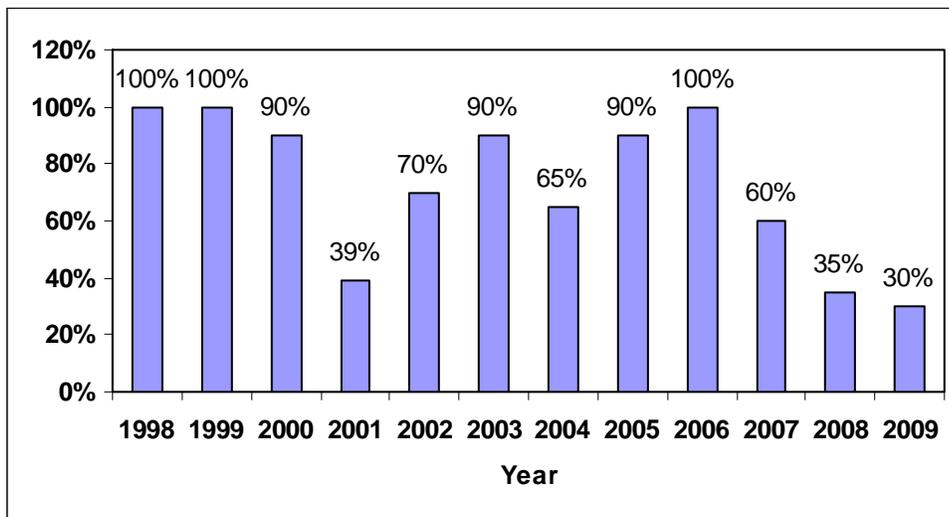
Regional Water

As LAFCO staff has stated on many occasions, water is the lifeblood for communities located in the desert and those that have access to water thrive, while those without adequate supply will see their service abilities deteriorate. Therefore, the most significant regional issue is present and future water supply. The *2007 State Water Project Delivery Reliability Report* indicates that State Water Project (SWP) deliveries will be impacted by two significant factors. First, climate change is altering hydrologic conditions in the State. Second, a ruling by the Federal Court in December 2007 imposed interim rules to protect delta smelt which significantly affects the SWP. Further, the *Report* shows, "...a continued eroding of SWP delivery reliability under the current method of moving water through the Delta" and that "annual SWP deliveries would decrease virtually every year in the future..." The *Report* assumes no changes in conveyance of water through the Delta or in the interim rules to protect delta smelt.

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase for the past eleven years. For example, Mojave Water Agency (MWA) (the State Water Contractor that overlays the community) is entitled to purchase up to 75,800 acre-feet of imported water per year. For 2009 the allocation percentage is 30%; therefore, MWA can purchase up to 22,740 acre-feet in 2009. In May the final 2009

allocations will be set and if the percentage remains at 30%, it will match the lowest in SWP history, which occurred in 1991⁸. This sharp reduction in supplemental water supply will reduce the amount of water that MWA can place into the groundwater basin from which the community pumps its water.

**Department of Water Resources State Water Project
Allocation Percentages Statewide (1998-2009)**



source: Department of Water Resources

The water supplied for consumption and/or use within the community is pumped from the local groundwater basin. The high growth rate in the lower North Desert region, coupled with a continued overdraft⁹ of the Mojave groundwater basin in its entirety, which is the primary source of supply, is an infrastructure deficiency. The groundwater basin is adjudicated¹⁰ under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre-feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft. Producers are required to replace any water pumped above their Free Production Allowance by paying the Watermaster to purchase supplemental water or by purchasing unused production rights from another party. Due

⁸ “California Remains in Third Year of Drought Despite Slight Increase in State Water Project Allocation”, Press Release. 16 April 2009.

⁹ Overdraft is defined as “the condition of a groundwater basin in where the amount of water withdrawn exceeds the amount of water replenishing the basin over a period of time”. Department of Water Resources, California Water Plan Update - Bulletin 160-98, pg. G-3 (November 1998).

¹⁰ Adjudication is defined in the 2005 California Water Plan as the “Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision.” Department of Water Resources, California Water Plan Update 2005, Vol 4, Glossary (2005).

to the ongoing over-draft of the basin and challenges associated with the State Water Project, future supplies are limited and demand will exceed supplies unless the Department of Water Resources allocates additional amounts. This prompts water purveyors to scale back consumption annually, to aggressively promote water conservation measures, and to buy more expensive imported water. Finding efficiencies in managing limited supply sources is critical for the future of the communities.

Baja Subarea of the Mojave River Basin

The United States Geological Survey estimates that since about 1950, more than 1,000,000 acre-feet has been depleted from storage in the Baja subarea of the Mojave River basin. Further, the most recent Watermaster report states that, "The continued overdraft in Baja will cause continued depletion of water from storage thereby impacting all water users".¹¹

Pursuant to the Adjudication Judgment for the Mojave River basin, additional Rampdown in Baja is warranted. Free Production Allowance (FPA) exceeds the Production Safe Yield and current water production and consumptive use exceeds the average net long-term supply in Baja. The Court issued an Order dated December 29, 2005 concerning FPA in Baja. Paragraph (5) of the Order provides that the ten year moratorium on Rampdown and FPA will be re-visited by Watermaster and by the Court if production in Baja materially changes. The purpose of the moratorium was to allow certain Baja producers to continue to pump at the production rate of 2003-04, with restrictions, for ten years and at that time to re-evaluate the FPA in Baja. During the 2006-07 Water Year, water production increased in Baja by 13.48% over 2003-04. The Court found that the increase in production was material and therefore triggered the reevaluation of the moratorium and the recalculation of free production allowance and the necessary rampdown needed to bring the Baja Subarea into balance as required by the Judgment. On September 8, 2008, the Court lifted the moratorium for Baja and returned Baja to the Judgment. Therefore, rampdown in Baja shall continue pursuant to the terms of the Judgment, and FPA was set at 70% of Base Annual Production for 2008-09.

For Water Year 2009-10, pursuant to the Judgment additional rampdown is warranted and FPA has been set at 65%. The Watermaster Report notes that water production in Baja during 2007-08 declined from 2006-07 by 6.7%, but remains higher than the long-term average water supply which further reduces water levels.¹²

In 1996 the Mojave Water Agency began construction on the Mojave River Pipeline in order to offset the depletion of groundwater in the upper reaches of the Mojave River Basin caused by population growth and over pumping from wells. The Pipeline was

¹¹ Mojave Basin Area Watermaster, 14th Annual Report of the Mojave Basin Watermaster: Water Year 2006-07, (April 1, 2008), Ch. 5.

¹² Mojave Basin Area Watermaster, Draft 15th Annual Report of the Mojave Basin Watermaster: Water Year 2007-08, (25 Feb 2009), Ch. 5.

constructed in three phases and was completed in 2006. The Pipeline spans approximately 76 miles. It can supply up to 45,000 acre-feet of water each year to the upper Mojave River Basin where it percolates into groundwater recharge basins in the Centro subarea (Hodge and Lenwood recharge sites), and Baja subarea (Daggett and Newberry Springs recharge sites). It serves the communities of Barstow, Daggett, Hodge, Lenwood, Minneola, Newberry Springs, and Yermo. The recharge sites particular to this report are in the Baja subarea. As shown in the chart below, the first deliveries to the Baja subarea began in 2003 to the Daggett recharge site. Since that time, through October 2008, the Mojave River Pipeline has delivered 12,803 acre-feet of water to the Daggett and Newberry Springs recharge sites.

**State Water Project Deliveries to the Recharge Sites of the Mojave River Pipeline
Calendar Years 1999 through 2008**

Recharge Site	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 *	Total
Centro Subarea											
Hodge	994	2,144	0	0	2,680	931	2,234	3,869	564	2	13,418
Lenwood	2,673	1,476	0	0	1,331	1,091	1,519	1,963	422	9	10,484
Total Centro	3,667	3,620	0	0	4,011	2,022	3,753	5,832	986	11	23,902
Baja Subarea											
Daggett	n/a	n/a	n/a	n/a	1,890	1,488	3,114	4,168	483	0	11,143
Newberry	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,227	433	0	1,660
Total Baja	n/a	n/a	n/a	n/a	1,890	1,488	3,114	5,395	916	0	12,803
Grand Total	3,667	3,620	0	0	5,901	3,510	6,867	11,227	1,902	11	36,705

* 2008 through October
source: Mojave Water Agency

As the above chart indicates, continued deliveries to the Baja Subarea are dependent upon deliveries to the Mojave Water Agency through the State Water Project, whose pumping is currently restricted by court order.

Service by Daggett CSD within Yermo CSD

Since 1984 Daggett CSD has been providing water service within the western portion of Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. The School District originally requested that Daggett CSD provide the service because no other entity was capable of providing the level of service needed. Between 1984 and 2001, Daggett CSD allowed residents along the water main to connect. However, Assembly Bill 1335 (Gotch), effective 1994, required LAFCO to review, and approve or deny requests for a city or district to provide service outside of its boundaries. In 1993 LAFCO staff requested that agencies respond to a LAFCO survey regarding services provided outside an agency's boundary. Daggett CSD did not respond to LAFCO's request; therefore, it was unaware of the service.

In 2001, the Commission approved an out-of-agency service contract (Service Contract 135) authorizing Daggett CSD to provide domestic water and water for fire protection

purposes within a defined service area within Yermo CSD territory from Daggett's eight-inch pipeline in Daggett-Yermo Road. The application to the Commission was prompted by LAFCO staff's response to a County Planning Department referral on a proposed Conditional Use Permit for a development project which indicated that Daggett CSD would provide water service within the western portion of the Yermo CSD. The service area is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area.

Any request submitted for the expansion of the service area would require that Daggett CSD provide a study showing the capacity for service through lines and storage facilities and a payment schedule that would acknowledge buy-in-costs for the facilities. The LAFCO staff report for SC 135 stated a reservation that the service capacity of an eight-inch water line given the commercial use and fire flow requirements was a concern. The eight-inch water line is still in use and the commercial use and fire flow requirements remains a concern.

Daggett CSD

Daggett CSD has water production rights (also known as Base Annual Production) to assure 304 acre-feet (AF) annually. Daggett is within Baja sub-region, and Free Production Allowance (FPA) was at 70% of Base Annual Production for 2008-09, which permitted Daggett 213 AF of FPA. For FY 2009-10, FPA has been set at 65%, which currently permits Daggett 198 AF and will be subject to further rampdowns in the future.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused FPA from another party. As indicated in the table below, the historical trend for Daggett's water production indicates that it does produce more than its FPA. However, until 2003-04 it had purchased water from other agencies to make up the difference along with purchasing additional water for future use. Thus, it has had no replacement obligation to the Watermaster. However, given the trend of water production in excess of its FPA, its carryover from prior year has been lessened each year, with 35 AF carried over into 2007-08 and zero AF carried over into 2008-09. Based on this trend and the additional rampdown, Daggett is currently resuming the purchase of water from other agencies in order to avoid having to pay the higher Watermaster rates for overproduction. This will translate into increased costs for ratepayers. However, Daggett purchased 50 AF of permanent base annual production rights in September 2008 in order to mitigate the higher Watermaster costs.

Daggett CSD Water Production and Water Obligations
(units in acre-feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year and Transfers from Other Agencies	Verified Production	Unused FPA ³ or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
2001-02	204	252	259	197	\$0	\$0
2002-03	204	297	262	239	\$0	\$0
2003-04	204	399	255	330	\$0	\$0
2004-05	204	330	248	204	\$0	\$0
2005-06	191	204	258	137	\$0	\$0
2006-07	191	137	293	35	\$0	\$0
2007-08¹	228	35	270	(7)	7 AF at a cost of \$2,359	\$0
2008-09²	213	0	N/A	N/A	N/A	N/A
2009-10	198	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

¹ Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

² Draft data (Appendix B) not available until January 2010.

³ Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

Daggett Facilities

Daggett’s water facilities are comprised of 185 active connections, four active wells, four tanks, and mostly eight-inch pipes with some four, six, and ten-inch pipes. According to staff at the County Department of Community Development and Housing, the District received a Community Development Block Grant in FY 06-07 for security fencing for the water storage tanks. Below is a listing of the tank capacities:

- Tank 1 – 200,000 gallon steel bolted
- Tank 2 – 150,000 gallon steel welded
- Tank 3 – 3,000 gallon steel welded
- Tank 4 – 135,000 gallon in-ground

Indicated in the chart above, Daggett CSD produced 293 acre-feet in 2006-07. Utilizing this figure, LAFCO staff calculated a maximum daily demand (emergency storage) of 470,833 gallons per day and compared it to the system’s 488,000 gallons of tank storage

capacity. Based on these figures (shown in the chart below), the district has enough storage capacity to meet maximum daily demand.

Connections	Average Daily Demand (ADD)		Max Daily Demand (1.8 x ADD) [Emergency Storage]		Operational Storage (gallons)
	AF/Yr	gpd	gpd	gpm	
285	293	261,574	470,833	454	488,000

Daggett CSD has no water management plan or strategic plan to reference in order to provide technical information for this report such as average daily demand, maximum daily demand, operational storage, fire storage, or hydraulic modeling. Further, Daggett has no plans for significant upgrades of its water system.

Newberry CSD

The Newberry Springs community has no existing public water system to serve residents and water service is characterized by the acquisition through private wells. This service deficiency limits the development capacity for the Newberry Springs area but also supports the retention of its rural nature. Furthermore, Newberry CSD does not supply water to residents; it only supplies its own facilities and provides water for fire protection purposes (water trucks). Newberry CSD’s Strategic Plan indicates that water service is a long range goal and a study would have to be conducted to determine the funding for such an endeavor which would include the need to purchase additional water rights.

Newberry CSD has water production rights (also known as Base Annual Production) to assure 23 acre-feet (AF) annually. Newberry is within Baja sub-region, and Free Production Allowance (FPA) was 70% of Base Annual Production for 2008-09, which permitted the district 17 AF of FPA. For 2009-10, FPA has been set at 65%, which currently permits Newberry 15 AF.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused production rights from another party. The historical trend for Newberry’s water production indicates that it does not produce more than its FPA. Thus, it has no replacement obligation to the Watermaster. Additionally, a review of the Watermaster’s water transfer records for the past four years indicates that Newberry has neither received nor transferred annual production rights with other entities.

Newberry CSD Water Production and Water Obligations
(units in acre feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year	Verified Production	Unused FPA ³ or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
2002-03	19	19	16	19	\$0	\$0
2003-04	19	19	16	19	\$0	\$0
2004-05	19	19	16	19	\$0	\$0
2005-06	18	19	16	18	\$0	\$0
2006-07	18	18	18	18	\$0	\$0
2007-08 ¹	18	18	18	18	\$0	\$0
2008-09 ²	17	18	N/A	N/A	N/A	N/A
2009-10	15	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

¹ Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

² Draft data (Appendix B) not available until January 2010.

³ Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

Yermo CSD

In 1982, the Commission approved the expansion of Yermo CSD's powers to include water (LAFCO 2189). The rationale for this approval was the desire of the Yermo CSD to form an improvement zone surrounding the private water system within its boundaries and to acquire and improve the water system over time. At that time, the water system was deteriorated, under-sized, and without adequate water supply or storage. Costs for the effort were unknown. Following that approval, Yermo did not acquire the private water system. The LAFCO staff report for LAFCO 2189 and the district resolution are included as a part of Attachment #8.

In 2006, as a requirement of the update of Community Service District Law (SB135), LAFCO was to inventory the active services provided by CSDs and to determine that those not actively provided would become latent powers. In December 2005, LAFCO staff requested the submission of data on active services and the Yermo CSD identified that water service was not actively provided. At the January 2006 LAFCO hearing the Commission amended the authorized functions for the District to exclude water service.

Yermo CSD's Current Request to Activate its Latent Water Function

Throughout the processing of the service review for Yermo CSD, LAFCO staff and representatives of the district have discussed the potential addition of water powers for Yermo CSD as a part of the service review. Yermo CSD's stated intent was to be considered an option for taking over the Yermo Water Company, either through purchase or as a receiver if the court so determined. It has been the District's opinion that activation of its latent Water function would provide an opportunity for Yermo CSD to be considered an option by the PUC to take over the Water Company. On October 21, 2008, the Yermo CSD Board of Directors approved an action to formally discontinue their pursuits to either acquire the Yermo Water Company or be considered an option should the court determine a receiver for the Yermo Water Company.

However, in response to actions taken by the Public Utilities Commission related to the operations of the Yermo Water Company, Yermo CSD determined to once again pursue activation of their latent water functions. On April 6, 2009 the District submitted its official application for reactivation and LAFCO staff has assigned it the designation of LAFCO 3008A for processing. However, due to a change in LAFCO Law effective January 1, 2009, proposals for the exercise of a new or different function or class of service requires completion of a property tax transfer process as outlined in the Revenue and Taxation Code. Therefore, Commission consideration for LAFCO 3008A could not be undertaken by the Commission at the May 2009 hearing and is anticipated to be presented to the Commission at the June 2009 hearing.

In anticipation of being an option to assume the service responsibilities of the Yermo Water Company, the Yermo CSD in 2008 requested County Board of Supervisors approval for the sale of tax defaulted property¹³ to the District for the stated purpose of providing for a future well/storage tank site for local water service (included as a part of Attachment #5). On July 22, 2008 the County Board of Supervisors approved this request. However, Yermo CSD has not been authorized by LAFCO to provide or engage in water service in any manner pursuant to the Government Code and the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. The Board Agenda Item authorizing the sale lists the purchase price of this parcel at \$2,850. LAFCO staff requested from the district the source of the funding for the parcel purchase, specifically from which district fund (fire, park and recreation, etc). To date, LAFCO staff has not received a reply from the District. Staff is of the understanding that completion of this sale has not yet occurred because the mapping requirements of the State Controller have not been satisfied.

¹³ Chapter 8 of the State of California Revenue and Taxation Code (§3771 et seq.) authorizes the Tax Collector to offer properties for sale that have been tax-defaulted for five years or more to taxing agencies or non-profit organizations.

The Yermo Water Company

In order to provide a comprehensive analysis of water delivery within the communities, LAFCO staff requested the Yermo Water Company (Water Company) to provide information regarding its services, boundaries, and operations. The Water Company did not respond to LAFCO staff's request. However, staff has gathered information from other sources to provide a description about the Water Company and its operations.

Yermo Water Company has water production rights (also known as Base Annual Production) to assure 453 acre-feet (AF) annually. Yermo Water Company is within the Baja sub-region, and Free Production Allowance (FPA) was set at 70% of Base Annual Production for 2008-09, which permitted Yermo Water Company 318 AF of FPA. For FY 2009-10, FPA has been set at 65%, which currently permits Yermo Water Company 295 AF.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused FPA from another party. As indicated in the table below, the historic trend for Yermo Water Company's water production indicates that it produces less than half of its FPA. Thus, it has had no replacement obligation to the Watermaster. In 2005-06 its unused FPA was 203 AF and in 2006-07 unused FPA was 340. A review of the Watermaster transfers records does not list Yermo Water Company as having transferred or leased its unused FPA to another agency.

Yermo Water Company Water Production and Water Obligations
(units in acre-feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year and Transfers from Other Agencies	Verified Production	Unused FPA ³ or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
2001-02	363	0	363	0	\$0	\$0
2002-03	363	0	122	241	\$0	\$0
2003-04	363	241	137	363	\$0	\$0
2004-05	363	363	137	363	\$0	\$0
2005-06	340	363	137	340	\$0	\$0
2006-07	340	340	137	340	\$0	\$0
2007-08 ¹	340	340	137	340	\$0	\$0
2008-09 ²	318	340	N/A	N/A	N/A	N/A
2009-10	295	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

¹ Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

² Draft data (Appendix B) not available until January 2010

³ Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

The Water Company is regulated by the California Public Utilities Commission (PUC) and provides water to four tracts within the Yermo community. The number of connections has remained relatively static since 1993 when it had 343 metered connections; currently it has 350 connections with most of the connections to single-family-residences. The service area is divided into two pressure zones with three wells and three storage tanks. The capacity of all three wells is about 450 gallons per minute. The tanks are hydro-pneumatic with one 10,000 gallon tank and the two other tanks have a combined capacity of 15,000 gallons. The Water Company utilizes two to four-inch distribution mains and laterals to serve the customers.

Since 1985 the Yermo Water Company has been of concern to the PUC and the California Department of Public Health (CDPH)¹⁴. In general, the concerns of the PUC, CDPH, and the residents within the Water Company center on the Water Company's failure to comply with PUC and CDPH directives and with the quality of water and the pressure within the delivery system.

On April 24, 2008 the PUC issued an Order Instituting Investigation (Order) of the Yermo Water Company (included as a part of Attachment #6). According to the Order, the Water Company has a record of deferred or non-existent maintenance, unmet regulatory mandates, and continuing problems with water quality and service. Pursuant to the Order, the Water Company was directed to show cause why the PUC should not penalize the Water Company in addition to not petitioning the San Bernardino County Superior Court for the appointment of a receiver to assume the operation of the Water Company and its water system. A Prehearing Conference convened by an administrative law judge took place on June 11, 2008 to determine if a hearing was necessary. A hearing was deemed necessary and conducted with the Division of Water and Audits of the PUC having served the opening testimony by stating that, "The record amply supports a [PUC] Commission order to place Yermo [Water Company] under a court-appointed receiver." It supports its conclusion by addressing and affirming the eight areas of concern raised by the Order regarding the Yermo Water Company and its owner:

¹⁴ The California Department of Public Health was formerly known as the California Department of Health Services.

1. Yermo Water Company has not filed an official general rate increase application since 1993.
2. Yermo Water Company fails to respond to and comply with PUC orders, rules, and regulations.
3. Yermo Water Company fails to comply with PUC requirements to file PUC Annual Reports and pay annual fees.
4. The owner has disregarded PUC directions to improve infrastructure; employed inexperienced, untrained, and unlicensed water operators; and appears to have attempted to sell the Yermo Water Company without prior PUC approval.
5. The owner has been unable or unwilling to adequately serve its ratepayers.
6. The owner has failed to fulfill their promises to PUC staff to provide plans for remedying Yermo Water Company's operational problems.
7. The owner has apparently abandoned Yermo Water Company.

The owner has persistently failed to comply with CDPH orders, rules, and regulations. A series of citations have been issued.

The Presiding Officer's Decision regarding authorizing Superior Court action for appointment of a receiver for Yermo Water Company was made available on April 6, 2009 (included as a part of Attachment #6). The Decision authorizes and directs the PUC's Legal Division to commence proceedings in Superior Court of San Bernardino County for appointment of a receiver to take possession and operate Yermo Water Company. If no appeal or request for review is filed by August 2009, the Presiding Officer's Decision shall become the decision of the PUC.

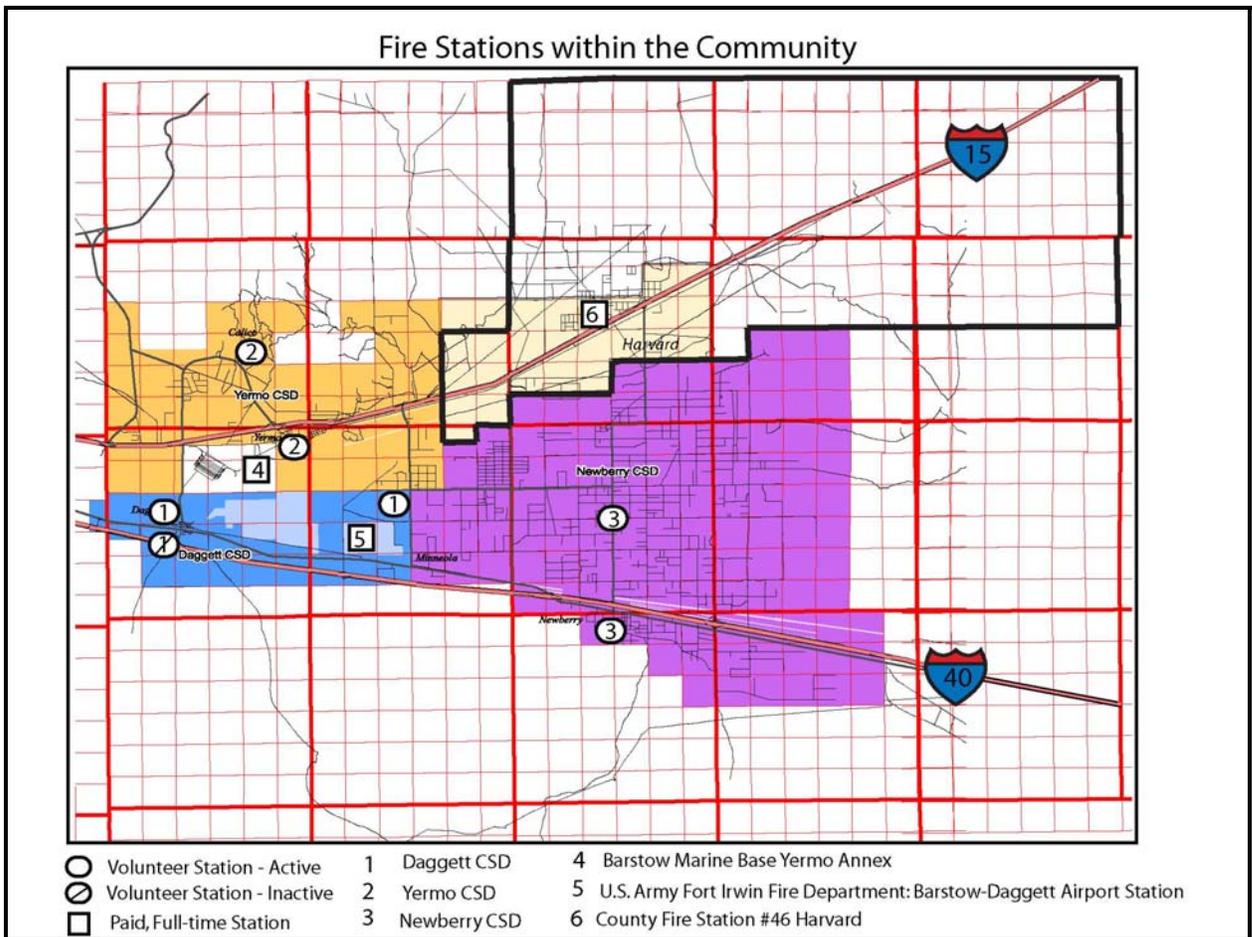
B. Sewer

The entirety of the communities utilize on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for installation of sewer improvements. This service deficiency limits the development options for the community. The districts do not currently provide sewer service and there are no other existing entities to provide sewer service.

Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system. Actual provision of sewer service would require an application to LAFCO, along with a plan for services, and Commission approval. Should Newberry desire to provide this service to only the populated segments within the district, it would need to form an improvement district pursuant to CSD Law. This option would require voter or landowner approval due to the need for funding the development of the system and would require LAFCO approval to provide the service.

C. Fire Protection

Each of the districts is authorized by LAFCO to provide fire protection services. However, each of the districts experiences challenges in providing fire protection services given the limited resources available, and they are reliant upon one another and other fire protection agencies through mutual aid to fulfill this mission. The stations which provide fire service are outlined on the map shown below:



The nearest San Bernardino County Fire Protection District (County) Fire Station is Station #46 in Harvard. Station 46 staffing consists of a full-time captain and two paid firefighter positions on duty 24 hours a day. Paid-call firefighters who live in the area augment the service. Equipment consists of one ICS Type 1 structure engine, one ICS Type 4 brush patrol unit with four wheel drive, and one Type 3 brush fire engine. Currently, Station #46 responds to the Harvard area, the heavily traveled Interstate 15 between Barstow and Baker, portions of Interstate 40, the exclusion areas within

Newberry just north of Interstate 40, and assists the CSDs through mutual aid.¹⁵ Further, Station #46 serves roughly four square miles of Daggett sphere territory that is wholly surrounded by CSD territory. This area is the western sphere area of Daggett and is primarily comprised of industrial uses. The Harvard community receives a higher level of service based upon its low population, proximity to County Fire Station #46, and the funding structure in place due to the reorganization of County Fire (LAFCO 3000). Prior to the reorganization of County Fire, Station #46 received its funding from revenues generated within Harvard. Since the reorganization, Station #46 receives revenues generated from within Harvard and the North Desert Service Zone of the County Fire Protection District. On the basis of this service advantage, LAFCO staff is recommending the exclusion of the Harvard community from either the consolidated spheres of influence or the Yermo sphere of influence.

As discussed for each district below, each faces its own challenges. Daggett and Yermo do not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. Newberry has the largest area to cover and in January 2009 the District re-activated its second fire station. During 2008 it provided fire protection with one operational fire station. There may be a better avenue for fire provision within these areas due to the lack of resources.

In the view of LAFCO staff, removal of the districts' fire protection powers with County Fire as the successor would provide the best mechanism for fire protection and emergency services to the areas along Interstate 15 between Barstow and Baker and along Interstate 40 between Barstow and Needles. While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, there is not sufficient revenue available from the three communities to support such a change. Not surprisingly, none of the three community services districts has indicated support for this option, and County Fire also has not indicated support for this option due to the limited revenue stream for the service.

LAFCO staff would support this option, in the long-run, if revenues would support such a change as it would result in a regional fire agency providing service to the area, as it already does to the sphere of influence areas in these communities, it could potentially result in economies of scale, and would allow residents of the communities to participate on the advisory board for determining levels of service for the North Desert. Without the revenues to support such change, LAFCO staff would recommend the potential for the agencies to use joint powers agreements or other contractual mechanisms to allow for the economies of scale.

Daggett CSD

Daggett provides fire protection within its boundaries from three fire stations through an all-volunteer department. Currently, staffing includes six fire personnel including a fire

¹⁵ San Bernardino County Fire Protection District. website. www.sbcfire.org. Accessed 8 Dec 2008. Last update unknown.

chief and assistant fire chief all on a paid-call basis. Daggett currently owns and operates four vehicles for fire fighting: one water tender with a 1,600 gallon tank, two structural fire trucks, and one brush truck. There is no fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals.

Within the Daggett CSD sphere of influence is the Barstow Daggett Airport, a county-operated airport facility. Fire service is provided at this facility by personnel from Fort Irwin as it houses aircraft at the facility through a contract with the County Airports Department. This fire station is manned during operational hours and provides for mutual aid response.

Daggett has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Newberry Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire.

Newberry CSD

Newberry provides fire protection through the Newberry Fire Department. The Fire Department has an ISO rating¹⁶ of 9 and answers on average 400 to 500 calls per year. A sampling of the calls indicates an average response time of 12.5 minutes. The Fire Department provides mutual aid to over 100 calls and receives aid on 60 to 80 calls. Newberry Fire has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Daggett Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire.

The Department currently is staffed with 22 volunteers. Each volunteer participates in an average of 400 hours of training per year. In January 2009 there were 20 volunteers. Of the 20, ten are qualified as Type II wild land firefighters, six are emergency medical technician basic, three are California State Fire Marshall certified Firefighter II, two are hazardous materials technicians, one is a Specialist, two meet FEMA Urban Search and Rescue qualifications, and one is Fire Officer certified by the California State Fire Marshal.

Newberry has two fire stations with the second station being re-activated in January 2009. Due to the addition of personnel, Station #391 was re-activated with the relocation of a water tender and a rescue vehicle. The new fire station, Station #392 – Mid Valley Station, is located on Silver Valley Unified School District property and is leased for \$1 per year. Newberry states that if the lease is not continued, then the community would not have a centrally located station.

¹⁶ According to ISO's website (www.isomitigation.com – Accessed May 16, 2008), Class 1 represents exemplary fire protection, and Class 10 indicates that the area's fire-suppression program does not meet ISO's minimum criteria.

Newberry has plans to build a training room at Fire Station #392. Currently, the firefighters train in facilities that are not temperature controlled and the planned training room would be temperature controlled. Newberry anticipates that the addition of a temperature controlled room would decrease response times since the all-volunteer firefighting force would be more likely to remain at the facility.

There are also plans to build an additional fire station within the district and install 10,000 gallon water tank structures throughout the district. The Department conducted a comprehensive survey to locate and record major water source points for placement of the station and the tanks, but the exact locations are not yet determined. This would improve Newberry's ISO rating and lower insurance premiums.

The Fire Department currently owns and operates the following equipment:

- Type 1 municipal engine, a 1999 Freightliner with a 1,000 gallon tank, a 1,250 gallon per minute (gpm) pump, a 2000 foot hose, and air and hydraulic rescue tools
- Type 2 water tender, 2000 Freightliner with a 2,200 gallon tank and a 500 gpm pump
- Type 2 water tender, 1970 Peterbuilt with a 4,000 gallon tank and a 1,500 gpm pump
- Type 1 ambulance/rescue truck, 2003 E-350, first responder – non transport, equipped to ICEMA standards
- Type 6 brush engine, 2007 Ford 350 4 x 4 with a 300 gallon tank and a 350 gpm pump.
- Trailer equipped to light rescue standards.

In addition to the storage tanks listed above, the Department has also coordinated with Mojave Water Agency to place seven connection points at strategic locations along the Mojave River Pipeline. The connections provide water at the rate of 500 gallons per minute. Additionally, the Fire Department has an agreement with the Santa Fe Railroad for access to the 220,000 gallon railroad water tank located near Elementis Specialties Plant at Pioneer and Mountain View.

According to the District's Fire Operational Plan, the short-term and long-term goals of the Fire Department are:

Short-term goals (3 to 5 years):

- Develop a headquarters station, training center, and emergency operations center near the center of the District
- Secure at least five 10,000 to 15,000 gallon portable tanks.
- Reduce ISO Rating to 8 or better.
- Develop a large volume well and tank.
- Replace 1970 Peterbuilt water tender.

Long term goals (5 to 10 years):

- Construct headquarters station/training center/emergency operations center
- Relocate Station 391 two miles east, moving off the Newberry fault and out of a radio dead zone
- Assist in promotion of local water district [*while this goal may be part of the Fire Operational Plan, it appears to be for the district overall*]
- Add two Type 3 Fire Engines

Yermo CSD

Yermo provides fire protection within its boundaries from two fire stations through an all-volunteer department consisting of 16 active volunteers. Recently, seven personnel have graduated from the Barstow College Emergency Technician training program. One station is located in the populated center of Yermo and second is located at the San Bernardino County Regional Park at Calico Ghost Town. Yermo has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Newberry Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire. LAFCO staff spoke with the Yermo CSD Fire Chief on December 15, 2008, and the Fire Chief indicates that Yermo CSD currently owns and maintains the following operational vehicles:

- 2008 Ford F350 rescue vehicle (purchased in 2008)
- 1980 GMC 7000 brush engine (donated in 2008 by the County)
- 1998 Dodge RAM Type 6 pumper
- 1987 GMC 2,500 gallon water tender

LAFCO staff has concerns regarding Yermo CSD's ability to adequately provide fire protection services. There is no fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. Yermo has indicated that it experiences challenges in providing adequate fire protection due to the inadequate water pressure within its boundaries.

Additionally, Yermo experiences equipment challenges for fire protection and has historically been dependent upon County Fire for fire vehicles. According to Yermo CSD Board President Bob Smith, in August 2008 the loss of an emergency response vehicle due to an accident left Yermo without a functioning fire fighting vehicle for several weeks. During that time, fire crews at the Yermo Annex responded to calls within Yermo CSD. Upon receiving the insurance payment for the non-operational truck, the Yermo CSD Board authorized the purchase of a new truck (2008 Ford F350). However, information obtained from County Fire identifies that within the past 20 years, County Fire has donated six fire fighting apparatuses to Yermo CSD, shown below. The district has sent those vehicles that it does not use to surplus.

<u>Year donated</u>	<u>Vehicle donated</u>
2008	1980 GMC 7000 Engine (active)
2006	1983 Ford F700 Engine (active)
1997	1979 Ford Engine
1995	1966 American La France
1990	1960 Ford ALF
1990	1972 Chevy Ambulance

The most recent transfer from County Fire was approved on September 16, 2008. Referencing the County Board of Supervisors staff report for the transfer, Yermo operated one fire apparatus, which was not operating efficiently for Yermo’s needs. County Fire inspected the fire engine and determined a cost of approximately \$10,000 to repair. Based on the age of the apparatus and the cost of the repairs, it was not cost effective for Yermo to invest funds into repairing this older unit. Further, Yermo did not have the funding available to purchase a replacement fire engine at the time. The Board of Supervisors authorized County Fire to transfer the title of a 1980 GMC 7000 series fire engine that was in fair condition with no value to County Fire.

Given the lack of information available regarding fire services provided by the district, the lack of equipment, the lack of funding, and historical dependency upon the County for donations of fire apparatuses, LAFCO staff expresses concern regarding the adequacy of the fire protection and emergency services provided by Yermo CSD. In the view of LAFCO staff, this service deficiency needs to be addressed as soon as possible. The options available to address the deficiencies identified in the materials are to provide for a joint powers agreement with County Fire or other local fire entities or a functional consolidation through contract with the other CSDs in order to provide the necessary level of service required in the district and along the highly traveled Interstate corridors.

D. Park and Recreation

Each of the districts actively provides park and recreation services. Due to age of each of the community center buildings, upgrades and improvements are necessary. Further, each district is dependent upon grant funding, such as Community Development Block Grants, to construct and improve the park facilities. Since grant funding is not an assured revenue stream, should CDBG funding not be received in the future, the limited property tax revenues received by the districts would need to be used to pay for facility upgrades.

Daggett CSD

Daggett owns and operates two parks located adjacent to the district headquarters and operates a community center that is located on County property. The parks are located in the northern portion of the district and are approximately one-half acre each. In FY 2005-06 Daggett received a \$4,500 Community Development Block Grant for installation of playground equipment.

The Community Center is located on County property at 35277 Afton Street in the southern portion of the District. The five-acre property also includes a basketball court and a storage facility. The community center is used for senior events, community meetings, and recreation. Daggett indicates that the Community Center was funded by a Community Development Block Grant in the early 1980s. Community Development Block Grant funding provided for re-roofing of the Community Center in 1999. According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the facility to be on County property. The term of the lease is for 30 years with two 10 year options to renew. Neither the County Department of Community Development nor Housing, County Real Estate Services nor Daggett CSD staff could provide a copy of the lease to substantiate the terms of the agreement.

Daggett has no park master plan or strategic plan to reference in order to provide information on park improvements or meeting the needs of the residents.

Newberry CSD

Newberry owns and operates one park on 9.8 acres that includes a community center, Fire Station #391, the caretaker's home, playground, picnic area, and ball field. The ball field has lights for night play and can be configured as a baseball diamond or soccer field.

The Community Center was built in 1954 and provides a location for food distribution, shelter in case of a disaster, health clinics, veterinary clinics, and community and group events. Maintenance and upkeep of the park and the community center is provided by the live-in caretaker. Newberry states that the building is in above average condition due to ongoing upkeep and maintenance. Due to the age of the facility, Newberry indicates that future remodeling projects need to occur. Plans include remodeling the kitchen and restrooms and installation of energy efficient windows. Revenues have been set aside for major repairs of the park facilities and the caretaker's home.

According to staff from the County Community Development and Housing Department, Newberry applied for and received a Community Development Block Grant in FY 2006-07 to improve the parking lot at the park. The District intends to construct new restrooms at the park but plans or details were not provided. In 2008, the First District of the County Board of Supervisors awarded a \$5,000 grant to Newberry CSD for eight picnic tables for the park.

Yermo CSD

Yermo owns and operates one community park and a community center. The community center and community park are on the same parcel on approximately 1.1 acres located on McCormick Street off of Yermo Road. The community center has a gymnasium with facilities for basketball and volleyball. The community park has grass fields with grilling and playground equipment.

Yermo operates a sports park located on a four-acre portion of Silver Valley Unified School District property (9.6 acres) located next to the Yermo Elementary School. The sports park has two soccer fields and a softball field. Yermo CSD owns all the facilities that are located on the land. To facilitate the use of this land for its sports park, Yermo entered into an agreement with the School District for use of each other's property. LAFCO staff inquired into the possibility of a property exchange to secure this property. Yermo states that the intent was to enter into a use agreement in the short run and then exchange properties; however, the exchange of properties has not taken place. Pursuant to the agreement:

- Yermo has granted the School District use of its property on Bedford Drive behind the Silver Valley High School. The school uses the land to park its buses.
- The School District has granted Yermo use of a portion (four acres) of its property (10 acres) on School Road located behind the Yermo Elementary School. Additionally, the School District pays all the utility costs for the park (water and electricity) and pays Yermo \$7,200 annually for Yermo to maintain the park. The Elementary School is also allowed use of the park during school hours.

According to staff from the County Community Development and Housing Department, Yermo applied for and received Community Development Block Grant funding within the past few years. Since 2003, Yermo has received funding for improvements at the sports park and heating and cooling improvements to the community center. On September 9, 2008 the County Board of Supervisors approved a contract with Yermo in the amount of \$16,325 for construction of improvements to the ceiling and walls of the Yermo Community Center. Under the terms of the contract, the County will utilize Community Development Block Grant funds to construct the project. Yermo CSD will continue to maintain and operate the community center facility for not less than 15 years following the completion of the improvements and will pay for all costs necessary for maintenance and operation.

Yermo has no park master plan or strategic plan to reference in order to provide information on park improvements or meeting the demands of the residents.

E. Streetlights

LAFCO staff has verified that within their boundaries, Daggett CSD maintains 24 streetlights, Newberry CSD maintains 39 streetlights, and Yermo CSD maintains 48 streetlights.

Southern California Edison owns the streetlights, and the districts provide for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area (County Service Area 70 which overlays the agencies is authorized streetlighting services, but requires creation of an Improvement Zone to

provide), and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance¹⁷ within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

F. Road Maintenance

Newberry CSD is not currently authorized through LAFCO to provide road services, however the district purchased a grader in August 2006 for roughly \$49,000 with funds from the \$350,000 one-time donation received in 2004 from the Kiewit Pacific Corporation. After Newberry received the donation, it conducted a survey asking its residents how to utilize the windfall. The results of the survey indicated that approximately 85% of the respondents wanted the funds to be used for roads - grading in particular. In turn, Newberry purchased the grader and began grading roads. No documentation has been produced by Newberry as to whether or not the purchase complied with CSD Law by going to bid. However, the District in its response to the draft staff report has indicated that the road grader purchased is used and that a bid process was not utilized nor required for the purchase of used machinery. The District further states that it considered 18 machines and chose a machine that was owned by a municipality and that it considered cost and previous use in making its determination.

According to Newberry, grading does not occur on private or County dedicated roads. Primarily, the grader was purchased in order to keep the non-maintained County roads in acceptable condition for fire protection and EMS services. Rain and other varied weather conditions result in road conditions that make it difficult for emergency vehicles to arrive on the scene. In 2006 and 2007 Newberry graded about 25 miles of road, and road grading continued into 2008. No information has been provided related to the 2009 grading activities anticipated by the District.

LAFCO staff informed District representatives of the potential for incurred liability when an agency performs road services. Newberry stated that its insurance company covers the grader but is not aware that road service, in the form of grading, is actually provided. As for funds to operate and maintain the service, road service is not an enterprise activity. Therefore, the funds to maintain the road grader and pay for the service use portions of the property tax revenues generated from throughout the entirety of the district that are also used to pay for streetlighting, park and recreation, and fire services.

LAFCO staff also informed the District on more than one occasion that in order for Newberry CSD to actively provide road service either within a portion or to the entirety of the district, CSD Law requires the activation of latent powers subject to LAFCO approval (Government Code Section 61106). Newberry has not formally requested or been authorized by LAFCO to perform this function and/or service. As a part of this municipal

¹⁷ County of San Bernardino, Development Code Chapter 83.07, Adopted Ordinance 4011 (2007).

service review and sphere of influence update, Newberry has indicated that it would like its latent road powers to be activated for providing the limited services described above and then possibly in full capacity in the future if the growth of the community warrants it. Staff has informed Newberry that activation of its latent road powers would require the submission of an application to LAFCO with a plan for service which would include the identification of the financing for the service provision. If Newberry's request was simply to activate Road powers for planning purposes, then its request could be included as a part of the municipal service review and sphere of influence update. However, as noted above, Newberry is actively grading on public roads and such an action requires written consent from the County, as outlined in CSD Law (Section 61100(I)).

Staff provided the District with a copy of the draft staff report in January 2009 which in essence included the narrative above. The District's response to the draft staff report (included as Attachment #4) on pages 16 and 17 states that it was not asking for full road powers and that Government Code Section 61100 (I) of CSD Law permits a CSD to maintain the roads of another public agency if it obtains written permission from that public agency. Newberry provided LAFCO staff with a copy of its resolution dated November 25, 2008 requesting County permission to grade non-maintained County roads (well after the inception of the service in 2006, and continuing through 2008 prior to the resolution adoption). On page 18 of Newberry CSD's comments, the District writes that based upon its legal advice and the statutes it cited, "...we intend to keep the County non maintained roads passable for emergency vehicles as resources allow." The District expands on this comment on page 39 by stating, "...Newberry feels that it is within its jurisdictional powers to provide this intermittent service...."

While a CSD may perform road services on another public agency's roads, if it obtains written permission, two preceding actions are paramount. First, as noted above, Section 61106 (a) requires a CSD to obtain LAFCO approval in order to activate a latent power; regardless if the service is to be provided to a portion or to the entirety of the district. Newberry CSD has not received LAFCO authorization to perform road services.

Second, according to CSD Law and County requirements, Newberry CSD needs to obtain written permission from the County allowing the District to perform road maintenance on public roads. The District has adopted a resolution requesting County permission, but the District has not provided LAFCO with a copy of the written consent from the County. Staffs at the County Public Works, Transportation Division office and the Clerk to the Board of Supervisors have indicated that there is no record of receipt of Newberry's resolution requesting consent. According to County Transportation staff, in order to grade non-maintained roads the District would need to submit an "Application for Encroachment Permit". If the County determines that the roads are in their system and do not object to the grading, then a "Letter of No Objection" would be issued. LAFCO staff has informed Newberry CSD of the County's response and application process.

While the intent and purpose for providing the service are a benefit to the community, the extent of the road grading without authorization and the lack of adherence to CSD Law, LAFCO Law, and County Public Works/Transportation application requirements

described above is a serious concern to LAFCO staff. Further, as quoted above, the District in written correspondence has indicated that it intends to continue providing this service even though it has neither LAFCO authorization nor County permission. It continues to be LAFCO staff's recommendation that Newberry CSD immediately submit the application materials, including a plan for services and the County's Letter of No Objection to LAFCO so that Commission consideration for activation can commence to secure compliance with applicable provisions of law

III. Financial Ability of Agencies to Provide Services.

Each of the districts experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. With the exception of water charges collected by Daggett CSD, the ongoing operations of the districts are entirely funded by property taxes. Fire protection and related activities comprise the largest expense for each of the agencies and its cost increases annually. Moreover, a comprehensive review of the districts' finances could not be completed due to the lack of current audits. Further, the districts do not adhere to the constitutional requirements for the establishment of an appropriations limit and statutes related to finances of a community services district.

A. Requirements of CSD Law

Community Services District Law (Government Code Section 61000 et seq.) promotes financial accountability by requiring:

- An adopted budget (§61110 et seq.) – CSD Law requires the adoption of an annual budget and requires the general manager to forward a copy of the final budget to the county auditor.
 - Daggett has not adopted an annual budget since FY 1995-96 and has thus operated without a budget for over a decade.
 - Newberry and Yermo adopt annual budgets. However, Yermo's budgets only provide a total revenue figure with no breakdown of receipts, and Newberry's budget provided for FY 2008-09 does not provide any revenue sources. Neither budget provides a figure for the fund balance carried forward.
 - According to staff at the County Auditor-Controller/Recorder, records indicate that the most recent budgets received are FY 2008-09 for Newberry. A submission by Yermo has not been verified by the County Auditor to date. There are no records of receipt for Daggett's budget, particularly since it has not adopted one since 1995-96.

- Adoption of annual appropriations limits under the Gann Initiative¹⁸ (§61113) – Article XIII B of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit, which is further acknowledged by Government Code 61113. As shown in the chart below, each district falls within the requirements of Article XIII B of the State Constitution, as each was over the \$0.125 (12 ½ cents) per \$100 of assed value tax rate in 1977-78, and therefore, must have an appropriations limit. A copy of the FY 1977-1978 property tax rates, with each CSD highlighted for reference, is included as Attachment #7.

1977-78 Tax Rates per \$100 of Assessed Value

District	Daggett CSD	Newberry CSD	Yermo CSD
Tax Rate	\$1.2500	\$0.9110	\$1.0883

After meeting with LAFCO staff, the districts are now aware of the requirement for annual appropriations limits. Newberry staff has informed LAFCO staff that it obtained the formula to establish an appropriations limit from the County Auditor and is attempting to contact personnel at the County Auditor Property Tax Division to help establish the appropriations limit. Although Newberry does not have an appropriations limit, the district is making a fair attempt to establish the limit.

As of the time of this writing, LAFCO staff is unaware if either Daggett or Yermo are making an attempt to establish an appropriations limit. Further, the establishment of an appropriation limit would require Daggett to adopt a budget.

- Regular audits and annual financial reports (Sections 26909 and 61118) – Section 26909 of the Government Code requires regular audits of district accounts and records, which is further acknowledged by Government Code 61118. Additionally, CSDs are required to forward their audits to the State Controller and County Auditor.
 - The last audit performed of Daggett's finances was for FY 2002-03. According to records from the County Auditor and State Controller, the last audit received for Daggett CSD was for FY 2002-03.
 - According to records on file at the State Controller and County Auditor, the last audit received for Newberry CSD was for FY 2006-07 received in January 2009.
 - For Yermo CSD, according to records from the State Controller the last audit received was for FY 2007-08 received in February 2009. However, the State Controller has no record receiving an audit for FY 2006-07. According to records at the County Auditor, the two most recent audits

¹⁸ In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

received were for FY 2006-07 received January 2009 and FY 2007-08 received in February 2009.

B. Daggett CSD

The most recent budget is from FY 1995-96 and the most recent audit submitted for this review is for FY 2002-03. The district provided copies of the mandatory financial transaction reports that were submitted to the State Controller for FY 2005-06 and 2006-07.

According to Daggett staff, the board of directors approved the first water rate increase since the 1980s for customer water use. The current rate is .0075 cents per cubic foot, and the rate took effect July 1, 2008 of 1.5 cents per cubic foot. The revenues to be generated by the rate increase will provide Daggett with needed additional revenue. Further, Daggett charges the same rate for water service to those outside its boundary as those it services within its boundaries. The additional costs to serve outside of the boundaries could be recouped by charging a higher out of boundary rate for water service.

Financial Transaction Reports

Since the district does not have an operating budget and the last audit is for FY 2002-03, a comprehensive review of the district's finances could not be completed by staff. For this report, staff reviewed the financial transaction reports for FY 2004-05, FY 2005-06 and FY 2006-07. LAFCO staff's review of the financial transaction reports indicates that the district experiences financial challenges.

The general fund is comprised of the fire, streetlighting, and park and recreation activities. As indicated below, the activities (non-enterprise) of the general fund do not generate enough revenue to support the current levels of service. However, the district receives enough revenue through water rates to operate the day-to-day activities of the water system (enterprise fund). To compensate for the shortfall for fire services, the district transfers revenues from the water enterprise fund to the general fund. For example, in FY 2005-06 \$22,591 was transferred and in FY 2006-07 \$19,216 was transferred. Essentially, the water enterprise fund subsidizes the non-enterprise activities of the district. The annual transfers deplete needed revenue from the water fund and have the potential to adversely affect the water system's long term viability to adequately fund capital projects and needed major improvements for the water system.

As identified in the FY 2006-07 Financial Transaction Report, \$50,000 is reflected as a one-time receipt of revenue. In the summary charts below, the \$50,000 is a part of the \$165,982 Total Revenues for FY 2006-07, which resulted in a Net Income of \$54,325. LAFCO staff has verified with staff of the auditor that prepared the FY 2006-07 Financial Transaction Report that the \$50,000 was actually an asset and not revenue. The district was awarded \$50,000 in Community Development Block Grant funding by the County for the installation of a security fence around one of the district's water tanks. The grant

funding was paid by the County and the district received the asset. Therefore, the Total Revenue for FY 2006-07 should be \$115,982 and Net Income should be \$4,325.

Daggett CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Transfer In (Out)	Net Income (Loss)	Total Debt
FY 2006-07					
Fire Protection	\$ 37,717	\$ 37,743	\$ 19,216	\$ 19,190	\$ -
Streetlighting	\$ 3,785	\$ 6,391	\$ -	\$ (2,606)	\$ -
Recreation and Park	\$ 53,536	\$ 59,645	\$ -	\$ (6,109)	\$ 55,000
Water Enterprise	\$ 165,982	\$ 92,441	\$ (19,216)	\$ 54,325	\$ 66,150
Total	\$ 261,020	\$ 196,220	\$ -	\$ 64,800	\$ 121,150
Note: Total Revenues and Net Income should be reduced by \$50,000 for the water enterprise fund and be reclassified as an asset that the district received but did not directly pay for.					
FY 2005-06					
Fire Protection	\$ 27,670	\$ 33,986	\$ 22,591	\$ 16,275	\$ -
Streetlighting	\$ 2,781	\$ 4,457	\$ -	\$ (1,676)	\$ -
Recreation and Park	\$ 45,098	\$ 46,633	\$ -	\$ (1,535)	\$ 58,000
Water Enterprise	\$ 108,413	\$ 90,941	\$ (22,591)	\$ (5,119)	\$ 70,150
Total	\$ 183,962	\$ 176,017	\$ -	\$ 7,945	\$ 128,150
FY 2004-05					
Fire Protection	\$ 28,136	\$ 25,523	\$ 18,972	\$ 21,585	\$ 10,014
Streetlighting	\$ 2,367	\$ 6,863	\$ -	\$ (4,496)	\$ -
Recreation and Park	\$ 38,401	\$ 47,028	\$ -	\$ (8,627)	\$ 61,000
Water Enterprise	\$ 100,050	\$ 94,629	\$ (18,972)	\$ (13,551)	\$ 75,150
Total	\$ 168,954	\$ 174,043	\$ -	\$ (5,089)	\$ 146,164

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

Long-term Debt

Long-term debt is comprised of two bonds. The first is a general obligation bond for recreation and park services which was authorized in 1979 and matures in 2019. As of June 2007, the un-matured amount of the bond was \$55,000. The second is a revenue bond to upgrade water delivery which was authorized in 1980 and matures in 2020. As of June 2007, the un-matured amount of the bond was \$66,150.

Capital Improvements

Daggett CSD has not identified any capital improvements.

C. Newberry CSD

The district's most recent audit submitted for this review is for FY 2006-07 and financial transaction reports were submitted for FY 2005-06 and 2006-07. Since the last audit performed was for FY 2006-07, a comprehensive review of the district's finances could not be completed. The materials provided do, however, reveal that nearly all of the district's revenues are from the receipt of the district's share of the one percent ad valorem property tax. Additionally, in FY 2004-05 the Kiewit Pacific Corporation provided a one-time \$350,000 donation to the district to garner support for operation of a rock quarry and asphalt batch plant for approximately two years in the southern portion of the district.

The District states that the lump-sum donation funds were deposited into a dedicated fund. Since the receipt of the funds, capital purchases have been comprised of the purchase of the road grader and a 2007 Ford 350 Type 6 Brush Engine. It cannot be determined from what fund the purchases were from because the district did not have a capital projects fund for those years. When comparing the year-end balance of \$496,906 from the FY 2004-05 audit with the year-end balance of \$320,401 from the FY 2006-07 financial transaction report, the district's funds decreased by \$176,505. In addition it is understood that an annual allocation of funds is made to the community senior center to support their operations.

In addition, the District provides for the maintenance of 39 streetlights, which, as described above, includes the payment of electricity charges for their operation. However, for FY 2005-06 and 2006-07 the District identifies its expenditures for this service as being \$32,377 and \$29,270 respectively. No clarification of this expenditure has been received by LAFCO staff.

The district is dependent on its share of the one-percent general levy and grants and rebates. The information provided indicates that this is not enough to fund capital and needed improvements in the long-run.

Newberry CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Net Income (Loss)	Total Debt
FY 2006-07				
Fire Protection	\$ 113,179	\$ 174,866	\$ (61,687)	\$ 49,410
Lighting and Lighting Maintenance	\$ 2,032	\$ 29,270	\$ (27,238)	\$ -
Recreation and Park	\$ 91,550	\$ 143,990	\$ (52,440)	\$ -
Total	\$206,761	\$ 348,126	\$ (141,365)	\$ 49,410
FY 2005-06				
Fire Protection	\$ 121,765	\$ 125,038	\$ (3,273)	\$ 72,292
Lighting and Lighting Maintenance	\$ 1,723	\$ 32,377	\$ (30,654)	\$ -
Recreation and Park	\$ 77,746	\$ 61,574	\$ 16,172	\$ -
Total	\$201,234	\$ 218,989	\$ (17,755)	\$ 72,292
FY 2004-05				
Fire Protection	\$ 91,753	\$ 100,327	\$ (8,574)	\$ 105,401
Lighting and Lighting Maintenance	\$ 1,576	\$ 1,596	\$ (20)	\$ -
Recreation and Park	\$422,103	\$ 59,674	\$ 362,429	\$ -
Total	\$515,432	\$ 161,597	\$ 353,835	\$ 105,401
Note: Includes \$350,000 one-time donation from Kiewit Foundation				

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

Salaries and Stipends

For FY 2007-08, the district budgeted \$43,270 for salaries and stipends.

Salary/Stipend	FY 2007-08
Administrator Salary	\$ 9,600
Chairperson Stipend	\$ 6,000
Secretary Salary	\$ 7,500
Fire Department Stipend	\$ 16,570
Caretaker Salary	\$ 3,600
Total	\$ 43,270

According to the Fiscal Year 2007-08 budget, the Caretaker's Salary is \$3,600. LAFCO staff is not aware if Newberry CSD rents the caretaker's residence to the caretaker at a reduced rate and if the district identifies it as a paid benefit subject to income tax withholding.

Fire Department

Revenues for the Fire Department are comprised of billing for services, monies received by the Newberry CSD, and grants. According the documents provided by the district, residents within the district are not charged for fire and emergency medical services. As

a cost recovery mechanism, non-residents are billed for emergency services. Because Newberry CSD utilizes property tax revenues to fund its operations, the Fire Department relies upon grants to fund its ongoing activities and special projects. According to the budget, grants are a significant source for the acquisition of equipment, are sought to promote public safety, and will be the primary source for disaster planning, mitigation and response projects in the future. The district applied for three grants during FY 07-08:

- Firefighter Assistance Grant – for fire and emergency response equipment, \$52,920. The Department applied for but has not yet been approved for the grant.
- Community Development Block Grant – for medical equipment, \$18,787. The Fire Department applied for and has been approved for this grant.
- Homeland Security Grant – for purchase of a cargo trailer with generator to house and respond with rescue equipment, \$11,500. The district has applied for but has not yet received the grant.

Staff has a concern that grants will be the primary source for disaster planning, mitigation and response projects in the future. Grants are not a steady source of revenue, and the dependence on grants is an indicator of the challenges that the district will encounter in the short and long-run to support ongoing maintenance and operation of fire and safety services.

Newberry CSD activities

The district's general budget is for the district's activities, excluding fire, and includes the district's payroll and operations and maintenance. As for revenues, the district's budgets do not break-down the sources of revenues. Rather, revenues are simply listed as Deposits, Funds Transferred, and Interest. Further, revenues are not differentiated between the Fire Department and remainder of the district's activities. A more detailed revenue section of the budget is needed in order to adequately review the district's revenue stream and the distribution of revenues among its activities. However, the annual Final Transaction Reports that the district files with the State Controller, also submitted as a part of this review, does break down the District's revenue by source and activity. LAFCO staff recommends that the district incorporate a revenue breakdown in future budgets. In response to the draft staff report, the District has indicated that it is developing a general ledger type of accounting that will provide for better accounting and data presentation.

As described in the previous section of this report, Newberry CSD is not authorized by LAFCO to perform road services, yet has purchased a road grader from one-time donation funds. According to the district's budgets the annual costs for operating and maintaining the road grader are roughly \$5,000 per year. The costs identified for the grader are for supply, repair, wages, fuel, upgrade, and insurance, no identification of salary for operator was included. Funding to support the on-going costs come from revenue sources that also pay for the authorized services (fire protection, park and recreation, and streetlighting).

Outstanding Debt

In January 2009 the District made the final payment to Kansas State Bank of Manhattan for the purchase of a fire truck. The District states that it currently does not have any outstanding debt.

D. Yermo CSD

A review of the financial documents available indicates that the primary source of revenue is from property taxes and fire protection comprises roughly half of expenditures. The two most recent audits provided are for FY 2005-06 and FY 2006-07. Therefore, a comprehensive review of the district's finances could not be completed.

LAFCO staff's review of the financial transaction reports indicates that Yermo CSD experiences financial challenges in operating the district. As shown in the chart below, the district has operated in the past with revenues in excess of expenditures. However, the excess revenues have not been enough to support long-term maintenance and capital improvements. This is evidenced by its reliance upon County approval for Community Development Blocks Grants for park and recreation improvements and County Fire for the donation of fire apparatus.

Yermo CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Net Income (Loss)	Total Debt
FY 2006-07				
Fire Protection	\$ 48,943	\$ 77,296	\$(28,353)	\$ -
Lighting and Lighting Maintenance	\$ 9,504	\$ 7,914	\$ 1,590	\$ -
Recreation and Park	\$ 43,950	\$ 41,718	\$ 2,232	\$ -
Total	\$ 102,397	\$ 126,928	\$(24,531)	\$ -
FY 2005-06				
Fire Protection	\$ 137,607	\$ 135,575	\$ 2,032	\$ -
Lighting and Lighting Maintenance	\$ 8,138	\$ 7,550	\$ 588	\$ -
Recreation and Park	\$ 45,502	\$ 33,971	\$ 11,531	\$ -
Total	\$ 191,247	\$ 177,096	\$ 14,151	\$ -
FY 2004-05				
Fire Protection	\$ 39,491	\$ 31,816	\$ 7,675	\$ -
Lighting and Lighting Maintenance	\$ 7,480	\$ 13,737	\$(6,257)	\$ -
Recreation and Park	\$ 40,284	\$ 31,816	\$ 8,468	\$ -
Total	\$ 87,255	\$ 77,369	\$ 9,886	\$ -

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

The district's budgets identify Regular Salary and Employee Benefits but do not breakdown or include the Director stipends, if any. For example, the FY 2007-08 budget indicates a budgeted amount of \$15,000 for Regular Salary and \$4,000 for Employee Benefits. If the Directors receive a stipend, it should be included a separate line item. Should the Directors forgo a stipend, then such documentation has not been provided to LAFCO. Additionally, a review of the budgets available do not compare budgeted and actual amounts and identify tax receipts as the sole source of revenue when the audits identify investments and charges for services. LAFCO staff recommends that Yermo CSD include these items in its budget to promote transparency.

Capital Improvements

Yermo CSD has not identified any capital improvements.

Outstanding Debt

The financial documents do not indicate that the district has outstanding debt.

IV. Status of, and Opportunities for, Shared Facilities.

Newberry CSD does not currently share facilities with other agencies.

Daggett CSD has its community center facility on County land. It is understood that a lease agreement exists between the County's Department of Community Development and Housing and the District; however, neither the County nor the District has been able to produce the document.

Yermo CSD has an arrangement with the Silver Valley Unified School District for use of the community park. Yermo CSD pays for all maintenance costs for the park and allows the School District use of the park. In turn, the School District pays all the water and electricity costs for the park.

V. Accountability for Community Service Needs, including Governmental Structure and Operational Efficiencies.

A. Local Government Structure and Community Service Needs

CSD Law requires the appointment of a general manager to implement the policies of the board of directors. However, the Daggett CSD staff members in conjunction with the Board of Directors implement policy. Government Code Sections 61050 and 61051 distinguish the roles of directors and general managers.

- Section 61050 requires the board of directors to appoint a general manager. The legislative intent for this section is to increase the professionalism of CSD's operations by making it clear that the person who holds the general manager's

title is responsible for implementing the board's policies and supervising the CSD activities.

- Section 61051 lists the general manager's duties:
 - implementation of board policies for operation of the district
 - appoint, supervise, discipline, and dismiss employees
 - supervise facilities and services
 - supervise finances

Daggett CSD

Daggett is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted on by the electorate or are appointed by the County Board of Supervisors to four-year staggered terms. A review of the County Registrar of Voters records indicates that within the past ten years, the district has had elections in 2003 and 2007. As of August 14, 2008, the district had 195 registered voters. The lack of elections can be attributed to the size of the district, the number of residents and registered voters, and the need to eliminate the cost of conducting elections. Below is the composition of the board, their positions, and terms of office as of November 1, 2008:

Board Member	Title	Term
Mentie B. Hazelett	Director	2009
Joseph Morris, Jr. (Appointed 12-14-2005)	Director	2009
Lawrence Alf	President	2011
Irene L. Koch	Director	2011
Ramon A. Rodriguez	Director	2011

Board hearings are held on the second Wednesday of each month at 6:00 p.m. at the district office. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. As described in the Financial Section for Daggett, it does not operate with an annual balanced budget or an appropriations limit. As for staff, the district employs a general manager/treasurer and fire staffing includes the following volunteers: six fire personnel including an appointed fire chief and assistant fire chief.

Newberry CSD

Newberry is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted by the electorate or are appointed by the County Board of Supervisors. A review of the County Registrar of Voters records indicates that within the past ten years, the district has had elections in 2001, 2003, and 2007. As of August 14, 2008, the district had 1,001 registered voters. Below is the composition of the board, their positions, and terms of office as of November 1, 2008:

Board Member	Title	Term
Sandra Wise Brittian	Chair (President)	2009
Diana Williams	Finance Officer	2009
Wesley S. Sperry	Director	2009
Debbie Farrington	Vice Chair (Vice President)	2011
Robert Royalty	Director	2011

Newberry contracts with an administrative consultant to function as the general manager. The contracted person also is an elected official and full-time employee for another local government agency. Office hours for the district are Tuesday, Wednesday, and Thursday from 9:30 am – 2:30 pm. LAFCO staff has a concern regarding the office hours of the district in relation to the contracted general manager being an elected official and employee for another local Government agency. This situation does not allow for the supervision of the District office staff during office hours and could conflict with their other position. This, in the staff position, does not lend to available and responsive governance of an agency.

Also employed by Newberry are a caretaker that handles facility upkeep and minor repairs and a secretary. On March 10, 2009 the Newberry CSD board included the duties of the Treasurer with the position of the secretary. This position is bonded through the Special Districts Risk Management Authority. The board appoints a volunteer Fire Chief to run the Fire Department.

Board hearings are held on the fourth Tuesday of each month at 6:00 p.m. at the Newberry Community Center. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. Newberry has a website to inform the residents of activities, events, and district services. Residents can also use the website to submit comments and concerns.

Newberry operates with an annual balanced budget. The budget is adopted at a public hearing and the public is invited to attend the budget workshops. The board is provided with a monthly finance report, and a quarterly finance report is available to the public and available at the general manager’s office. An independent bookkeeper accounts for Newberry’s finances. The general manager processes payroll and payments with the Finance Director overseeing the process.

Yermo CSD

Yermo CSD is an independent district and is governed by a five-member board of directors. Representation of the board of directors is at-large and members are voted by the electorate or are appointed by the County Board of Supervisors to four-year staggered terms. A review of the County Registrar of Voters records indicates that within the past ten years, the District has had elections in 2003, 2007, and 2008. As of August 14, 2008, the District had 632 registered voters. Below is the composition of the board, their positions, and terms of office as of January 1, 2009:

Board Member	Title	Term
Geoffrey L. Berner	Clerk	2010
Scott Walker	Commissioner (Director)	2010
Orlando Chavez	Fire Commissioner (Fire Director)	2010
Bob Smith	President	2012
Loney Weems	Maintenance Director	2012

Board hearings are held on the third Tuesday of each month at 6:00 p.m. at the Yermo Community Center. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. As for staff, the district employs a general manager/treasurer and has ranged between eight and eleven volunteer fire fighters within the past year. The position of the general manager assumed the duties of the district treasurer through board of directors’ action on February 18, 2009. The position is bonded through the California Special Districts Risk Management Authority.

B. Operational Efficiency

The three districts participate in the Special Districts Risk Management Authority, a joint-powers authority, for either general insurance or workers compensation. The districts also participate in the Electronic Clean-up Program for the Daggett, Yermo, and Newberry communities. The communities rotate the drop-off location in order to assist residents.

Daggett and Newberry participate in the disaster council made up of volunteer citizens of the communities and meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan. FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.

C. Governmental Structure Options

There are two types of Government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential Government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Since 1984 Daggett CSD has been providing water service within a portion of Yermo CSD territory due to the need for service to the Silver Valley High School. In 2001, the Commission approved an out-of-agency service contract authorizing Daggett CSD to provide domestic water and water for fire protection purposes within a defined service area within Yermo CSD territory from Daggett’s eight-inch pipeline in Daggett-Yermo Road. The service area is approximately 1.25 square miles and

comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, Silver Valley Unified School District offices, and 10 commercial parcels within the area.

Other Government Structure Options:

The districts, in preparing the municipal service review, did not indicate that there were consolidations or other structure options available. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- Dissolution of the districts. The communities have a present and probable need for municipal services, and dissolution of any of the three districts is not desirable, let alone feasible at this time. Rather, more effective and responsive Government is needed for the communities in addition to the growing activities and traffic along Interstates 15 and 40.
- Removal of the districts' fire protection powers with County Fire as the successor. One theoretical possibility would be to remove the individual districts' fire protection powers, expand the sphere of influence of the San Bernardino County Fire Protection District, and concurrently annex the territory to County Fire and its North Desert Service Zone. The Board of Supervisors would be the ex-officio board of directors, and County Fire would then succeed to the property tax revenues attributable to fire protection of the three community services districts.

While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, none of the three community services districts nor has County Fire indicated support for this option due to the limited financial resources available. LAFCO staff would support this option in the long-run if the revenues were available to support the service as it would result in a regional fire agency providing service to the area, as it already does to the sphere of influence areas in these communities, could potentially result in economies of scale, and would allow residents of the communities to participate on the advisory board for determining levels of service for the North Desert. Without the revenues, LAFCO staff would suggest the potential for joint powers contracts to achieve economies of scale or functional consolidations of service.

- Consolidation of the three community services districts. Consolidation would allow for economies of scale and provide the opportunity for streamlined governance and compliance with CSD Law. LAFCO staff supports this option in the long-run based on the same reasoning as for the sphere consolidation option for the three CSDs as proposed in this report.

In order to express the Commission's long-term position related to these districts, a consolidation of the spheres of influence of Daggett CSD, Newberry CSD, and Yermo CSD is being proposed. Staff recommends this option because more effective and efficient governance could be achieved in the long-run through consolidation with the adjacent community services districts rather than through dissolution or maintenance of the status quo. These districts essentially provide the same services, operate under the same law (Community Services District Law), experience financial challenges, have adjacent territories, identify themselves as communities along the interstate corridors, have a historic divide from the Barstow community, and are dependent upon each other for service delivery, such as fire protection.

Consolidating the spheres would signal the Commission's intent to consolidate the districts while maintaining their ability to plan for future delivery of services within their territory and present sphere areas. Further, it would open the discussion for eventual consolidation. Eventual replacement of multiple community services districts with a single district would be, in the staff view, the most effective and efficient delivery mechanism for service delivery.

- Consolidation of the Yermo and Daggett CSD. Much like the consolidation of all three districts, the staff would recommend this option because more effective and efficient governance could be achieved in the long-run through consolidation with the adjacent community services district rather than through dissolution or maintenance of the status quo. These two districts currently provide, or are proposed to provide, the same type and range of services, operate under the same law (Community Services District Law), experience financial challenges, have adjacent territories, identify themselves as communities along the interstate corridors, have a historic divide from the Barstow community, and are dependent upon each other for service delivery, such as fire protection and water service.
- Maintain the districts in their current status. In this option, there are no changes to the districts and it is the option supported by the three districts as identified in responses received during the review of the draft report and conveyed during the January 21, 2009 community meeting. The districts state that there are no recommendations as to government structure options.

As discussed in the *Community Discussion* section of this staff report, LAFCO staff recommends either the consolidation of the spheres of influence of the three districts or the consolidation of the Yermo and Daggett spheres of influence, with the exclusion of the Harvard community in either option. Staff bases its recommendation on the financial and service delivery challenges and governance issues outlined in detail in the *Community Discussion*.

SPHERE OF INFLUENCE UPDATES

A. Sphere of Influence

The three districts have indicated they do not support any consolidation or restructuring options. Detailed in the Community Discussion section and described throughout this report, more effective and efficient governance could be achieved through eventual consolidation. LAFCO staff recommends that the Commission take one of two options:

- **Option #1** -- Consolidate the spheres of influence for Daggett CSD, Newberry CSD, and Yermo CSD thereby signaling the Commission's position that the three CSDs should be consolidated into a single community services district and include four separate areas within the consolidated sphere of influence to provide for a clear and definable consolidated sphere boundary.
- **Option #2** -- Consolidate the spheres of influence of Daggett CSD and Yermo CSD thereby signaling the Commission's position that they should be consolidated into a single community services district, affirm the Newberry CSD sphere of influence and include four separate areas within the consolidated sphere of influence to provide for a clear and definable consolidated sphere boundary.

Additionally, in its response to the draft staff report, Newberry CSD requests that its sphere of influence be extended to Interstate 15 to include the Ironwood Academy residential area that exists for the operation of the Ironwood Christian Academy (page 25 of Newberry response included in Attachment #4). However, the District's request does not include justification for such a request nor a map of the area mentioned. Further, the request was received after issuance of the draft staff report does not provide a clear delineation of the area proposed for consideration, and there is not enough information provided to evaluate the request. Should the District desire to consider the inclusion of this area within its sphere of influence, it will need to submit an application to LAFCO for Commission consideration.

B. Functions or classes of services

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). Although LAFCO staff's recommendation is that three CSDs should be consolidated into a single agency, an evaluation of the current services provided by each district and an update of their service provision is required by State law.

Daggett CSD

Daggett CSD did not propose amendment of its authorized services. However, LAFCO staff recommends that the Commission modify the service description for the Park and

Recreation function to more accurately reflect the service provided by Daggett CSD as follows (changes identified in bold italic):

FUNCTIONS	SERVICES
Water	Retail, wholesale, domestic, industrial, irrigation, fire protection, sanitation
Streetlighting	Streetlighting
Park and Recreation	Local park development, <i>operation, maintenance</i>
Fire Protection	Structural, watershed, suppression, prevention

Newberry CSD

Newberry CSD in its responses to the MSR has not proposed amendment of its authorized services. However, LAFCO staff proposes clarification of Newberry’s authorized services.

- The sewer function is currently listed as Collection, Treatment, and Disposal of sewage waste and storm water. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system. Modification of the service description to be “Planning and engineering” will better reflect the extent of the district’s Sewer powers and will allow the district to plan for sewer delivery, as outlined below.
- The district engages in fire suppression and prevention services as a part of its Fire Protection function. Modification of the service description for the Fire Protection function would be consistent with the service descriptions of the other districts.

LAFCO staff recommends that the Commission modify the service descriptions for the Sewer and Fire Protection functions to more accurately reflect the services provided by Newberry CSD as follows (changes identified in bold italic):

FUNCTIONS	SERVICES
Water	Management, domestic use, irrigation, sanitation, industrial, fire protection, recreation
Fire Protection	Structural, watershed, <i>suppression, prevention</i>
Streetlighting	Streetlighting

Park and Recreation	Local park development, operation, maintenance
Sewer	<i>Planning and engineering, Collection, treatment, disposal of sewage waste and storm water</i>

Throughout the staff’s presentation of materials for this Municipal Service Review the provision of road grading services by Newberry has been outlined. LAFCO staff reiterates its position that the District submit the materials to LAFCO requesting the authorization of this service. LAFCO staff is committed to assisting the District in bringing its operations into compliance with LAFCO and CSD law.

Yermo CSD

Neither LAFCO staff nor Yermo CSD proposes amendment of Yermo CSD’s basic authorized services. LAFCO staff recommends that the Commission affirm the function and services provided by the Yermo CSD as follows:

FUNCTIONS	SERVICES
Fire Protection	Structural, watershed, suppression, prevention
Streetlighting	Streetlighting
Park and Recreation	Local park development, operation, maintenance

However, the Yermo CSD has submitted a request for activation of its latent water functions and services, identified as LAFCO 3008A for processing. A separate consideration for request needs to be undertaken, rather than within this sphere update, due to changes in LAFCO law and the provisions of the Revenue and Taxation Code.

C. Factors of Consideration

The districts were requested to provide information regarding their sphere of influence updates as required by State law. Newberry CSD and Yermo CSD responded in full to LAFCO’s requests for information regarding their respective spheres of influence. Daggett CSD provided a response to LAFCO’s request for information but did not provide a response to the mandatory Factors of Consideration. LAFCO staff interviewed District personnel on May 27, 2008 at the Daggett CSD facility in Daggett, CA. Staff responses to the mandatory factors of consideration for a sphere of influence review for the three districts (as required by Government Code Section 56425), including the Harvard community, are identified as follows:

Present and Planned Uses

It is the staff’s position that the three districts are a single community because each identifies themselves as interstate corridor communities and they share similar General

Plan land use designations assigned by the County of San Bernardino Board of Supervisors. The vast majority of the land use designations assigned is Resource Conservation (allowing one unit to 40 acres) and varying levels of Rural Living. Other land use designations include Agricultural, Institutional, Commercial (Industrial and Highway), Freeway, Regional Industrial, Residential Single, and Open Space. There are existing Williamson Act contracts within the Harvard area, outside the existing Yermo CSD sphere of influence, which restricts the land uses to agriculture for a minimum period of 10 years.

These communities (including Harvard within the current Yermo CSD sphere) are not anticipated to experience significant growth within the coming years due to about one-third of the land being publicly owned, the land use designations assigned by the County, the historically low growth rate, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. The landownership breakdown of each district's boundary is as follows:

Daggett CSD

Land Owner	Sq Miles	Percentage
Private	13.2	64.1%
US Bureau of Land Management	6.1	29.4%
County of San Bernardino	0.7	3.8%
United States of America	0.4	1.5%
State of California	0.2	1.2%
Total	20.6	100.0%

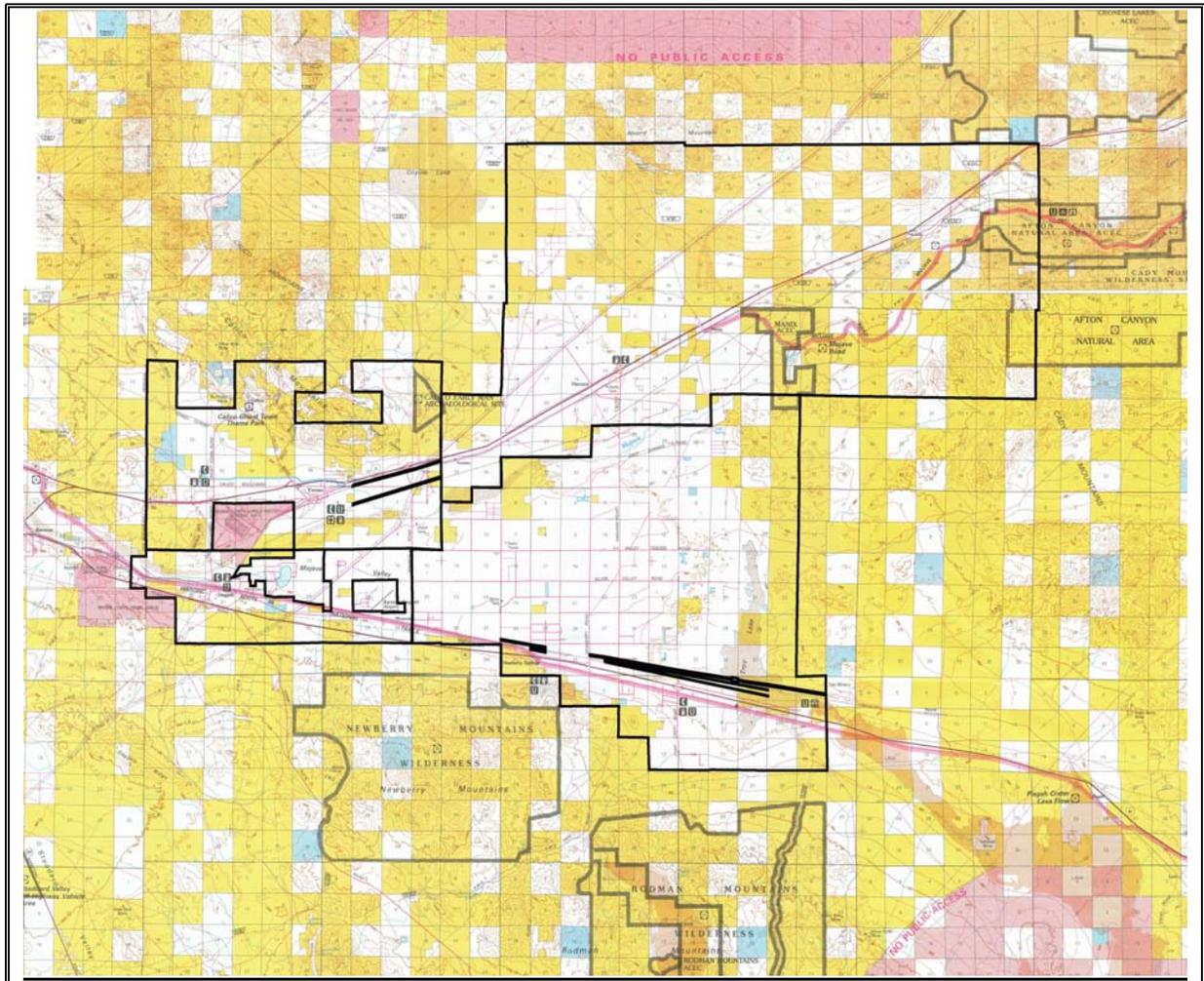
Newberry CSD

Land Owner	Sq Miles	Percentage
Private	90.2	78.9%
US Bureau of Land Management	23.9	20.9%
State of California	0.1	0.1%
County of San Bernardino	0.1	0.1%
Total	114.3	100.0%

Yermo CSD

Land Owner	Sq Miles	Percentage
Private	25.7	52.9%
US Bureau of Land Management	20.6	42.3%
County of San Bernardino	1.4	2.8%
State of California	0.9	2.0%
Total	48.6	100.0%

This is illustrated on the following map with shaded areas identified as public lands, wilderness areas or areas of critical environmental concern by the Bureau of Land Management:



Source: United States Department of the Interior, Bureau of Land Management.
Desert District. "Surface Management States Desert Access Guide"
Newberry Springs and Soda Mountains maps. 1998. (overlay of the three districts
defined by LAFCO staff)

Present and Probable Need for Public Facilities and Services

Lack of municipal level water and sewer service throughout the region hinders the growth of the communities and the needed revenue associated with growth to maintain municipal services. Although the districts are rural and agricultural in nature, the populated centers are anticipated to support growth based upon the general plan land use designations assigned by the County of San Bernardino. A municipal water service provider to serve all of the populated centers of the communities would provide a reliable and safe source of water for domestic, industrial, commercial, and fire protection uses. This need will exist until such a provider is available in each community either through individual district or a consolidated agency.

The entirety of the community utilizes on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for sewer improvements. This service deficiency limits the development capacity for the community. The districts do not currently provide sewer service and there are no other existing entities available to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system.

The districts experience challenges related to fire protection services given the limited resources available, and each is reliant upon one another and other fire protection agencies for mutual aid to fulfill this mission. The need for fire services is also anticipated to remain constant within the districts but the needs of the transient traffic along Interstates 15 and 40 and the railroads traveling through the area will increase as traffic is anticipated to increase.

The need for park and recreation is anticipated to generally remain constant as the population is not anticipated to increase significantly.

The need for streetlighting is also anticipated to remain generally constant. Southern California Edison owns the streetlights, and the districts provide for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area even though County Service Area 70 overlays the entirety of the community and is authorized streetlighting services, and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance¹⁹ within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

Present Capacity of Public Facilities and Adequacy of Public Services

Daggett CSD generally meets the water needs of the community by the level of service provided. However, no water plans or studies were provided, therefore the quality of the facilities could not be determined. The provision of water service within the Yermo area has been outlined as presenting capacity and facility questions as well as questions regarding its maintenance and operation. These questions are currently under review of the California Public Utilities Commission for the potential request for receivership. The Yermo CSD has requested consideration of the activation of its water powers to be able to participate in the determinations for water service for its citizens.

¹⁹ County of San Bernardino, Development Code Chapter 83.07, Adopted Ordinance 4011 (2007).

The park and recreation services are adequately met by the districts but they are generally dependent upon grants for improvements and construction.

Each of districts is authorized by LAFCO to provide fire protection services. However, each of the districts experiences challenges in providing fire protection services given the limited resources available, and each is reliant upon one another and other fire protection agencies for mutual aid to fulfill this mission. Daggett and Yermo do not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. Newberry has the largest area to cover and as of January 2009 has two operational fire stations, and provides for a fire master plan identifying its operations and future considerations. The continual transfer of funds for Daggett CSD from the other funds, including the enterprise activity of the District, to the fire activities could result in decrease in the level of service of both the other services and fire protection services. There may be a better avenue for fire provision within these areas due to the lack of resources.

Each of the districts experiences financial challenges stemming from lack of revenue in comparison to expenditures. With the exception of water charges collected by Daggett CSD, the operations of the districts are funded by the ad valorem property taxes. Fire protection and related activities comprise the largest expense and increase annually. Moreover, a comprehensive review of the districts' finances could not be completed due to the lack of current audits. Further, to varying degrees, each of the districts does not adhere to the statutes related to finances of a community services district. Of concern to LAFCO staff is the current and future viability of the three districts. Paramount to any agency is its financial health. A review of the financial documents of each district indicates that each is experiencing financial challenges or does not receive enough incoming revenue to adequately support the ongoing operations of the district. The interest in governance of the district appears to be limited. In general, poor financial health and lack of interest in governance are prime indicators of struggling agencies.

Social and Economic Communities of Interest

The social community of interest is the individual community services districts and their residents. There is an intra-relational structure in place between the three community services districts and they can be considered a single community of interest. This is due to their adjacent territories, their common service provision, identifying themselves as communities along the interstate corridors, having a historic divide from the Barstow community, and dependency upon each other for service delivery, such as fire protection.

Economic communities of interest are the Interstate 15 and 40 corridors, Barstow-Daggett Airport, agriculture, mining industries, the Marine Corps Yermo Annex, and the Silver Valley Unified School District, San Bernardino County Regional Park at Calico Ghost Town and the Union Pacific Rail Yard.

ADDITIONAL DETERMINATIONS

- The Commission's Environmental Consultant, Tom Dodson and Associates, has determined the options/changes outlined in this report for the various agencies are statutorily exempt from environmental review. Mr. Dodson's response for each of the reviews is included in their respective attachments to this report.
- Legal advertisement of the Commission's consideration has been provided through publication in The Desert Dispatch through a publication of an 1/8th page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8th page legal ad was provided in lieu of individual notice because the service reviews for the communities, in aggregate, would have exceeded 1,000 notices.
- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

RECOMMENDATIONS

Staff recommends that the Commission take the following actions:

1. For environmental review certify that the options outlined in the staff report for this consideration are statutorily exempt from environmental review and direct the Clerk to file the Notices of Exemption within five (5) days.
2. Receive and file the municipal service reviews for the Daggett Community Services District, Newberry Community Services District, and Yermo Community Services District and make the findings related to the service reviews required by Government Code 56430 as outlined in the staff report.
3. Take the actions outlined in the staff report to either:
 - a. Consolidate the spheres of influence for Daggett CSD, Newberry CSD, and Yermo CSD and remove the Harvard community from the sphere of influence; or,
 - b. Consolidate the spheres of influence for Daggett CSD and Yermo CSD, remove the Harvard community from the sphere of influence, and affirm the existing sphere of influence of the Newberry CSD.

And,

- c. Include four separate areas within the consolidated sphere of influence to provide for a clear and definable consolidated sphere boundary.

- d. Modify the service descriptions for the authorized functions of Daggett CSD and Newberry CSD as identified in the staff report.
4. Continue the adoption of the appropriate resolutions reflecting the Commission's determinations for adoption on the consent calendar of the June 17 hearing.

KRM/MT

ATTACHMENTS

1. Maps
 - a. [Regional](#)
 - b. [Water Providers within the Communities](#)
2. [Maps of LAFCO Staff Proposed Options for Sphere Updates](#)
3. Daggett Community Services District
 - a. [Map of District and its Existing Sphere of Influence](#)
 - b. [Municipal Service Review Information and Fiscal Year 2006-07 Financial Transactions Report Submitted to the State Controller](#)
 - c. [Information Related to Water Service Provision Within Yermo CSD](#)
 - d. [Correspondence from District dated March 13, 2009 on Response to Draft Staff Report of January 13, 2009](#)
 - e. [Response from Tom Dodson and Associates](#)
4. Newberry Community Services District
 - a. [Map of District and its Existing Sphere of Influence](#)
 - b. [Municipal Service Review Information including Fire Operational Plan and Strategic Plan, Fiscal Year 2006-07 Audit and Budget Resolution No. 2008-29 for Fiscal Year 08-09.](#)
 - c. [Correspondence from LAFCO Staff dated May 16, 2008 with the District's Response dated June 13, 2008 and Email Correspondence Dated September 18 and 19, 2008](#)
 - d. [Correspondence from District dated March 23, 2009, Received on April 14, 2009, Response to Draft Staff Report of January 13, 2009 including Exhibits F-1, F-2, and H](#)
 - e. [Response from Tom Dodson and Associates](#)
5. Yermo Community Services District
 - a. [Map of District and its Existing Sphere of Influence](#)
 - b. [Municipal Service Review Information, Fiscal Year 2006-07 Audit and Budgets for Fiscal Year 2006-07, 2007-08, and 2008-09](#)
 - c. [Board of Supervisors Agenda Item 38 from July 22, 2008 Regarding Sale of Property to Yermo CSD](#)

- d. [Minutes of January 20, 2009 Board of Directors Regular Meeting Action to Apply for Acquisition of Yermo Water Company and Water Powers through LAFCO](#)
 - e. [Correspondence from District dated March 9, 2009, Regarding Response to Draft Staff Report of January 13, 2009](#)
 - f. [Response from Tom Dodson and Associates](#)
6. [Maps of Yermo Water Company, Order Extending Statutory Deadline, Presiding Officer's Decision Authorizing Superior Court Action for Appointment of a Receiver for Yermo Water Company, Order Instituting Investigation of the Yermo Water Company Issued by the California Public Utilities Commission](#)
 7. [Fiscal Year 1977-78 Tax Rates for Appropriation Limit Requirement](#)
 8. [Response to LAFCO Staff's 2006 Request to List Services Actively Provided as required by CSD law for Daggett, Newberry and Yermo CSDs including background on function/service definition within LAFCO Rules and Regulations Affecting Functions and Services of Special Districts](#)

- 2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities**
 - b. Resolutions Reflecting Commission Determinations**
 - i. Resolution No. 3062 for Yermo CSD**

Attachment 2b.i

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

215 North D Street, Suite 204 San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

PROPOSAL NO.: LAFCO 3008

HEARING DATE: JULY 15, 2009

RESOLUTION NO. 3062

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3008 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE YERMO COMMUNITY SERVICES DISTRICT (sphere of influence expansion to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies; expansion to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W; expansion to include area east of the Barstow Marine Corps Base – Yermo Annex; and expansion to include areas north of Yermo Community Services District).

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

WHEREAS, a service review mandated by Government Code 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (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, a public hearing by this Commission was called for May 20, 2009 and continued to June 17, 2009 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; 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;

RESOLUTION NO. 3062

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on June 17, 2009. The Clerk was directed to file a Notice of Exemption within five working days of its adoption;

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 following sphere of influence determinations shall be made for the Yermo Community Services District (hereafter shown as the District):

- (1) Expand the sphere of influence to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies;
- (2) Expand the sphere of influence to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W;
- (3) Expand the sphere of influence to include the privately owned properties area east of the Barstow Marine Corps Base – Yermo Annex; and
- (4) Expand the sphere of influence to include areas north of Yermo Community Services District which are peninsulas within the existing district

as more specifically depicted on the maps attached hereto as Exhibit “A”, “A-1”, “A-2”, “A-3”, 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 April 24, 2009 and received and filed by the Commission on June 17, 2009, 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:

While the north desert portion of San Bernardino County, in general, has experienced significant growth the Yermo community can be characterized as a rural and agricultural community that has historically experienced slow growth.

As of August 14, 2008, the District had 632 registered voters. Utilizing the growth forecast for transportation analysis zones, as identified in the Southern California Association of Governments (SCAG) 2008 Regional Transportation Growth Forecast and the 2000 Census estimates, the population growth projections for Yermo are as follows:

District	2000*	2010	2015	2020	2025	2030
Yermo	1,500	1,713	1,945	2,132	2,349	2,667

* 2000 Census estimate

This area is not anticipated to experience significant growth within the coming years. This determination is made due to about three quarters of the land being publicly owned, the rural and low density residential land use designations assigned by the County, the historical divide from the

RESOLUTION NO. 3062

Barstow community to the west, and the surrounding geographic barriers. The land ownership breakdown of the District's boundary is as follows:

Yermo CSD

Land Owner	Sq Miles	Percentage
Private	25.7	52.9%
US Bureau of Land Management	20.6	42.3%
County of San Bernardino	1.4	2.8%
State of California	0.9	2.0%
Total	48.6	100.0%

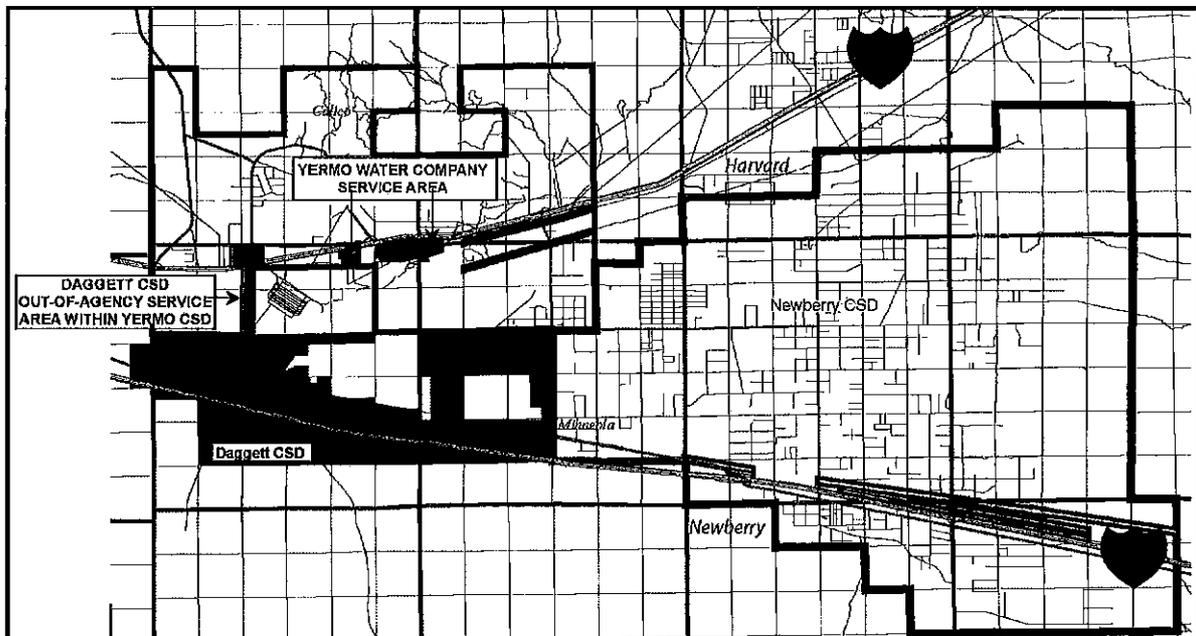
Historical trends indicate low growth in the community in comparison with other urban areas of the North Desert region of the County. However, there are future projects which will increase the need for public services within the community. The single most tangible factor that could limit growth will be the availability of water.

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

Water

Currently, Daggett Community Services District and Yermo Water Company provide domestic water to portions within the Yermo CSD, as shown on the map below. In the areas not within a municipal water provider, including Harvard, water service is provided on-site through wells.

Water Service Providers



RESOLUTION NO. 3062

Daggett delivers water to a 1.25 mile area within Yermo CSD territory. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water to two separate and small portions of the Yermo community. The LAFCO staff report for SC 135 stated a reservation that the service capacity of an eight-inch water line given the commercial use and fire flow requirements was a concern. The eight-inch water line is still in use and the commercial use and fire flow requirements remains a concern of the Commission.

The provision of water service within the Yermo area through the Yermo Water Company has been outlined as presenting capacity and facility questions as well as questions regarding its maintenance and operation. The Yermo Water Company has been under investigation by the PUC, culminating in the April 2009 order to place it in mandatory receivership. Final action on this order is anticipated to be provided by August 2009.

In anticipation of being an option to assume the service responsibilities of the Yermo Water Company, the Yermo CSD in 2008 requested County Board of Supervisors approval for the sale of tax defaulted property to the District for the stated purpose of providing for a future well/storage tank site for local water service. On July 22, 2008 the County Board of Supervisors approved this request. However, Yermo CSD has not been authorized by LAFCO to provide or engage in water service in any manner pursuant to the Government Code and the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. The Board Agenda Item authorizing the sale lists the purchase price of this parcel at \$2,850. LAFCO requested from the District the source of the funding for the parcel purchase, specifically from which District fund (fire, park and recreation, etc). To date, LAFCO has not received a reply from the District. LAFCO is of the understanding that completion of this sale has not yet occurred because the mapping requirements of the State Controller have not been satisfied.

Sewer

The community utilizes on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for installation of sewer improvements. This service deficiency limits the development options for the community. The District does not currently provide, nor is it authorized to provide, sewer service and there are no other existing entities to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

Fire Protection

Yermo provides fire protection within its boundaries from two fire stations through an all-volunteer department consisting of 16 active volunteers. In 2009, seven personnel have graduated from the Barstow College Emergency Technician training program. One station is located in the populated center of Yermo and second is located at the San Bernardino County Regional Park at Calico Ghost Town. Yermo has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Newberry Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire. The Fire Chief indicates that Yermo CSD currently owns and maintains the following operational vehicles:

- 2008 Ford F350 rescue vehicle (purchased in 2008)
- 1980 GMC 7000 brush engine (donated in 2008 by the County)
- 1998 Dodge RAM Type 6 pumper
- 1987 GMC 2,500 gallon water tender

RESOLUTION NO. 3062

The Commission has concerns regarding Yermo CSD's ability to adequately provide fire protection services. There is no fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. Yermo has indicated that it experiences challenges in providing adequate fire protection due to the inadequate water pressure within its boundaries.

Additionally, Yermo experiences equipment challenges for fire protection and has historically been dependent upon County Fire for fire vehicles. In August 2008 the loss of an emergency response vehicle due to an accident left Yermo without a functioning fire fighting vehicle for several weeks. During that time, fire crews at the Yermo Annex responded to calls within Yermo CSD. Upon receiving the insurance payment for the non-operational truck, the Yermo CSD Board authorized the purchase of a new truck (2008 Ford F350). However, information obtained from County Fire identifies that within the past 20 years, County Fire has donated six fire fighting apparatuses to Yermo CSD, shown below. The District has sent those vehicles that it does not use to surplus.

<u>Year donated</u>	<u>Vehicle donated</u>
2008	1980 GMC 7000 Engine (active)
2006	1983 Ford F700 Engine (active)
1997	1979 Ford Engine
1995	1966 American La France
1990	1960 Ford ALF
1990	1972 Chevy Ambulance

The most recent transfer from County Fire was approved on September 16, 2008. Referencing the County Board of Supervisors staff report for the transfer, Yermo operated one fire apparatus, which was not operating efficiently for Yermo's needs. County Fire inspected the fire engine and determined a cost of approximately \$10,000 to repair. Based on the age of the apparatus and the cost of the repairs, it was not cost effective for Yermo to invest funds into repairing this older unit. Further, Yermo did not have the funding available to purchase a replacement fire engine at the time. The Board of Supervisors authorized County Fire to transfer the title of a 1980 GMC 7000 series fire engine that was in fair condition with no value to County Fire.

Given the lack of information available regarding fire services provided by the District, the lack of equipment, the lack of funding, and historical dependency upon the County for donations of fire apparatuses, the Commission expresses concern regarding the adequacy of the fire protection and emergency services provided by Yermo CSD. This service deficiency needs to be addressed as soon as possible.

Park and Recreation

Yermo owns and operates one community park and a community center. The community center and community park are on the same parcel on approximately 1.1 acres located on McCormick Street off of Yermo Road. The community center has a gymnasium with facilities for basketball and volleyball. The community park has grass fields with grilling and playground equipment.

Yermo operates a sports park located on a four-acre portion of Silver Valley Unified School District property (9.6 acres) located next to the Yermo Elementary School. The sports park has two soccer fields and a softball field. Yermo CSD owns all the facilities that are located on the land. To facilitate

RESOLUTION NO. 3062

the use of this land for its sports park, Yermo entered into an agreement with the School District for use of each other's property. LAFCO inquired into the possibility of a property exchange to secure this property. Yermo states that the intent was to enter into a use agreement in the short run and then exchange properties; however, the exchange of properties has not taken place. Pursuant to the agreement:

- Yermo has granted the School District use of its property on Bedford Drive behind the Silver Valley High School. The school uses the land to park its buses.
- The School District has granted Yermo use of a portion (four acres) of its property (10 acres) on School Road located behind the Yermo Elementary School. Additionally, the School District pays all the utility costs for the park (water and electricity) and pays Yermo \$7,200 annually for Yermo to maintain the park. The Elementary School is also allowed use of the park during school hours.

According to staff from the County Community Development and Housing Department, Yermo applied for and received Community Development Block Grant funding within the past few years. Since 2003, Yermo has received funding for improvements at the sports park and heating and cooling improvements to the community center. On September 9, 2008 the County Board of Supervisors approved a contract with Yermo in the amount of \$16,325 for construction of improvements to the ceiling and walls of the Yermo Community Center. Under the terms of the contract, the County will utilize Community Development Block Grant funds to construct the project. Yermo CSD will continue to maintain and operate the community center facility for not less than 15 years following the completion of the improvements and will pay for all costs necessary for maintenance and operation.

Yermo has no park master plan or strategic plan to reference in order to provide information on park improvements or meeting the demands of the residents.

Streetlights

Yermo CSD maintains 48 streetlights. Southern California Edison owns the streetlights, and the District provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area (County Service Area 70 which overlays the agencies is authorized streetlighting services, but requires creation of an Improvement Zone to provide), and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

3. Financial ability of agencies to provide services:

The District experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. The ongoing operations of the District are funded solely by its share of the one percent ad valorem general levy. Fire protection and related activities comprise the largest expense and its cost increases annually. The District does not adhere to the constitutional

RESOLUTION NO. 3062

requirements for the establishment of an appropriations limit and statutes related to managing the finances of a community services district.

Community Services District Law (Government Code Section 61000 et seq.) promotes financial accountability by requiring:

- An adopted budget (§61110 et seq.) – CSD Law requires the adoption of an annual budget and requires the general manager to forward a copy of the final budget to the county auditor. A submission by Yermo CSD for FY 2008-09 could not be verified by the County Auditor.
- Adoption of annual appropriations limits under the Gann Initiative (§61113) – Article XIIB of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit, which is further acknowledged by Government Code 61113. In 1977-78 the tax rate of the District was \$1.0883 per \$100 of assessed value. The District falls within the requirements of Article XIIB of the State Constitution, as it was over the \$0.125 (12 ½ cents) per \$100 of assed value tax rate in 1977-78, and therefore, must have an appropriations limit.

After meeting with LAFCO, the District is now aware of the requirement for annual appropriations limits. The Commission has not received information indicating if Yermo is making an attempt to establish an appropriations limit.

- Regular audits and annual financial reports (Sections 26909 and 61118) – Section 26909 of the Government Code requires regular audits of district accounts and records, which is further acknowledged by Government Code 61118. Additionally, CSDs are required to forward their audits to the State Controller and County Auditor. According to records from the State Controller the last audit received was for FY 2007-08 received in February 2009. However, the State Controller has no record of receiving an audit for FY 2006-07. According to records at the County Auditor, the two most recent audits received were for FY 2006-07 received January 2009 and FY 2007-08 received in February 2009.

A review of the financial documents available indicates that the primary source of revenue is from property taxes and fire protection comprises roughly half of expenditures. The two most recent audits provided are for FY 2005-06 and FY 2006-07. Therefore, a comprehensive review of the district's finances could not be completed.

The financial transaction reports indicate that Yermo CSD experiences financial challenges in operating the district. As shown in the chart below, the District has operated in the past with revenues in excess of expenditures. However, the excess revenues have not been enough to support long-term maintenance and capital improvements. This is evidenced by its reliance upon County approval for Community Development Blocks Grants for park and recreation improvements and County Fire for the donation of fire apparatus.

RESOLUTION NO. 3062

Yermo CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Net Income (Loss)	Total Debt
FY 2006-07				
Fire Protection	\$ 48,943	\$ 77,296	\$ (28,353)	\$ -
Lighting and Lighting Maintenance	\$ 9,504	\$ 7,914	\$ 1,590	\$ -
Recreation and Park	\$ 43,950	\$ 41,718	\$ 2,232	\$ -
Total	\$ 102,397	\$ 126,928	\$ (24,531)	\$ -
FY 2005-06				
Fire Protection	\$ 137,607	\$ 135,575	\$ 2,032	\$ -
Lighting and Lighting Maintenance	\$ 8,138	\$ 7,550	\$ 588	\$ -
Recreation and Park	\$ 45,502	\$ 33,971	\$ 11,531	\$ -
Total	\$ 191,247	\$ 177,096	\$ 14,151	\$ -
FY 2004-05				
Fire Protection	\$ 39,491	\$ 31,816	\$ 7,675	\$ -
Lighting and Lighting Maintenance	\$ 7,480	\$ 13,737	\$ (6,257)	\$ -
Recreation and Park	\$ 40,284	\$ 31,816	\$ 8,468	\$ -
Total	\$ 87,255	\$ 77,369	\$ 9,886	\$ -

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

A review of the budgets available do not compare budgeted and actual amounts and identify tax receipts as the sole source of revenue when the audits identify investments and charges for services. The Commission recommends that Yermo CSD include these items in its budget to promote transparency.

Capital Improvements

Yermo CSD has not identified any capital improvements.

Outstanding Debt

The financial documents do not indicate that the district has outstanding debt.

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

Yermo CSD has an arrangement with the Silver Valley Unified School District for use of the community park. Yermo CSD pays for all maintenance costs for the park and allows the School District use of the park. In turn, the School District pays all the water and electricity costs for the park.

RESOLUTION NO. 3062

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

Local Government Structure and Community Service Needs

Yermo CSD is an independent district and is governed by a five-member board of directors. Representation of the board of directors is at-large and members are voted by the electorate or are appointed by the County Board of Supervisors to four-year staggered terms. A review of the County Registrar of Voters records indicates that within the past ten years, the District has had elections in 2003, 2007, and 2008. As of August 14, 2008, the District had 632 registered voters. Below is the composition of the board, their positions, and terms of office as of January 1, 2009:

Board Member	Title	Term
Geoffrey L. Berner	Clerk	2010
Scott Walker	Commissioner (Director)	2010
Orlando Chavez	Fire Commissioner (Fire Director)	2010
Bob Smith	President	2012
Loney Weems	Maintenance Director	2012

Board hearings are held on the third Tuesday of each month at 6:00 p.m. at the Yermo Community Center. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. As for staff, the district employs a general manager/treasurer and has ranged between eight and eleven volunteer fire fighters within the past year. The position of the general manager assumed the duties of the district treasurer through board of directors' action on February 18, 2009. The position is bonded through the California Special Districts Risk Management Authority.

Operational Efficiency

The District participates in the Special Districts Risk Management Authority, a joint-powers authority, for general insurance and workers compensation. The District also participates in the Electronic Clean-up Program for the Daggett, Yermo, and Newberry communities. The communities rotate the drop-off location in order to assist residents.

Yermo participates in a disaster council made up of volunteer citizens of the Daggett, Yermo, and Newberry communities and meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan. FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

RESOLUTION NO. 3062

Out-of-Agency Service Agreements:

Since 1984 Daggett CSD has been providing water service within a portion of Yermo CSD territory due to the need for service to the Silver Valley High School. In 2001, the Commission approved an out-of-agency service contract authorizing Daggett CSD to provide domestic water and water for fire protection purposes within a defined service area within Yermo CSD territory from Daggett's eight-inch pipeline in Daggett-Yermo Road. The service area is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, Silver Valley Unified School District offices, and 10 commercial parcels within the area.

Government Structure Options:

The District, in preparing the municipal service review, did not indicate that there were consolidations or other structure options available. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- Dissolution of the district. The community has a present and probable need for municipal services, and dissolution of the district is not desirable, let alone feasible at this time. Rather, more effective and responsive Government is needed for the community in addition to the growing activities and traffic along Interstate 15.
- Removal of the district's fire protection powers with County Fire as the successor. One theoretical possibility would be to remove the district's fire protection powers, expand the sphere of influence of the San Bernardino County Fire Protection District, and concurrently annex the territory to County Fire and its North Desert Service Zone. The Board of Supervisors would be the ex-officio board of directors, and County Fire would then succeed to the property tax revenues attributable to fire protection of the District.

While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, neither the District nor County Fire has indicated support for this option due to the limited financial resources available. Without the revenues, the Commission suggests that the potential for joint powers contracts to achieve economies of scale or functional consolidations of service for the area should be evaluated by the existing agencies.

- Consolidation of the Daggett, Newberry, and Yermo CSDs. Consolidation would allow for economies of scale and provide the opportunity for streamlined governance and compliance with CSD Law.
- Consolidation of the Yermo and Daggett CSDs. More effective and efficient governance could be achieved in the long-run through consolidation with the adjacent community services district rather than through dissolution or maintenance of the status quo. These two districts currently provide, or are proposed to provide, the same type and range of services, operate under the same law (Community Services District Law), experience financial challenges, have adjacent territories, identify themselves as communities along the interstate corridors, have a

RESOLUTION NO. 3062

historic divide from the Barstow community, and are dependent upon each other for service delivery, such as fire protection and water service.

- Maintain the district in its current status. In this option, there are no changes to the District and it is the option supported by the District as identified in responses received during the review of the draft report and conveyed during the January 21, 2009 community meeting.

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

1. Present and Planned Uses:

The vast majority of the lands within the District are assigned designations of Resource Conservation (allowing one unit to 40 acres) and varying levels of Rural Living by the County General Plan. Other land use designations include Agricultural, Institutional, Commercial (Industrial and Highway), Freeway, Regional Industrial, Residential Single, and Open Space. This community is not anticipated to experience significant growth within the coming years due to about three-quarters of the land being publicly owned, the low-density land use designations assigned by the County, the historically low growth rate, the lack of a municipal-type water provider, and the surrounding geographic barriers.

2. Present and Probable Need for Public Facilities and Services:

Currently, Daggett Community Services District and Yermo Water Company provide domestic water to portions within the Yermo CSD. Since 1984 Daggett CSD has been providing water service to a 1.25 mile area within the western portion of Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water to two separate and small portions of the Yermo community. The Yermo Water Company has been under investigation by the PUC, culminating in the April 2009 order to place it in mandatory receivership. Final action on this order is anticipated to be provided by August 2009. In the areas not within a municipal water provider, including Harvard, water service is provided on-site through wells.

The entirety of the community utilizes on-site wastewater disposal through septic tanks or leach field systems. This service deficiency limits the development capacity for the community. The District does not currently provide sewer service and there are no other existing entities available to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

The District experiences challenge related to fire protection services given the limited resources available, and is reliant upon other fire protection agencies for mutual aid to fulfill this mission. The need for fire services is also anticipated to remain constant within the district but the needs of the transient traffic along Interstate 15 and the railroads traveling through the area will increase as traffic is anticipated to increase.

The need for park and recreation is anticipated to generally remain constant as the population is not anticipated to increase significantly.

RESOLUTION NO. 3062

The need for streetlighting is also anticipated to remain generally constant. Southern California Edison owns the streetlights, and the district provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area even though County Service Area 70 overlays the entirety of the community and is authorized streetlighting services, and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

3. Present Capacity of Public Facilities and Adequacy of Public Services

The provision of water service within the Yermo area through the Yermo Water Company has been outlined as presenting capacity and facility questions as well as questions regarding its maintenance and operation. The Yermo CSD has requested consideration of the activation of its water powers to be able to participate in the determinations for water service for its citizens.

The park and recreation services are adequately met by the District but they are generally dependent upon grants for improvements and construction.

The District is authorized by LAFCO to provide fire protection services. Yermo does not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals.

The District experiences financial challenges stemming from lack of revenue in comparison to expenditures. Operations are funded by its share of the ad valorem property taxes. Fire protection and related activities comprise the largest expense and increase annually. Moreover, a comprehensive review of the District's finances could not be completed due to the lack of current audits provided. Further the District does not adhere to certain statutes related to finances of a community services district. Of concern to the Commission is the current and future viability of the District. A review of the financial documents currently available indicates that the District does not receive enough incoming revenue to adequately support ongoing operations.

4. Social and Economic Communities of Interest:

The social community of interest is the District and its residents. There is an intra-relational structure in place between the Yermo and Daggett Community Services Districts. This is due to their adjacent territories, their common service provision, identifying themselves as communities along the interstate corridors, having a historic divide from the Barstow community, and dependency upon each other for service delivery, such as fire protection and Daggett CSD's water service extension into Yermo CSD.

Economic communities of interest are the Interstate 15, the Marine Corps Yermo Annex, Silver Valley Unified School District, San Bernardino County Regional Park at Calico Ghost Town and the Union Pacific Rail Yard.

RESOLUTION NO. 3062

5. Additional Determinations

- Legal advertisement of the Commission’s consideration has been provided through publication in *The Desert Dispatch* through a publication of an 1/8th page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8th page legal ad was provided in lieu of individual notice because the service review for the community, in aggregate, would have exceeded 1,000 notices.
- As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency were reviewed and considered by the Commission in making its determinations.

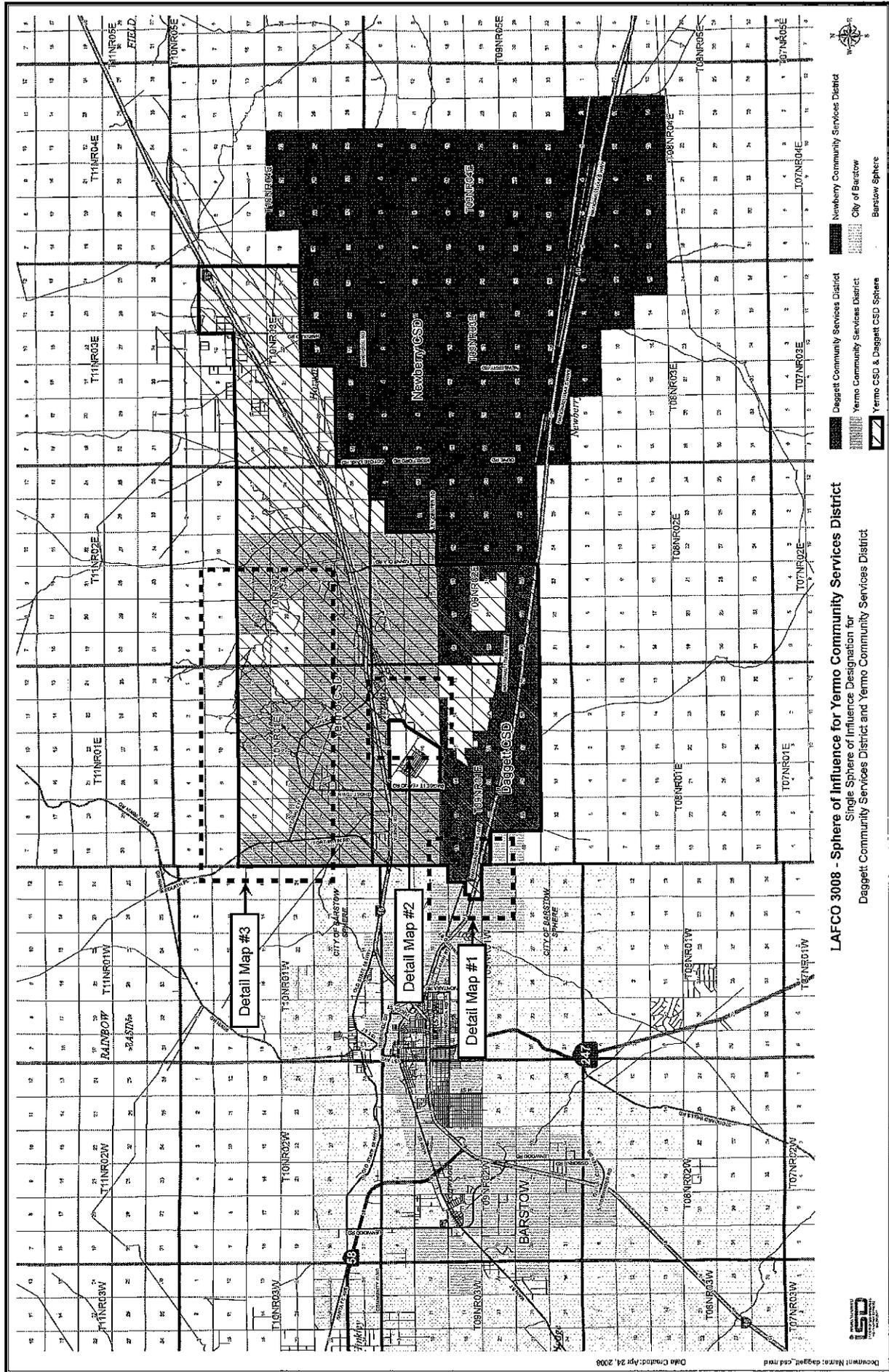
WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Yermo Community Services District shall be limited to the following:

	FUNCTIONS	SERVICES
Yermo Community Services District	Fire Protection	Structural, watershed, suppression, prevention
	Streetlighting	Streetlighting
	Park and Recreation	Local park development, operation, maintenance

WHEREAS, in response to actions taken by the Public Utilities Commission related to the operations of the Yermo Water Company, Yermo CSD has determined to pursue activation of their latent water functions. On April 6, 2009 the District submitted its official application for reactivation and LAFCO has assigned it the designation of LAFCO 3008A for processing. All further determinations for the activation of the District’s latent water function are contained in LAFCO 3008A.

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to expand the sphere of influence to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies; expand the sphere of influence to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W; expand the sphere of influence to include area east of the Barstow Marine Corps Base – Yermo Annex; and expand the sphere of influence to include areas north of Yermo Community Services District, as outlined on the attached exhibits to this resolution.

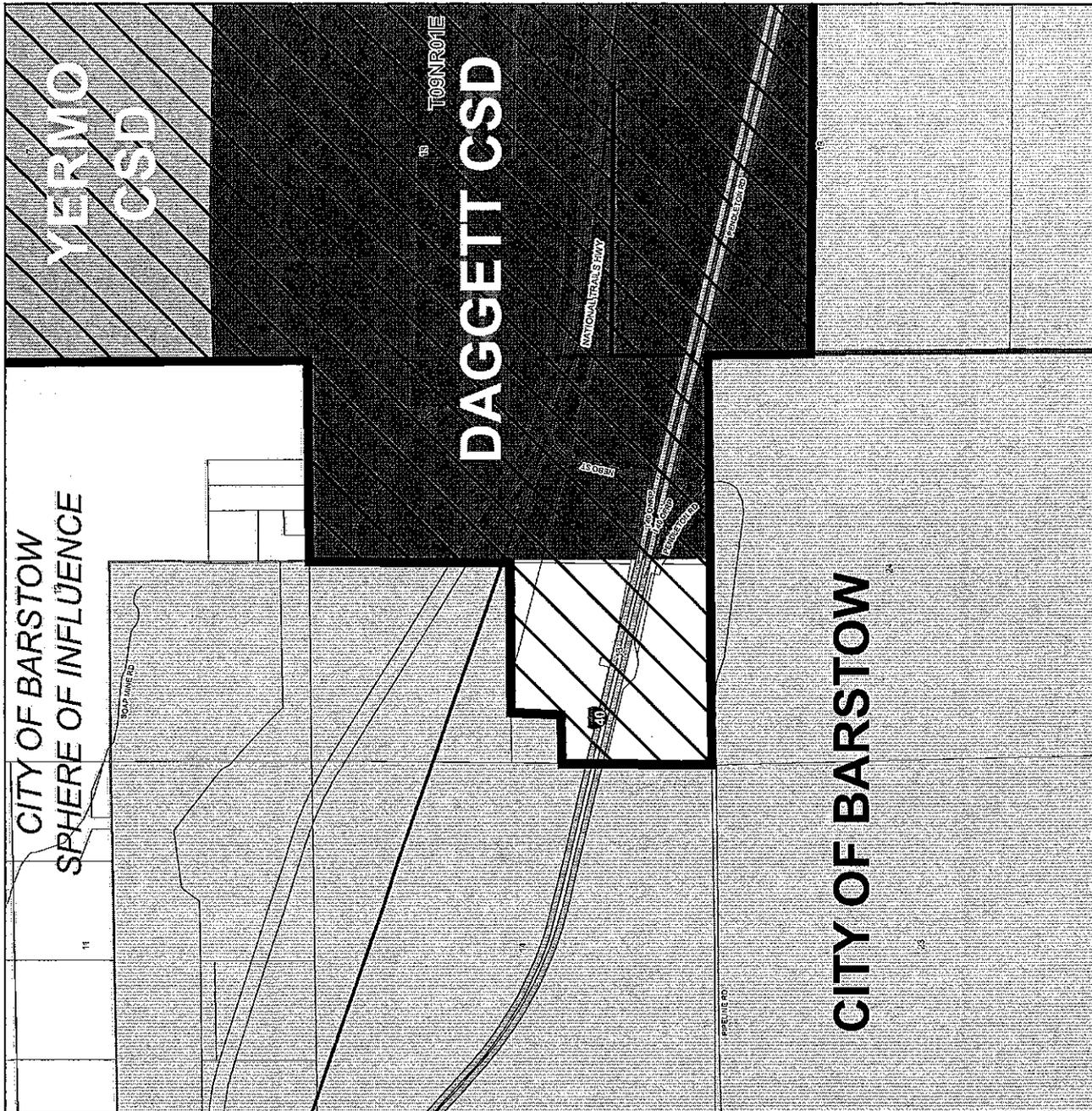
NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider this to be the sphere of influence for the Yermo Community Services District; it being fully understood that establishment of such a sphere 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;



LACO 3008 - Sphere of Influence for Yermo Community Services District
 Single Sphere of Influence Designation for
 Daggett Community Services District and Yermo Community Services District

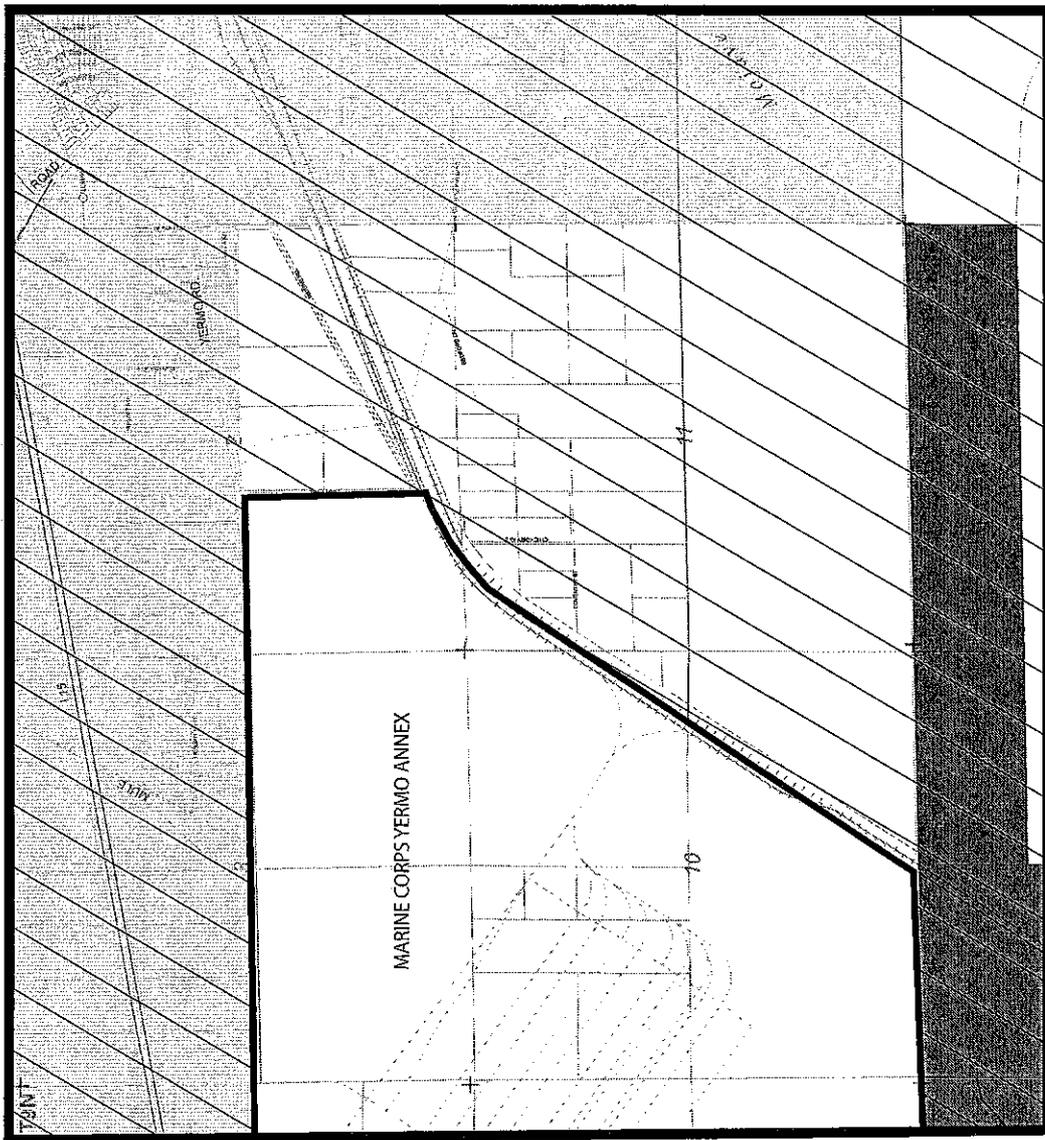
Newberry Community Services District
 Daggett Community Services District
 Yermo Community Services District
 Yermo CSD & Daggett CSD Spheres
 City of Barstow
 Barstow Sphere

LACO
 Los Angeles County Office of Administrative and Community Organization



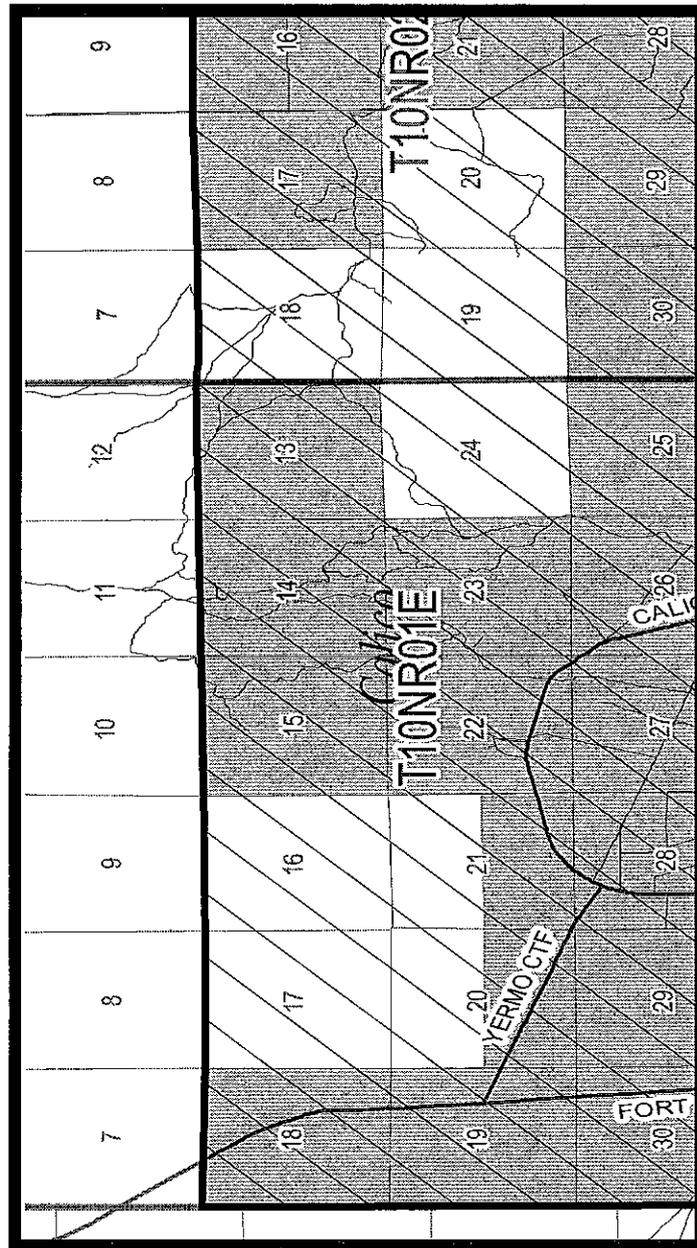
LAFCO 3008 - SPHERE OF INFLUENCE FOR
 YERMO COMMUNITY SERVICES DISTRICT
DETAIL MAP # 1

LAFCO 3008 - Sphere of Influence for
Yermo Community Services District - Detail Map #2



-  Daggett CSD Boundary
-  Yermo CSD Boundary
-  Yermo CSD & Daggett CSD Sphere

LAFCO 3008 - Sphere of Influence for
 Yermo Community Services District - Detail Map #3



-  Yermo CSD Boundary
-  Yermo CSD & Daggett CSD Sphere

- 2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities**
 - b. Resolutions Reflecting Commission Determinations**
 - ii. Resolution No. 3063 for Daggett CSD**

Attachment 2b.2

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

215 North D Street, Suite 204 San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

PROPOSAL NO.: LAFCO 3045

HEARING DATE: JULY 15, 2009

RESOLUTION NO. 3063

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3045 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE DAGGETT COMMUNITY SERVICES DISTRICT (sphere of influence expansion to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies; expansion to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W; expansion to include area east of the Barstow Marine Corps Base – Yermo Annex; and expansion to include areas north of Yermo Community Services District).

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

WHEREAS, a service review mandated by Government Code 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (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, a public hearing by this Commission was called for May 20, 2009 and continued to June 17, 2009 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; 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;

RESOLUTION NO. 3063

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on June 17, 2009. The Clerk was directed to file a Notice of Exemption within five working days of its adoption;

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 following sphere of influence determinations shall be made for the Daggett Community Services District (hereafter shown as the District):

- (1) Expand the sphere of influence to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies;
- (2) Expand the sphere of influence to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W;
- (3) Expand the sphere of influence to include the privately owned properties area east of the Barstow Marine Corps Base – Yermo Annex; and
- (4) Expand the sphere of influence to include areas north of Yermo Community Services District which are peninsulas within the existing district

as more specifically depicted on the maps attached hereto as Exhibit "A", "A-1", "A-2", "A-3", 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 April 24, 2009 and received and filed by the Commission on June 17, 2009, 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:

While the north desert portion of San Bernardino County, in general, has experienced significant growth the Daggett community can be characterized as a rural and agricultural community that has historically experienced slow growth.

As of August 14, 2008, the District had 195 registered voters. Utilizing the growth forecast for transportation analysis zones, as identified in the Southern California Association of Governments (SCAG) 2008 Regional Transportation Growth Forecast and the 2000 Census estimates, the population growth projections for Daggett are as follows:

District	2000*	2010	2015	2020	2025	2030
Daggett	775	885	1,005	1,102	1,214	1,378

* 2000 Census estimate

This area is not anticipated to experience significant growth within the coming years. This determination is made due to about one-third of the land being publicly owned, the rural and low density residential land use designations assigned by the County, the historical divide from the

RESOLUTION NO. 3063

Barstow community to the west, and the surrounding geographic barriers. The land ownership breakdown of the District's boundary is as follows:

Daggett CSD

Land Owner	Sq Miles	Percentage
Private	13.2	64.1%
US Bureau of Land Management	6.1	29.4%
County of San Bernardino	0.7	3.8%
United States of America	0.4	1.5%
State of California	0.2	1.2%
Total	20.6	100.0%

Historical trends indicate low growth in the community in comparison with other urban areas of the North Desert region of the County. However, there are future projects which will increase the need for public services within the community. The single most tangible factor that could limit growth will be the availability of water.

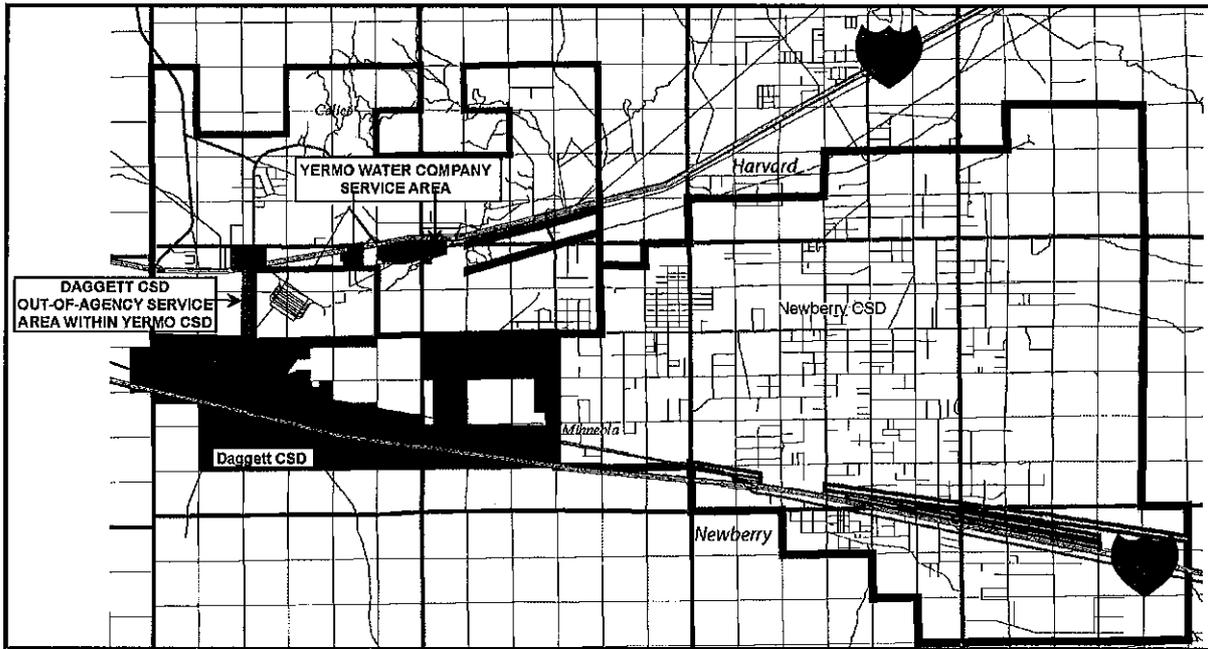
2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies:

Water

Since 1984 Daggett CSD has been providing water service within the western portion of Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area. Any request submitted for the expansion of the service area would require that Daggett CSD provide a study showing the capacity for service through lines and storage facilities and a payment schedule that would acknowledge buy-in-costs for the facilities. The LAFCO staff report for SC 135 stated a reservation that the service capacity of an eight-inch water line given the commercial use and fire flow requirements was a concern. The eight-inch water line is still in use and the commercial use and fire flow requirements remains a concern of the Commission.

RESOLUTION NO. 3063

Water Service Providers



Daggett CSD has water production rights (also known as Base Annual Production) to assure 304 acre-feet (AF) annually as determined by the adjudication of the Mojave Water Basin. Daggett is within the Baja sub-region, and Free Production Allowance (FPA) was at 70% of Base Annual Production for 2008-09, which permitted Daggett 213 AF of FPA. For FY 2009-10, FPA has been set at 65%, which currently permits 198 AF and will be subject to further rampdowns in the future.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused FPA from another party. The historical trend for Daggett's water production indicates that it does produce more than its FPA. However, until 2003-04 it had purchased water from other agencies to make up the difference along with purchasing additional water for future use. Thus, it has had no replacement obligation to the Watermaster. However, given the trend of water production in excess of its FPA, its carryover from prior year has been lessened each year, with 35 AF carried over into 2007-08 and zero AF carried over into 2008-09. Based on this trend and the additional rampdown, Daggett is currently resuming the purchase of water from other agencies in order to avoid having to pay the higher Watermaster rates for overproduction. This will translate into increased costs for ratepayers. However, Daggett purchased 50 AF of permanent base annual production rights in September 2008 in order to mitigate the higher Watermaster costs.

Daggett CSD Water Production and Water Obligations
(units in acre-feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year and Transfers from Other Agencies	Verified Production	Unused FPA ³ or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
2001-02	204	252	259	197	\$0	\$0
2002-03	204	297	262	239	\$0	\$0

RESOLUTION NO. 3063

2003-04	204	399	255	330	\$0	\$0
2004-05	204	330	248	204	\$0	\$0
2005-06	191	204	258	137	\$0	\$0
2006-07	191	137	293	35	\$0	\$0
2007-08¹	228	35	270	(7)	7 AF at a cost of \$2,359	\$0
2008-09²	213	0	N/A	N/A	N/A	N/A
2009-10	198	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

¹ Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

² Draft data (Appendix B) not available until January 2010.

³ Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

Daggett's water facilities are comprised of 185 active connections, four active wells, four tanks, and mostly eight-inch pipes with some four, six, and ten-inch pipes. According to staff at the County Department of Community Development and Housing, the District received a Community Development Block Grant in FY 06-07 for security fencing for the water storage tanks. Below is a listing of the tank capacities:

- Tank 1 – 200,000 gallon steel bolted
- Tank 2 – 150,000 gallon steel welded
- Tank 3 – 3,000 gallon steel welded
- Tank 4 – 135,000 gallon in-ground

Indicated in the chart above, Daggett CSD produced 293 acre-feet in 2006-07. Utilizing this figure calculates to a maximum daily demand (emergency storage) of 470,833 gallons per day and compared it to the system's 488,000 gallons of tank storage capacity. Based on these figures (shown in the chart below), the District has enough storage capacity to meet maximum daily demand.

Connections	Average Daily Demand (ADD)		Max Daily Demand (1.8 x ADD) [Emergency Storage]		Operational Storage (gallons)
	AF/Yr	gpd	gpd	gpm	
285	293	261,574	470,833	454	488,000

Daggett CSD has no water management plan or strategic plan to reference in order to provide technical information for this report such as average daily demand, maximum daily demand, operational storage, fire storage, or hydraulic modeling. Further, Daggett has no plans for significant upgrades of its water system.

RESOLUTION NO. 3063

Sewer

The community utilizes on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for installation of sewer improvements. This service deficiency limits the development options for the community. The District does not currently provide, nor is it authorized to provide, sewer service and there are no other existing entities to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

Fire Protection

Daggett provides fire protection within its boundaries from three fire stations through an all-volunteer department. Currently, staffing includes six fire personnel including a fire chief and assistant fire chief all on a paid-call basis. Daggett currently owns and operates four vehicles for fire fighting: one water tender with a 1,600 gallon tank, two structural fire trucks, and one brush truck. There is no fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals.

Within the Daggett CSD sphere of influence is the Barstow Daggett Airport, a county-operated airport facility. Fire service is provided at this facility by personnel from Fort Irwin as it houses aircraft at the facility through a contract with the County Airports Department. This fire station is manned during operational hours and provides for mutual aid response.

Daggett has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Newberry Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire.

Park and Recreation

Daggett owns and operates two parks located adjacent to the district headquarters and operates a community center that is located on County property. The parks are located in the northern portion of the district and are approximately one-half acre each. In FY 2005-06 Daggett received a \$4,500 Community Development Block Grant for installation of playground equipment.

The Community Center is located on County property at 35277 Afton Street in the southern portion of the District. The five-acre property also includes a basketball court and a storage facility. The community center is used for senior events, community meetings, and recreation. Daggett indicates that the Community Center was funded by a Community Development Block Grant in the early 1980s. Community Development Block Grant funding provided for re-roofing of the Community Center in 1999. According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the facility to be on County property. The term of the lease is for 30 years with two 10 year options to renew. Neither the County Department of Community Development nor Housing, County Real Estate Services nor Daggett CSD staff could provide a copy of the lease to substantiate the terms of the agreement.

Daggett has no park master plan or strategic plan to reference in order to provide information on park improvements or meeting the needs of the residents.

RESOLUTION NO. 3063

Streetlights

Daggett CSD maintains 24 streetlights. Southern California Edison owns the streetlights, and the District provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area (County Service Area 70 which overlays the agencies is authorized streetlighting services, but requires creation of an Improvement Zone to provide), and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

3. Financial ability of agencies to provide services:

The District experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. The ongoing operations of the District are funded by property taxes and water charges. Fire protection and related activities comprise the largest expense and its cost increases annually. The District does not adhere to the constitutional requirements for the establishment of an appropriations limit and statutes related to managing the finances of a community services district.

Community Services District Law (Government Code Section 61000 et seq.) promotes financial accountability by requiring:

- An adopted budget (§61110 et seq.) – CSD Law requires the adoption of an annual budget and requires the general manager to forward a copy of the final budget to the county auditor. Daggett has not adopted an annual budget since FY 1995-96 and has thus operated without a budget for over a decade.
- Adoption of annual appropriations limits under the Gann Initiative (§61113) – Article XIII B of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit, which is further acknowledged by Government Code 61113. In 1977-78 the tax rate of the District was \$1.2500 per \$100 of assessed value. The District falls within the requirements of Article XIII B of the State Constitution, as it was over the \$0.125 (12 ½ cents) per \$100 of assessed value tax rate in 1977-78, and therefore, must have an appropriations limit.

After meeting with LAFCO, the District is now aware of the requirement for annual appropriations limits. The Commission has not received information indicating if Daggett is making an attempt to establish an appropriations limit. Further, the establishment of an appropriation limit would require Daggett to adopt a budget.

- Regular audits and annual financial reports (Sections 26909 and 61118) – Section 26909 of the Government Code requires regular audits of district accounts and records, which is further acknowledged by Government Code 61118. Additionally, CSDs are required to forward their audits to the State Controller and County Auditor. The last audit performed of Daggett's finances was for FY 2002-03. According to records from the County Auditor and State Controller, the last audit received for Daggett CSD was for FY 2002-03.

RESOLUTION NO. 3063

The District provided copies of the mandatory financial transaction reports that were submitted to the State Controller for FY 2005-06 and 2006-07.

According to Daggett staff, the board of directors approved the first water rate increase since the 1980s for customer water use. The current rate is .0075 cents per cubic foot, and the rate took effect July 1, 2008 of 1.5 cents per cubic foot. The revenues to be generated by the rate increase will provide Daggett with needed additional revenue. Further, Daggett charges the same rate for water service to those outside its boundary as those it services within its boundaries. The additional costs to serve outside of the boundaries could be recouped by charging a higher out of boundary rate for water service.

Financial Transaction Reports

Since the District does not have an operating budget and the last audit is for FY 2002-03, a comprehensive review of the District's finances could not be completed. For this report, staff reviewed the financial transaction reports for FY 2004-05, FY 2005-06 and FY 2006-07. Review of the financial transaction reports indicates that the District is experiencing financial challenges.

The general fund is comprised of the fire, streetlighting, and park and recreation activities. As indicated below, the activities (non-enterprise) of the general fund do not generate enough revenue to support the current levels of service. However, the District receives enough revenue through water rates to operate the day-to-day activities of the water system (enterprise fund). To compensate for the shortfall for fire services, the District transfers revenues from the water enterprise fund to the general fund. For example, in FY 2005-06 \$22,591 was transferred and in FY 2006-07 \$19,216 was transferred. Essentially, the water enterprise fund subsidizes the non-enterprise activities of the district. The annual transfers deplete needed revenue from the water fund and have the potential to adversely affect the water system's long term viability to adequately fund capital projects and needed major improvements for the water system.

RESOLUTION NO. 3063

Daggett CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Transfer In (Out)	Net Income (Loss)	Total Debt
FY 2006-07 *					
Fire Protection	\$ 37,717	\$ 37,743	\$ 19,216	\$ 19,190	\$ -
Streetlighting	\$ 3,785	\$ 6,391	\$ -	\$ (2,606)	\$ -
Recreation and Park	\$ 53,536	\$ 59,645	\$ -	\$ (6,109)	\$ 55,000
Water Enterprise	\$ 165,982	\$ 92,441	\$ (19,216)	\$ 54,325	\$ 66,150
Total	\$ 261,020	\$ 196,220	\$ -	\$ 64,800	\$ 121,150
Note: Total Revenues and Net Income should be reduced by \$50,000 for the water enterprise fund and be reclassified as an asset that the district received but did not directly pay for.					
FY 2005-06					
Fire Protection	\$ 27,670	\$ 33,986	\$ 22,591	\$ 16,275	\$ -
Streetlighting	\$ 2,781	\$ 4,457	\$ -	\$ (1,676)	\$ -
Recreation and Park	\$ 45,098	\$ 46,633	\$ -	\$ (1,535)	\$ 58,000
Water Enterprise	\$ 108,413	\$ 90,941	\$ (22,591)	\$ (5,119)	\$ 70,150
Total	\$ 183,962	\$ 176,017	\$ -	\$ 7,945	\$ 128,150
FY 2004-05					
Fire Protection	\$ 28,136	\$ 25,523	\$ 18,972	\$ 21,585	\$ 10,014
Streetlighting	\$ 2,367	\$ 6,863	\$ -	\$ (4,496)	\$ -
Recreation and Park	\$ 38,401	\$ 47,028	\$ -	\$ (8,627)	\$ 61,000
Water Enterprise	\$ 100,050	\$ 94,629	\$ (18,972)	\$ (13,551)	\$ 75,150
Total	\$ 168,954	\$ 174,043	\$ -	\$ (5,089)	\$ 146,164

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

* As identified in the FY 2006-07 Financial Transaction Report, \$50,000 is reflected as a one-time receipt of revenue. In the summary charts below, the \$50,000 is a part of the \$165,982 Total Revenues for FY 2006-07, which resulted in a Net Income of \$54,325. LAFCO has verified with staff of the auditor that prepared the FY 2006-07 Financial Transaction Report that the \$50,000 was actually an asset and not revenue. The District was awarded \$50,000 in Community Development Block Grant funding by the County for the installation of a security fence around one of the District's water tanks. The grant funding was paid by the County and the District received the asset. Therefore, the Total Revenue for FY 2006-07 should be \$115,982 and Net Income should be \$4,325.

Long-term Debt

Long-term debt is comprised of two bonds. The first is a general obligation bond for recreation and park services which was authorized in 1979 and matures in 2019. As of June 2007, the un-matured amount of the bond was \$55,000. The second is a revenue bond to upgrade water delivery which was authorized in 1980 and matures in 2020. As of June 2007, the un-matured amount of the bond was \$66,150.

Capital Improvements

Daggett CSD has not identified any capital improvements.

RESOLUTION NO. 3063

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

Daggett CSD has its community center facility on County land. It is understood that a lease agreement exists between the County's Department of Community Development and Housing and the District; however, neither the County nor the District has been able to produce the document.

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

Local Government Structure and Community Service Needs

Daggett is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted on by the electorate or are appointed by the County Board of Supervisors to four-year staggered terms. A review of the County Registrar of Voters records indicates that within the past ten years, the District has had elections in 2003 and 2007. As of August 14, 2008, the District had 195 registered voters. The lack of elections can be attributed to the size of the district, the number of residents and registered voters, and the need to eliminate the cost of conducting elections. Below is the composition of the board, their positions, and terms of office as of November 1, 2008:

Board Member	Title	Term
Mentie B. Hazelett	Director	2009
Joseph Morris, Jr. (Appointed 12-14-2005)	Director	2009
Lawrence Alf	President	2011
Irene L. Koch	Director	2011
Ramon A. Rodriguez	Director	2011

Board hearings are held on the second Wednesday of each month at 6:00 p.m. at the District office. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. As described in the Financial Section for Daggett, it does not operate with an annual balanced budget or an appropriations limit. As for staff, the District employs a general manager/treasurer, water operator, and fire staffing includes the following volunteers: six fire personnel including an appointed fire chief and assistant fire chief.

Operational Efficiency

The District participates in the Special Districts Risk Management Authority, a joint-powers authority, for general insurance and workers compensation. The District also participates in the Electronic Clean-up Program for the Daggett, Yermo, and Newberry communities. The communities rotate the drop-off location in order to assist residents.

Daggett participates in a disaster council made up of volunteer citizens of the Daggett, Yermo, and Newberry communities and meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan. FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.

RESOLUTION NO. 3063

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Since 1984 Daggett CSD has been providing water service within a portion of Yermo CSD territory due to the need for service to the Silver Valley High School. In 2001, the Commission approved an out-of-agency service contract authorizing Daggett CSD to provide domestic water and water for fire protection purposes within a defined service area within Yermo CSD territory from Daggett's eight-inch pipeline in Daggett-Yermo Road. The service area is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, Silver Valley Unified School District offices, and 10 commercial parcels within the area.

Government Structure Options:

The District, in preparing the municipal service review, did not indicate that there were consolidations or other structure options available. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- Dissolution of the district. The community has a present and probable need for municipal services, and dissolution of the district is not desirable, let alone feasible at this time. Rather, more effective and responsive Government is needed for the community in addition to the growing activities and traffic along Interstates 15 and 40.
- Removal of the district's fire protection powers with County Fire as the successor. One theoretical possibility would be to remove the district's fire protection powers, expand the sphere of influence of the San Bernardino County Fire Protection District, and concurrently annex the territory to County Fire and its North Desert Service Zone. The Board of Supervisors would be the ex-officio board of directors, and County Fire would then succeed to the property tax revenues attributable to fire protection of the District.

While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, neither the District nor County Fire has indicated support for this option due to the limited financial resources available. Without the revenues, the Commission suggests that the potential for joint powers contracts to achieve economies of scale or functional consolidations of service for the area should be evaluated by the existing agencies.

- Consolidation of the Daggett, Newberry, and Yermo CSDs. Consolidation would allow for economies of scale and provide the opportunity for streamlined governance and compliance with CSD Law.

RESOLUTION NO. 3063

- Consolidation of the Yermo and Daggett CSDs. More effective and efficient governance could be achieved in the long-run through consolidation with the adjacent community services district rather than through dissolution or maintenance of the status quo. These two districts currently provide, or are proposed to provide, the same type and range of services, operate under the same law (Community Services District Law), experience financial challenges, have adjacent territories, identify themselves as communities along the interstate corridors, have a historic divide from the Barstow community, and are dependent upon each other for service delivery, such as fire protection and water service.
- Maintain the district in its current status. In this option, there are no changes to the District and it is the option supported by the District as identified in responses received during the review of the draft report and conveyed during the January 21, 2009 community meeting.

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

1. Present and Planned Uses:

The vast majority of the lands within the District are assigned designations of Resource Conservation (allowing one unit to 40 acres) and varying levels of Rural Living by the County General Plan. Other land use designations include Agricultural, Commercial (Industrial and Highway), Freeway, Regional Industrial, Residential Single, and Open Space. This community is not anticipated to experience significant growth within the coming years due to about one-third of the land being publicly owned, the low-density land use designations assigned by the County, the historically low growth rate, the lack of a municipal-type water provider, and the surrounding geographic barriers.

2. Present and Probable Need for Public Facilities and Services:

Daggett CSD provides water to the populated center within its boundaries. Since 1984 Daggett CSD has been providing water service within the western portion of Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area.

The entirety of the community utilizes on-site wastewater disposal through septic tanks or leach field systems. This service deficiency limits the development capacity for the community. The District does not currently provide sewer service and there are no other existing entities available to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

The District experiences challenge related to fire protection services given the limited resources available, and is reliant upon other fire protection agencies for mutual aid to fulfill this mission. The need for fire services is also anticipated to remain constant within the district but the needs of the transient traffic along Interstates 15 and 40 and the railroads traveling through the area will increase as traffic is anticipated to increase.

The need for park and recreation is anticipated to generally remain constant as the population is not anticipated to increase significantly.

RESOLUTION NO. 3063

The need for streetlighting is also anticipated to remain generally constant. Southern California Edison owns the streetlights, and the district provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area even though County Service Area 70 overlays the entirety of the community and is authorized streetlighting services, and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

3. Present Capacity of Public Facilities and Adequacy of Public Services

Daggett CSD generally meets the water needs of the community by the level of service provided. However, no water plans or studies were provided, therefore the quality of the facilities could not be determined.

The park and recreation services are adequately met by the District but they are generally dependent upon grants for improvements and construction.

The District is authorized by LAFCO to provide fire protection services. Daggett does not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. The continual transfer of funds for Daggett CSD from the other funds, including the enterprise activity of the District, to the fire activities could result in decrease in the level of service of both the other services and fire protection services.

The District experiences financial challenges stemming from lack of revenue in comparison to expenditures. Operations are funded by its share of the ad valorem property taxes and water charges. Fire protection and related activities comprise the largest expense and increase annually. Moreover, a comprehensive review of the District's finances could not be completed due to the lack of current audits and budgets. Further the District does not adhere to certain statutes related to finances of a community services district. Of concern to the Commission is the current and future viability of the District. A review of the financial documents indicates that the District does not receive enough incoming revenue to adequately support ongoing operations.

4. Social and Economic Communities of Interest:

The social community of interest is the District and its residents. There is an intra-relational structure in place between the Yermo and Daggett Community Services Districts. This is due to their adjacent territories, their common service provision, identifying themselves as communities along the interstate corridors, having a historic divide from the Barstow community, and dependency upon each other for service delivery, such as fire protection and Daggett CSD's water service extension into Yermo CSD.

Economic communities of interest are the Interstate 15 and 40 corridors, Barstow-Daggett Airport, agriculture, power industries, the Marine Corps Yermo Annex, and the Silver Valley Unified School District.

RESOLUTION NO. 3063

5. Additional Determinations

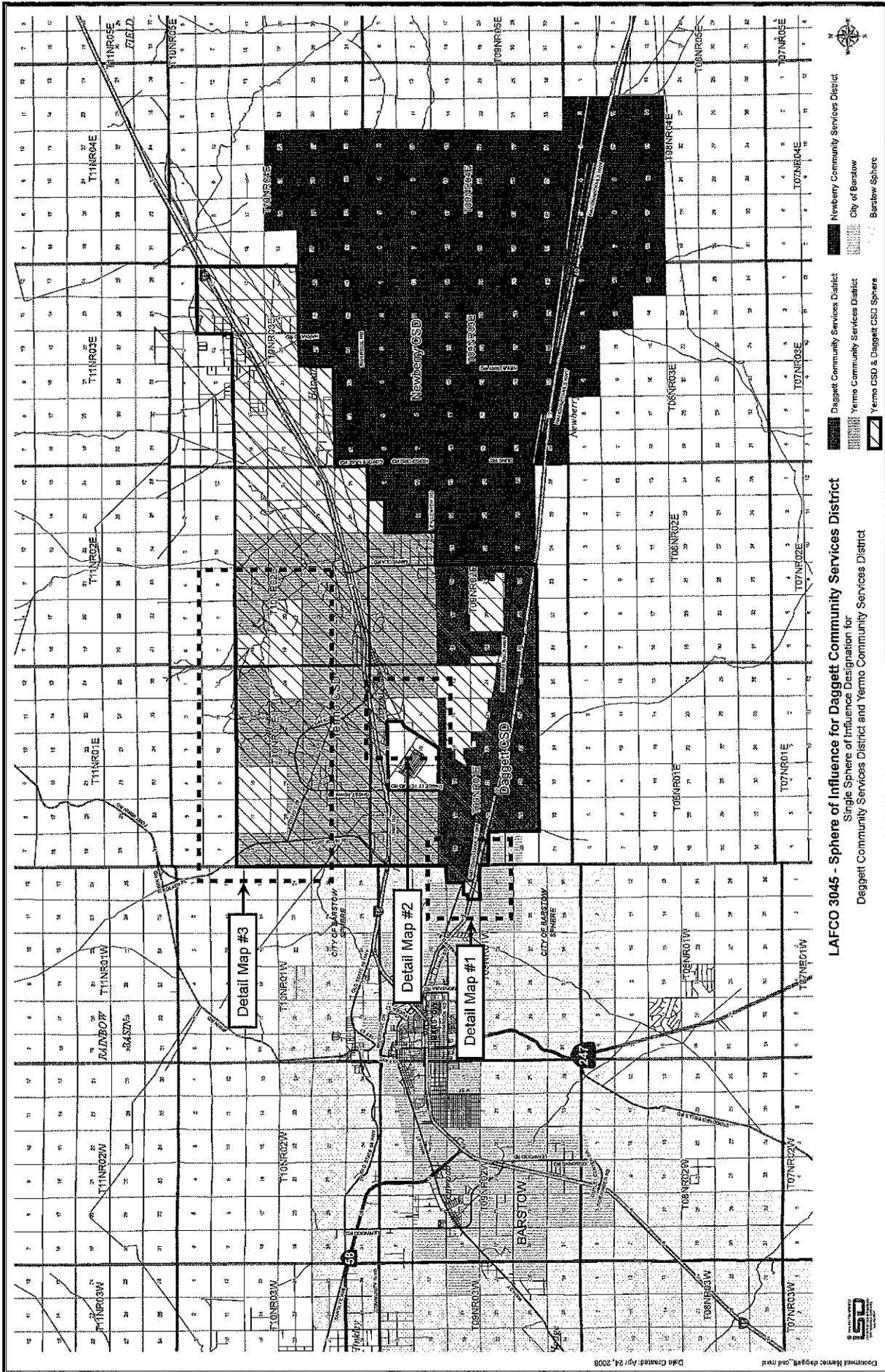
- Legal advertisement of the Commission's consideration has been provided through publication in *The Desert Dispatch* through a publication of an 1/8th page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8th page legal ad was provided in lieu of individual notice because the service review for the community, in aggregate, would have exceeded 1,000 notices.
- As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency were reviewed and considered by the Commission in making its determinations.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Daggett Community Services District shall be limited to the following:

	FUNCTIONS	SERVICES
Daggett Community Services District	Water	Retail, wholesale, domestic, industrial, irrigation, fire protection, sanitation
	Fire Protection	Structural, watershed, suppression, prevention
	Streetlighting	Streetlighting
	Park and Recreation	Local park development, operation, maintenance

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to expand the sphere of influence to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies; expand the sphere of influence to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W; expand the sphere of influence to include area east of the Barstow Marine Corps Base – Yermo Annex; and expand the sphere of influence to include areas north of Yermo Community Services District, as outlined on the attached exhibits to this resolution.

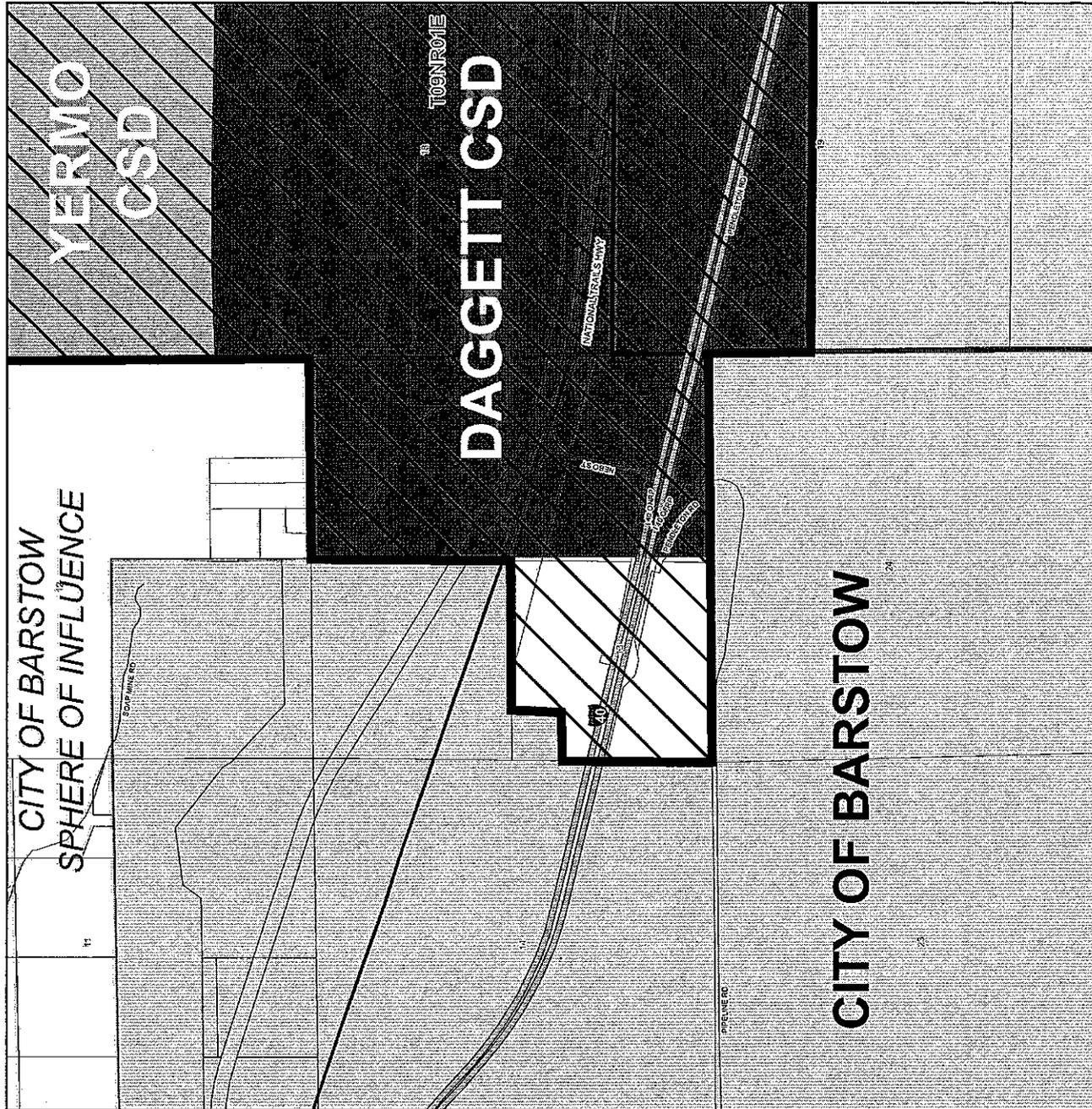
NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider this to be the sphere of influence for the Daggett Community Services District; it being fully understood that establishment of such a sphere 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;



LAFCO 3045 - Sphere of Influence for Daggett Community Services District
 Single Sphere of Influence Designation for
 Daggett Community Services District and Yermo Community Services District

Newberry Community Services District
 Daggett Community Services District
 Yermo Community Services District
 Yermo CSD & Daggett CSD Sphere
 Barstow Sphere

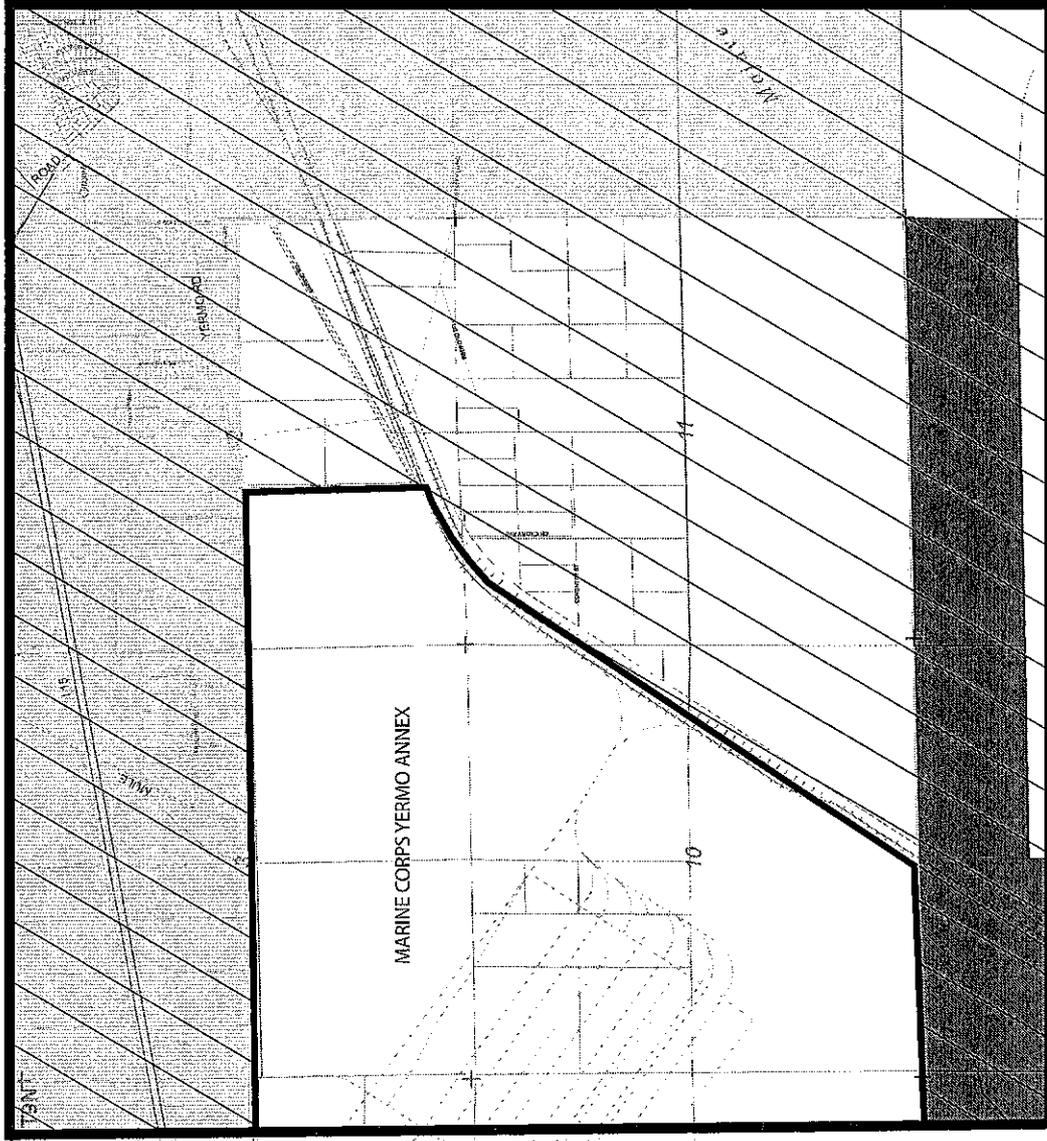
City of Barstow
 Planning Department



-  City of Barstow
-  Daggett CSD
-  Yermo CSD
-  Yermo CSD and Daggett CSD Sphere
-  Barstow Sphere

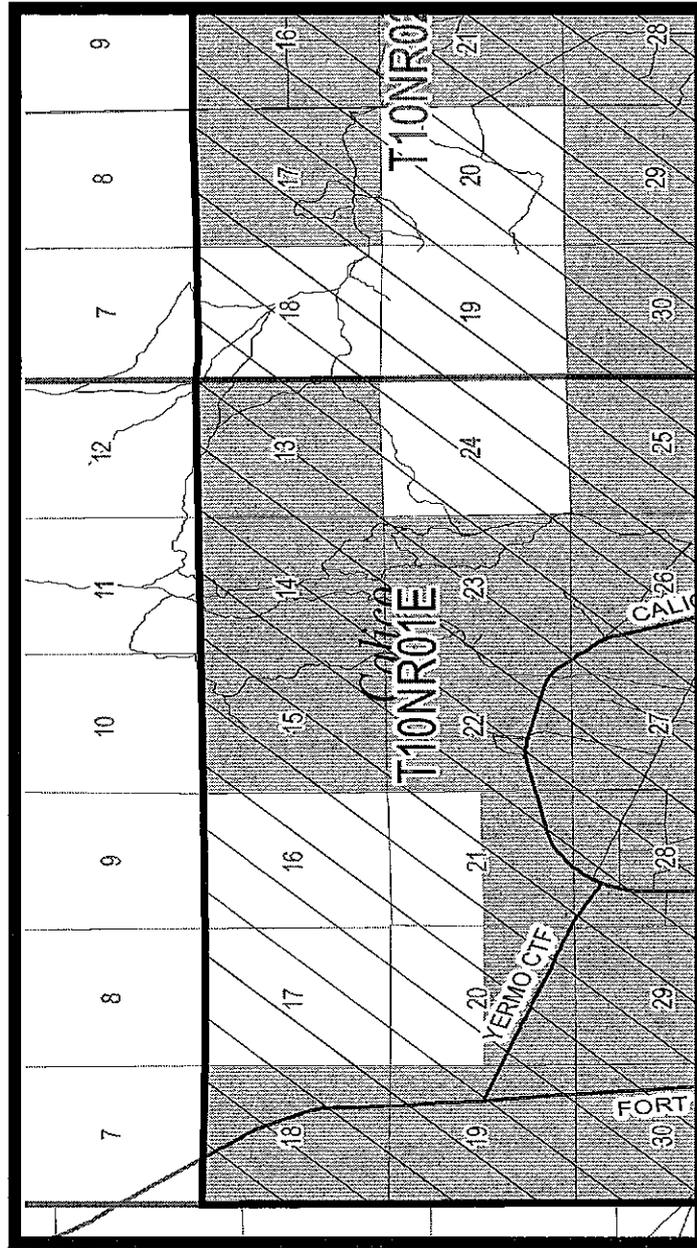
LAFCO 3045 - SPHERE OF INFLUENCE FOR
 DAGGETT COMMUNITY SERVICES DISTRICT
DETAIL MAP # 1

LAFCO 3045 - Sphere of Influence for
Daggett Community Services District - Detail Map #2



- Daggett CSD Boundary
- Yermo CSD Boundary
- Yermo CSD & Daggett CSD Sphere

LAFCO 3045 - Sphere of Influence for
 Daggett Community Services District - Detail Map #3



Yermo CSD Boundary

Yermo CSD & Daggett CSD Sphere

- 2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities**
 - b. Resolutions Reflecting Commission Determinations**
 - iii. Resolution No. 3064 for Newberry CSD**

Attachment 2b.3

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

215 North D Street, Suite 204 San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

PROPOSAL NO.: LAFCO 3046

HEARING DATE: JULY 15, 2009

RESOLUTION NO. 3064

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3046 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE NEWBERRY COMMUNITY SERVICES DISTRICT (affirmation of existing sphere of influence).

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

WHEREAS, a service review mandated by Government Code 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (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, a public hearing by this Commission was called for May 20, 2009 and continued to June 17, 2009 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; 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;

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are

RESOLUTION NO. 3064

statutorily exempt from CEQA and such exemption was adopted by this Commission on June 17, 2009. The Clerk was directed to file a Notice of Exemption within five working days of its adoption;

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 shall be affirmed for Newberry Community Services District (hereafter shown as the District) as depicted on the map attached hereto as Exhibit "A";

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 April 24, 2009 and received and filed by the Commission on June 17, 2009, 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:

While the north desert portion of San Bernardino County, in general, has experienced significant growth the Newberry community can be characterized as a rural and agricultural community that has historically experienced slow growth.

As of August 14, 2008, the District had 1,001 registered voters. Utilizing the growth forecast for transportation analysis zones, as identified in the Southern California Association of Governments (SCAG) 2008 Regional Transportation Growth Forecast and the 2000 Census estimates, the population growth projections for Newberry are as follows:

District	2000*	2010	2015	2020	2025	2030
Newberry	2,071	2,366	2,686	2,944	3,242	3,682

* 2000 Census estimate

The 2000 Census estimate and SCAG forecasts both include Harvard in the Newberry figures. For the purposes of this report, 2000 Census block data was extrapolated for the general Harvard area and removed from the 2010 to 2030 forecasts for the Newberry community.

This area is not anticipated to experience significant growth within the coming years. This determination is made due to about one-fifth of the land being publicly owned, the rural and low density residential land use designations assigned by the County, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. The land ownership breakdown of the District's boundary is as follows:

Newberry CSD

Land Owner	Sq Miles	Percentage
Private	90.2	78.9%
US Bureau of Land Management	23.9	20.9%
State of California	0.1	0.1%
County of San Bernardino	0.1	0.1%
Total	114.3	100.0%

Historical trends indicate low growth in the community in comparison with other urban areas of the North Desert region of the County. However, there are future projects which will increase the need

RESOLUTION NO. 3064

for public services within the community. The single most tangible factor that could limit growth will be the availability of water.

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

Water

The Newberry Springs community has no existing public water system to serve residents and water service is characterized by its acquisition through private wells. This service deficiency limits the development capacity for the Newberry Springs area but also supports the retention of its rural nature. Furthermore, the Newberry CSD does not supply water to residents; it only supplies its own facilities and provides water for fire protection purposes (water trucks). Newberry CSD's Strategic Plan indicates that water service is a long range goal and that a study would have to be conducted to determine the funding for such an endeavor which would include the need to purchase additional water rights.

Newberry CSD has water production rights (also known as Base Annual Production) to assure 23 acre-feet (AF) annually as determined by the adjudication of the Mojave Water Basin. Newberry is within Baja sub-region, and Free Production Allowance (FPA) was 70% of Base Annual Production for 2008-09, which permitted the district 17 AF of FPA. For 2009-10, FPA has been set at 65%, which currently permits Newberry 15 AF.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused production rights from another party. The historical trend for Newberry's water production indicates that it does not produce more than its FPA. Thus, it has no replacement obligation to the Watermaster. Additionally, a review of the Watermaster's water transfer records for the past four years indicates that Newberry has neither received nor transferred annual production rights with other entities.

RESOLUTION NO. 3064

Newberry CSD Water Production and Water Obligations
(units in acre feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year	Verified Production	Unused FPA ³ or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
2002-03	19	19	16	19	\$0	\$0
2003-04	19	19	16	19	\$0	\$0
2004-05	19	19	16	19	\$0	\$0
2005-06	18	19	16	18	\$0	\$0
2006-07	18	18	18	18	\$0	\$0
2007-08 ¹	18	18	18	18	\$0	\$0
2008-09 ²	17	18	N/A	N/A	N/A	N/A
2009-10	15	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

¹ Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

² Draft data (Appendix B) not available until January 2010.

³ Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

Sewer

The community utilizes on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for installation of sewer improvements. This service deficiency limits the development options for the community. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system. Actual provision of sewer service would require an application to LAFCO, along with a plan for services, and Commission approval. Should Newberry desire to provide this service to only the populated segments within the district, it would need to form a zone pursuant to CSD Law. This option would require voter or landowner approval due to the need for funding the development of the system and would require LAFCO approval to provide the service.

Fire Protection

The District provides fire protection through its identified "Newberry Fire Department". The Fire Department has an ISO rating of 9 and answers on average 400 to 500 calls per year. A sampling of the calls indicates an average response time of 12.5 minutes. The Fire Department provides mutual

RESOLUTION NO. 3064

aid to over 100 calls and receives aid on 60 to 80 calls. Newberry Fire has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Daggett Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire.

The Department currently is staffed with 22 volunteers. Each volunteer participates in an average of 400 hours of training per year. In January 2009 there were 20 volunteers. Of the 20, ten are qualified as Type II wild land firefighters, six are emergency medical technician basic, three are California State Fire Marshall certified Firefighter II, two are hazardous materials technicians, one is a Specialist, two meet FEMA Urban Search and Rescue qualifications, and one is Fire Officer certified by the California State Fire Marshal.

Newberry has two fire stations with the second station being re-activated in January 2009. Due to the addition of personnel, Station #391 was re-activated with the relocation of a water tender and a rescue vehicle. The new fire station, Station #392 – Mid Valley Station, is located on Silver Valley Unified School District property and is leased for \$1 per year. Newberry states that if the lease is not continued, then the community would not have a centrally located station.

Newberry has plans to build a training room at Fire Station #392. Currently, the firefighters train in facilities that are not temperature controlled and the planned training room would be temperature controlled. Newberry anticipates that the addition of a temperature controlled room would decrease response times since the all-volunteer firefighting force would be more likely to remain at the facility.

There are also plans to build an additional fire station within the district and install 10,000 gallon water tank structures throughout the district. The Department conducted a comprehensive survey to locate and record major water source points for placement of the station and the tanks, but the exact locations are not yet determined. This would improve Newberry's ISO rating and lower insurance premiums.

The Fire Department currently owns and operates the following equipment:

- Type 1 municipal engine, a 1999 Freightliner with a 1,000 gallon tank, a 1,250 gallon per minute (gpm) pump, a 2000 foot hose, and air and hydraulic rescue tools
- Type 2 water tender, 2000 Freightliner with a 2,200 gallon tank and a 500 gpm pump
- Type 2 water tender, 1970 Peterbuilt with a 4,000 gallon tank and a 1,500 gpm pump
- Type 1 ambulance/rescue truck, 2003 E-350, first responder – non transport, equipped to ICEMA standards
- Type 6 brush engine, 2007 Ford 350 4 x 4 with a 300 gallon tank and a 350 gpm pump.
- Trailer equipped to light rescue standards.

In addition to the storage tank listed above, the Department has also coordinated with Mojave Water Agency to place seven connection points at strategic locations along the Mojave River Pipeline. The connections provide water at the rate of 500 gallons per minute. Additionally, the Fire Department has an agreement with the Santa Fe Railroad for access to the 220,000 gallon railroad water tank located near Elementis Specialties Plant at Pioneer and Mountain View.

According to the District's Fire Operational Plan, the short-term and long-term goals of the Fire Department are:

RESOLUTION NO. 3064

Short-term goals (3 to 5 years):

- Develop a headquarters station, training center, and emergency operations center near the center of the District
- Secure at least five 10,000 to 15,000 gallon portable tanks.
- Reduce ISO Rating to 8 or better.
- Develop a large volume well and tank.
- Replace 1970 Peterbuilt water tender.

Long term goals (5 to 10 years):

- Construct headquarters station/training center/emergency operations center
- Relocate Station 391 two miles east, moving off the Newberry fault and out of a radio dead zone
- Assist in promotion of local water district *[while this goal may be part of the Fire Operational Plan, it appears to be for the district overall]*
- Add two Type 3 Fire Engines

Park and Recreation

Newberry owns and operates one park on 9.8 acres that includes a community center, Fire Station #391, a caretaker's home, playground, picnic area, and ball field. The ball field has lights for night play and can be configured as a baseball diamond or soccer field.

The Community Center was built in 1954 and provides a location for food distribution, shelter in case of a disaster, health clinics, veterinary clinics, and community and group events. Maintenance and upkeep of the park and the community center is provided by the live-in caretaker. Newberry states that the building is in above average condition due to ongoing upkeep and maintenance. Due to the age of the facility, Newberry indicates that future remodeling projects need to occur. Plans include remodeling the kitchen and restrooms and installation of energy efficient windows. Revenues have been set aside for major repairs of the park facilities and the caretaker's home.

According to staff from the County Community Development and Housing Department, Newberry applied for and received a Community Development Block Grant in FY 2006-07 to improve the parking lot at the park. The District intends to construct new restrooms at the park but plans or details were not provided. In 2008, the First District of the County Board of Supervisors awarded a \$5,000 grant to Newberry CSD for eight picnic tables for the park.

Streetlights

Newberry CSD maintains 39 streetlights. Southern California Edison owns the streetlights, and the District provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area (County Service Area 70 which overlays the agencies is authorized streetlighting services, but requires creation of an Improvement Zone to provide), and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the

RESOLUTION NO. 3064

nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

Road Maintenance

Newberry CSD is not currently authorized to provide the function or service of road services, however the district purchased a grader in August 2006 for roughly \$49,000 with funds from the \$350,000 one-time donation received in 2004 from the Kiewit Pacific Corporation. After Newberry received the donation, it conducted a survey asking its residents how to utilize the windfall. The results of the survey indicated that approximately 85% of the respondents wanted the funds to be used for roads - grading in particular. In turn, Newberry purchased the grader and began grading roads. The purchase practices were questioned regarding bids, etc. The District has indicated that the road grader purchased is used and that a bid process was not utilized nor was it required for the purchase of used machinery. The District further states that it considered 18 machines and chose a machine that was owned by a municipality and that it considered cost and previous use in making its determination.

According to Newberry, grading does not occur on private roads. Primarily, the grader was purchased in order to keep the non-maintained County roads in acceptable condition for fire protection and EMS services. Rain and other varied weather conditions result in road conditions that make it difficult for emergency vehicles to arrive on the scene. In 2006 and 2007 Newberry graded about 25 miles of road, and road grading continued into 2008. No information has been provided related to the 2009 grading activities anticipated by the District.

LAFCO informed District representatives of the potential for incurred liability when an agency performs road services. Newberry stated that its insurance company covers the grader but is not aware that road service, in the form of grading, is actually provided. As for funds to operate and maintain the service, road service is not an enterprise activity. Therefore, the funds to maintain the road grader and pay for the service use portions of the property tax revenues generated from throughout the entirety of the district that are also used to pay for streetlighting, park and recreation, and fire services.

The District has been informed on more than one occasion that in order for Newberry CSD to actively provide road service either within a portion or to the entirety of the district, CSD Law requires the activation of latent powers subject to LAFCO approval (Government Code Section 61106). Newberry has not formally requested or been authorized by LAFCO to perform this function and/or service. LAFCO has informed Newberry that activation of its latent road powers would require the submission of an application to LAFCO with a plan for service which would include the identification of the financing for the service provision. Newberry is actively grading on public roads and such an action requires written consent from the County, as outlined in CSD Law [Section 61100(I)].

While a CSD may perform road services on another public agency's roads, if it obtains written permission, two preceding actions are paramount. First, Section 61106 (a) requires a CSD to obtain LAFCO approval in order to activate a latent power; regardless if the service is to be provided to a portion or to the entirety of the district.

Second, according to CSD Law and County requirements, the District needs to obtain written permission from the County allowing it to perform road maintenance on public roads. The District has adopted a resolution requesting County permission, but the District has not provided LAFCO with a copy of the written consent from the County. Staffs at the County Public Works,

RESOLUTION NO. 3064

Transportation Division office and the Clerk to the Board of Supervisors have indicated that there is no record of receipt of Newberry's resolution requesting consent. According to County Transportation staff, in order to grade non-maintained roads the District would need to submit an "Application for Encroachment Permit". If the County determines that the roads are in their system and do not object to the grading, then a "Letter of No Objection" would be issued. LAFCO has informed Newberry CSD of the County's response and application process.

While the intent and purpose for providing the service are a benefit to the community, the extent of the road grading without authorization and the lack of adherence to CSD Law, LAFCO Law, and County Public Works/Transportation application requirements described above is a serious concern to the Commission. Further the District in written correspondence has indicated that it intends to continue providing this service even though it has neither LAFCO authorization nor County permission. It is the Commission's recommendation that Newberry CSD immediately submit the application materials, including a plan for services and the County's Letter of No Objection to LAFCO so that Commission consideration for activation can commence to secure compliance with applicable provisions of law.

3. Financial ability of agencies to provide services:

The District experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. The ongoing operations of the District are primarily funded by property taxes. Fire protection and related activities comprise the largest expense and its cost increases annually. The District does not adhere to the constitutional requirements for the establishment of an appropriations limit and statutes related to finances of a community services district.

Community Services District Law (Government Code Section 61000 et seq.) promotes financial accountability by requiring:

- An adopted budget (§61110 et seq.) – CSD Law requires the adoption of an annual budget and requires the general manager to forward a copy of the final budget to the county auditor. Newberry adopts annual budgets. Newberry's budget provided for FY 2008-09 does not provide any revenue sources and does not provide a figure for the fund balance carried forward. According to staff at the County Auditor-Controller/Recorder, the District is current.
- Adoption of annual appropriations limits under the Gann Initiative (§61113) – Article XIII B of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit, which is further acknowledged by Government Code 61113. In 1977-78 the tax rate of the District was \$0.9110 per \$100 of assessed value. The District falls within the requirements of Article XIII B of the State Constitution, as it was over the \$0.125 (12 ½ cents) per \$100 of assed value tax rate in 1977-78, and therefore, must have an appropriations limit.

After meeting with LAFCO, the District is now aware of the requirement for annual appropriations limits. Newberry staff has informed the Commission that it obtained the formula to establish an appropriations limit from the County Auditor and is attempting to contact personnel at the County Auditor Property Tax Division to help establish the appropriations limit. Although Newberry does not have an appropriations limit, the District is making a fair attempt to comply with the Gann Limit.

RESOLUTION NO. 3064

- Regular audits and annual financial reports (Sections 26909 and 61118) – Section 26909 of the Government Code requires regular audits of district accounts and records, which is further acknowledged by Government Code 61118. Additionally, CSDs are required to forward their audits to the State Controller and County Auditor. According to records on file at the State Controller and County Auditor, the last audit received for Newberry CSD was for FY 2006-07 received in January 2009.

The District's most recent audit submitted for this review is for FY 2006-07 and financial transaction reports were submitted for FY 2005-06 and 2006-07. Since the last audit performed was for FY 2006-07, a comprehensive review of the District's finances could not be completed. The materials provided do, however, reveal that nearly all of the District's revenues are from the receipt of the District's share of the one percent ad valorem property tax. Additionally, in FY 2004-05 the Kiewit Pacific Corporation provided a one-time \$350,000 donation to the District to garner support for operation of a rock quarry and asphalt batch plant for approximately two years in the southern portion of the district.

The District states that the lump-sum donation was deposited into a dedicated fund. Since the receipt of the funds, capital purchases have been comprised of the purchase of the road grader and a 2007 Ford 350 Type 6 Brush Engine. It cannot be determined from what fund the purchases were made because the District did not have a capital projects fund for those years. When comparing the year-end balance of \$496,906 from the FY 2004-05 audit with the year-end balance of \$320,401 from the FY 2006-07 financial transaction report, the District's funds decreased by \$176,505. In addition it is understood that an annual allocation of funds is made to the community senior center to support its operations.

The District provides for the maintenance of 39 streetlights, which includes the payment of electricity charges for their operation. However, for FY 2005-06 and 2006-07 the District identifies its expenditures for this service as being \$32,377 and \$29,270 respectively. No clarification of this expenditure has been received.

The District is dependent on its share of the one-percent general levy and grants and rebates. The information provided indicates that this is not enough to fund capital and needed improvements for the long-term.

RESOLUTION NO. 3064

Newberry CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Net Income (Loss)	Total Debt
FY 2006-07				
Fire Protection	\$ 113,179	\$ 174,866	\$ (61,687)	\$ 49,410
Lighting and Lighting Maintenance	\$ 2,032	\$ 29,270	\$ (27,238)	\$ -
Recreation and Park	\$ 91,550	\$ 143,990	\$ (52,440)	\$ -
Total	\$ 206,761	\$ 348,126	\$ (141,365)	\$ 49,410
FY 2005-06				
Fire Protection	\$ 121,765	\$ 125,038	\$ (3,273)	\$ 72,292
Lighting and Lighting Maintenance	\$ 1,723	\$ 32,377	\$ (30,654)	\$ -
Recreation and Park	\$ 77,746	\$ 61,574	\$ 16,172	\$ -
Total	\$ 201,234	\$ 218,989	\$ (17,755)	\$ 72,292
FY 2004-05				
Fire Protection	\$ 91,753	\$ 100,327	\$ (8,574)	\$ 105,401
Lighting and Lighting Maintenance	\$ 1,576	\$ 1,596	\$ (20)	\$ -
Recreation and Park	\$ 422,103	\$ 59,674	\$ 362,429	\$ -
Total	\$ 515,432	\$ 161,597	\$ 353,835	\$ 105,401
Note: Includes \$350,000 one-time donation from Kiewit Foundation				

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

Salaries and Stipends

For FY 2007-08, the district budgeted \$43,270 for salaries and stipends.

Salary/Stipend	FY 2007-08
Administrator Salary	\$ 9,600
Chairperson Stipend	\$ 6,000
Secretary Salary	\$ 7,500
Fire Department Stipend	\$ 16,570
Caretaker Salary	\$ 3,600
Total	\$ 43,270

According to the Fiscal Year 2007-08 budget, the Caretaker's Salary is \$3,600. The Commission is not aware if Newberry CSD rents the caretaker's residence to the caretaker at a reduced rate and if the district identifies it as a paid benefit subject to income tax withholding.

Fire Department

Revenues for the Fire Department are comprised of billing for services, monies received by the Newberry CSD, and grants. According to the documents provided by the district, residents within the district are not charged for fire and emergency medical services. As a cost recovery mechanism, non-residents are billed for emergency services. Because Newberry CSD utilizes property tax revenues to fund its operations, the Fire Department relies upon grants to fund its ongoing activities and special projects. According to the budget, grants are a significant source for the acquisition of

RESOLUTION NO. 3064

equipment, are sought to promote public safety, and will be the primary source for disaster planning, mitigation and response projects in the future. The District applied for three grants during FY 07-08:

- Firefighter Assistance Grant – for fire and emergency response equipment, \$52,920. The Department applied for but has not yet been approved for the grant.
- Community Development Block Grant – for medical equipment, \$18,787. The Fire Department applied for and has been approved for this grant.
- Homeland Security Grant – for purchase of a cargo trailer with generator to house and respond with rescue equipment, \$11,500. The District has applied for but has not yet received the grant.

The Commission has a concern that grants will be the primary source for disaster planning, mitigation and response projects in the future. Grants are not a steady source of revenue, and the dependence on grants is an indicator of the challenges that the district will encounter in the short and long-run to support ongoing maintenance and operation of fire and safety services.

Newberry CSD activities

The District's general budget is for the District's activities, excluding fire, and includes payroll and operations and maintenance. As for revenues, the budgets do not break-down the sources of revenues. Rather, revenues are simply listed as Deposits, Funds Transferred, and Interest. Further, revenues are not differentiated between the Fire Department and remainder of the district's activities. A more detailed revenue section of the budget is needed in order to adequately review the revenue stream and the distribution of revenues among its activities. However, the annual Final Transaction Reports that the District files with the State Controller does break down the revenue by source and activity. The Commission recommends that the District incorporate a revenue breakdown in future budgets. The District has indicated that it is developing a general ledger type of accounting that will provide for better accounting and data presentation.

Newberry CSD is not authorized by LAFCO to perform road services, yet has purchased a road grader from one-time donation funds. According to the budgets the annual costs for operating and maintaining the road grader are roughly \$5,000 per year. The costs identified for the grader are for supply, repair, wages, fuel, upgrade, and insurance, no identification of salary for operator was included. Funding to support the on-going costs come from revenue sources that also pay for the authorized services (fire protection, park and recreation, and streetlighting).

Outstanding Debt

In January 2009 the District made the final payment to Kansas State Bank of Manhattan for the purchase of a fire truck. The District states that it currently does not have any outstanding debt.

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

Newberry CSD does not currently share facilities with other agencies.

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

RESOLUTION NO. 3064

Local Government Structure and Community Service Needs

Newberry is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted by the electorate or are appointed by the County Board of Supervisors. A review of the County Registrar of Voters records indicates that within the past ten years, the district has had elections in 2001, 2003, and 2007. As of August 14, 2008, the district had 1,001 registered voters. Below is the composition of the board, their positions, and terms of office as of November 1, 2008:

Board Member	Title	Term
Sandra Wise Brittian	Chair (President)	2009
Diana Williams	Finance Officer	2009
Wesley S. Sperry	Director	2009
Debbie Farrington	Vice Chair (Vice President)	2011
Robert Royalty	Director	2011

Newberry contracts with an administrative consultant to function as the general manager. The contracted person also is an elected official and full-time employee for another local government agency. Office hours for the district are Tuesday, Wednesday, and Thursday from 9:30 am – 2:30 pm. The Commission has a concern regarding the office hours of the district in relation to the contracted general manager being an elected official and employee for another local Government agency. This situation does not allow for the supervision of the District office staff during office hours and could conflict with their other position. This, in the Commission's position, does not lend to available and responsive governance of an agency.

Also employed by Newberry are a caretaker that handles facility upkeep and minor repairs and a secretary. On March 10, 2009 the Newberry CSD board included the duties of the Treasurer with the position of the secretary. This position is bonded through the Special Districts Risk Management Authority. The board appoints a volunteer Fire Chief to run the Fire Department.

Board hearings are held on the fourth Tuesday of each month at 6:00 p.m. at the Newberry Community Center. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. Newberry has a website to inform the residents of activities, events, and district services. Residents can also use the website to submit comments and concerns.

Newberry operates with an annual balanced budget. The budget is adopted at a public hearing and the public is invited to attend the budget workshops. The board is provided with a monthly finance report, and a quarterly finance report is available to the public and available at the general manager's office. An independent bookkeeper accounts for Newberry's finances. The general manager processes payroll and payments with the Finance Director overseeing the process.

Operational Efficiency

The District participates in the Special Districts Risk Management Authority, a joint-powers authority, for general insurance and workers compensation. The district also participates in the Electronic Clean-up Program for the Daggett, Yermo, and Newberry communities. The communities rotate the drop-off location in order to assist residents.

Newberry participates in the disaster council made up of volunteer citizens of the Daggett, Yermo, and Newberry communities and meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan.

RESOLUTION NO. 3064

FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

The District does not currently provide services outside its boundaries.

Government Structure Options:

The District, in preparing the municipal service review, did not indicate that there were consolidations or other structure options available. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- Dissolution of the district. The community has a present and probable need for municipal services, and dissolution of the district is not desirable, let alone feasible at this time. Rather, more effective and responsive Government is needed for the community in addition to the growing activities and traffic along Interstates 15 and 40.
- Removal of the district's fire protection powers with County Fire as the successor. One theoretical possibility would be to remove the district's fire protection powers, expand the sphere of influence of the San Bernardino County Fire Protection District, and concurrently annex the territory to County Fire and its North Desert Service Zone. The Board of Supervisors would be the ex-officio board of directors, and County Fire would then succeed to the property tax revenues attributable to fire protection of the District.

While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, neither the District nor County Fire has indicated support for this option due to the limited financial resources available. Without the revenues, the Commission suggests that the potential for joint powers contracts to achieve economies of scale or functional consolidations of service for the area should be evaluated by the existing agencies.

- Consolidation with the two adjacent community services districts. Consolidation would allow for economies of scale and provide the opportunity for streamlined governance and compliance with CSD Law.
- Maintain the district in its current status. In this option, there are no changes to the District and it is the option supported by the District as identified in responses received during the review of the draft report and conveyed during the January 21, 2009 community meeting.

RESOLUTION NO. 3064

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

1. Present and Planned Uses:

The vast majority of the lands within the District are assigned designations of Resource Conservation (allowing one unit to 40 acres) and varying levels of Rural Living by the County General Plan. Other land use designations include Agricultural, Commercial (Industrial and Highway), Freeway, Regional Industrial, Residential Single, and Open Space. This community is not anticipated to experience significant growth within the coming years due to about one-fifth of the land being publicly owned, the low-density land use designations assigned by the County, the historically low growth rate, the lack of a municipal-type water provider, and the surrounding geographic barriers.

2. Present and Probable Need for Public Facilities and Services:

Lack of municipal level water and sewer service throughout the region hinders the growth of the community and the needed revenue associated with growth to maintain municipal services. Although the district is rural and agricultural in nature, the populated center is anticipated to support growth based upon the general plan land use designations assigned by the County of San Bernardino. A municipal water service provider to serve the populated center of the community would provide a reliable and safe source of water for domestic, industrial, commercial, and fire protection uses.

The entirety of the community utilizes on-site wastewater disposal through septic tanks or leach field systems. This service deficiency limits the development capacity for the community. The District does not currently provide sewer service and there are no other existing entities available to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system and respond on any potential utilization of package treatment plants.

The District experiences challenge related to fire protection services given the limited resources available, and is reliant upon other fire protection agencies for mutual aid to fulfill this mission. The need for fire services is also anticipated to remain constant within the district but the needs of the transient traffic along Interstates 15 and 40 and the railroads traveling through the area will increase as traffic is anticipated to increase.

The need for park and recreation is anticipated to generally remain constant as the population is not anticipated to increase significantly.

The need for streetlighting is also anticipated to remain generally constant. Southern California Edison owns the streetlights, and the district provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area even though County Service Area 70 overlays the entirety of the community and is authorized streetlighting services, and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the

RESOLUTION NO. 3064

nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

3. Present Capacity of Public Facilities and Adequacy of Public Services

The park and recreation services are adequately met by the District but they are generally dependent upon grants for improvements and construction.

The District is authorized by LAFCO to provide fire protection services. As of January 2009 has two operational fire stations, and provides for a fire master plan identifying its operations and future considerations.

The District experiences financial challenges stemming from lack of revenue in comparison to expenditures. The operations of the district are funded by its share of the ad valorem property taxes. Fire protection and related activities comprise the largest expense and increase annually. Moreover, a comprehensive review of the district's finances could not be completed due to the lack of current audits. Further the District does not adhere to certain statutes related to finances of a community services district. Of concern to the Commission is the current and future viability of the District. A review of the financial documents indicates that the District does not receive enough incoming revenue to adequately support the ongoing operations of the district.

4. Social and Economic Communities of Interest:

The social community of interest is the District and its residents. Economic communities of interest are the Interstate 15 and 40 corridors, agriculture, mining industries, and the Silver Valley Unified School District.

5. Additional Determinations

- Legal advertisement of the Commission's consideration has been provided through publication in *The Desert Dispatch* through a publication of an 1/8th page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8th page legal ad was provided in lieu of individual notice because the service review for the community, in aggregate, would have exceeded 1,000 notices.
- As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency were reviewed and considered by the Commission in making its determinations.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Newberry Community Services District shall be limited to the following:

RESOLUTION NO. 3064

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 meeting of July 15, 2009.

DATED: July 16, 2009


KATHLEEN ROLLINGS-McDONALD
Executive Officer

3. Salaries of General Managers from Comparable CSDs

Attachment 3

Salaries for General Managers of Comparable CSDs

District Name	General Manager Regular Salary
El Dorado Hills Community Services District	\$40,558
Greenhorn Creek Community Services District	41,555
Morongo Valley Community Services District	41,562
McCloud Community Services District	42,116
El Dorado Hills Community Services District	46,632
Tenaja Community Services District	47,606
Cuyama Community Services District	48,266
Los Osos Community Services District	48,761
Manila Community Services District	49,920
Gold Mountain Community Services District	51,900
Baker Community Services District	53,941
East Quincy Community Services District	54,115
California Pines Community Services District	55,833
Saddle Creek Community Services District	57,881
Esparto Community Services District	60,000
Covelo Community Services District	60,156

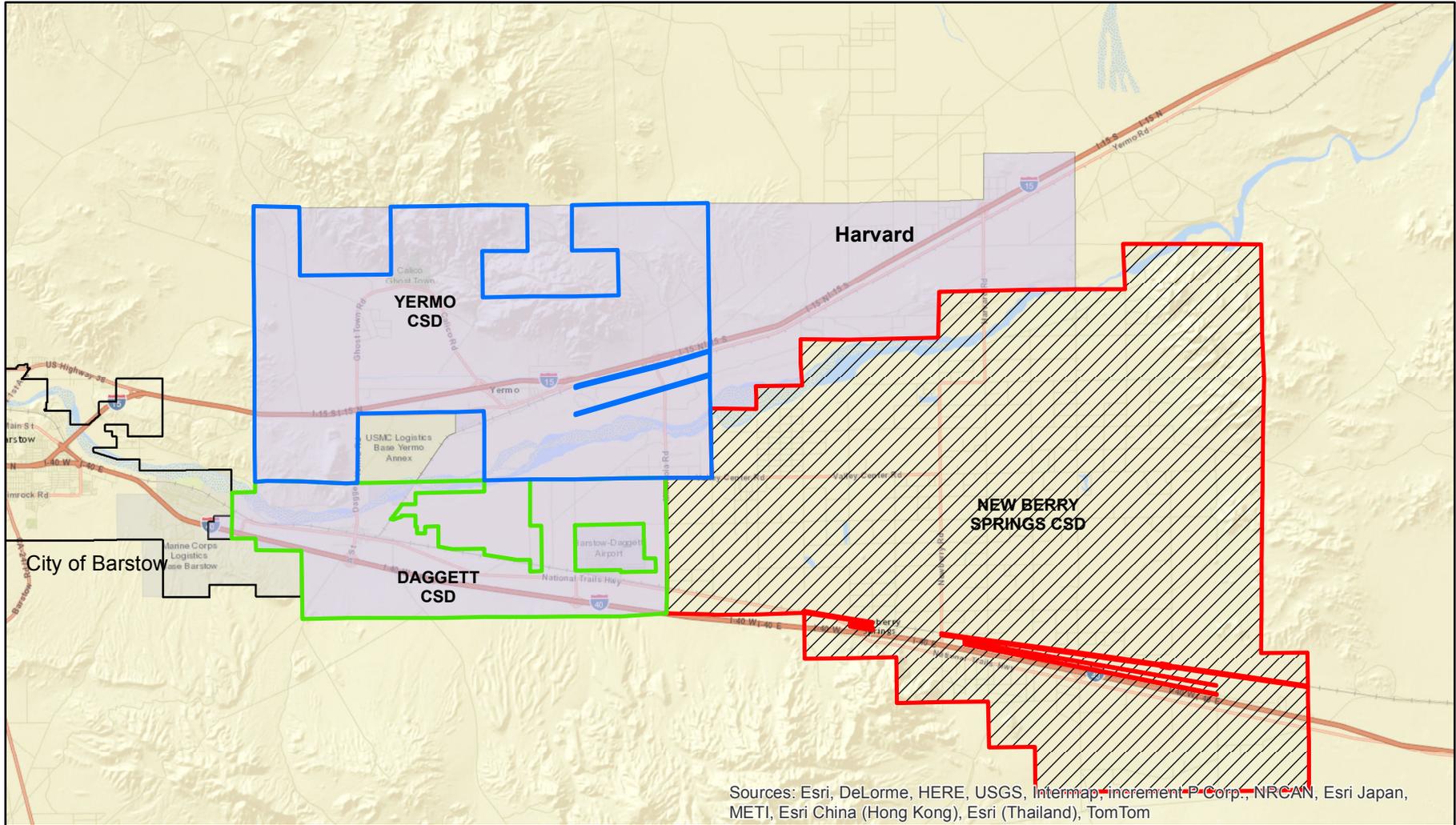
sources: State Controller, Government Compensation website, 2012

4. Maps

a. Location

Attachment 4a

Daggett, Newberry Springs, & Yermo



Sources: Esri, DeLorme, HERE, USGS, Intermap, increment P Corp., NRCAN, Esri Japan, METI, Esri China (Hong Kong), Esri (Thailand), TomTom

-  Daggett CSD
-  Yermo CSD
-  Daggett Yermo sphere

-  Newberry CSD
-  Newberry sphere

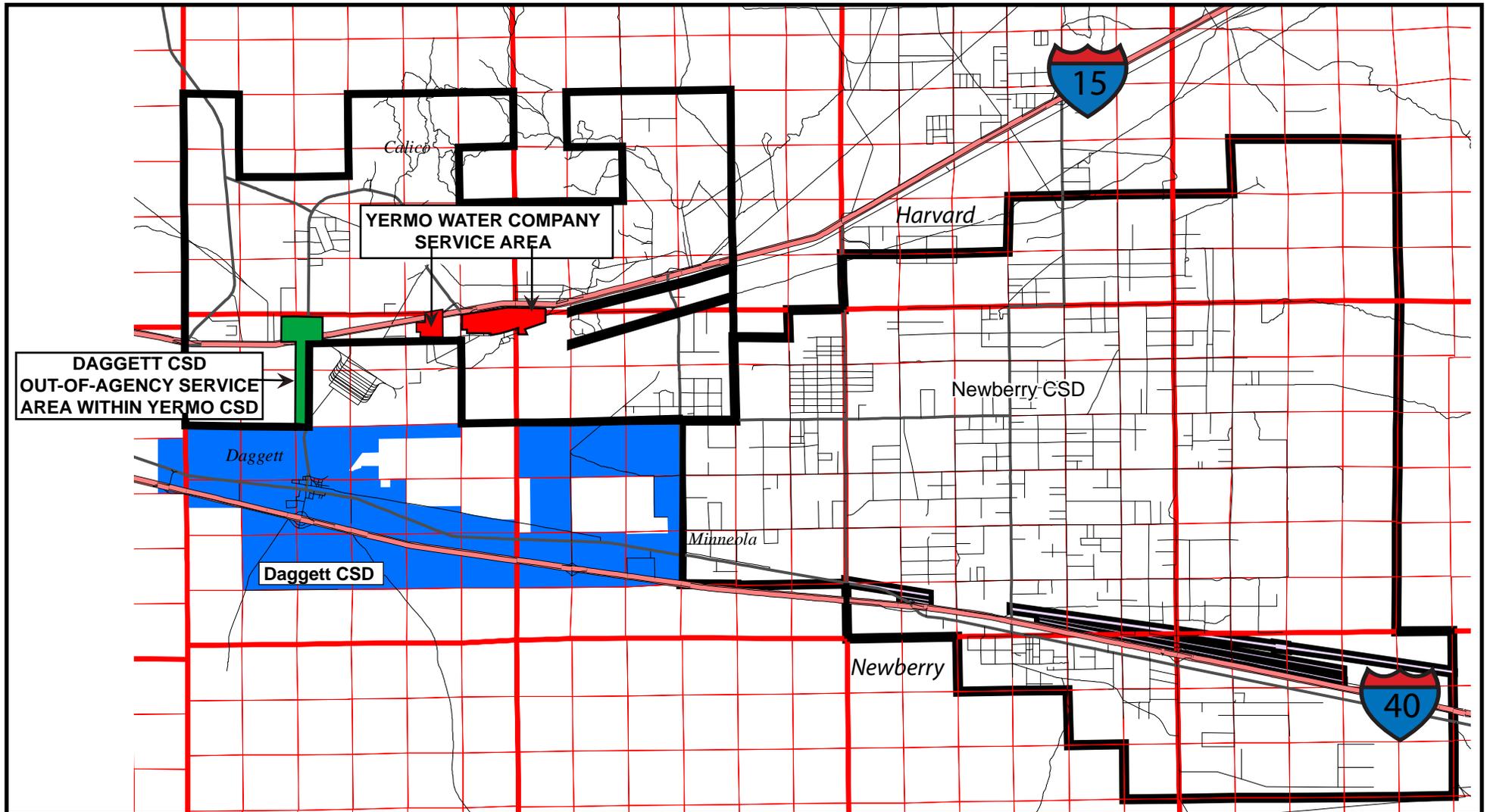


4. Maps

b. Water Providers

Attachment 4b

Water Providers within the Daggett, Newberry, and Yermo Communities



-  Daggett CSD
-  Daggett CSD Out-of-Agency Service Area Within Yermo CSD
-  Yermo Water Company

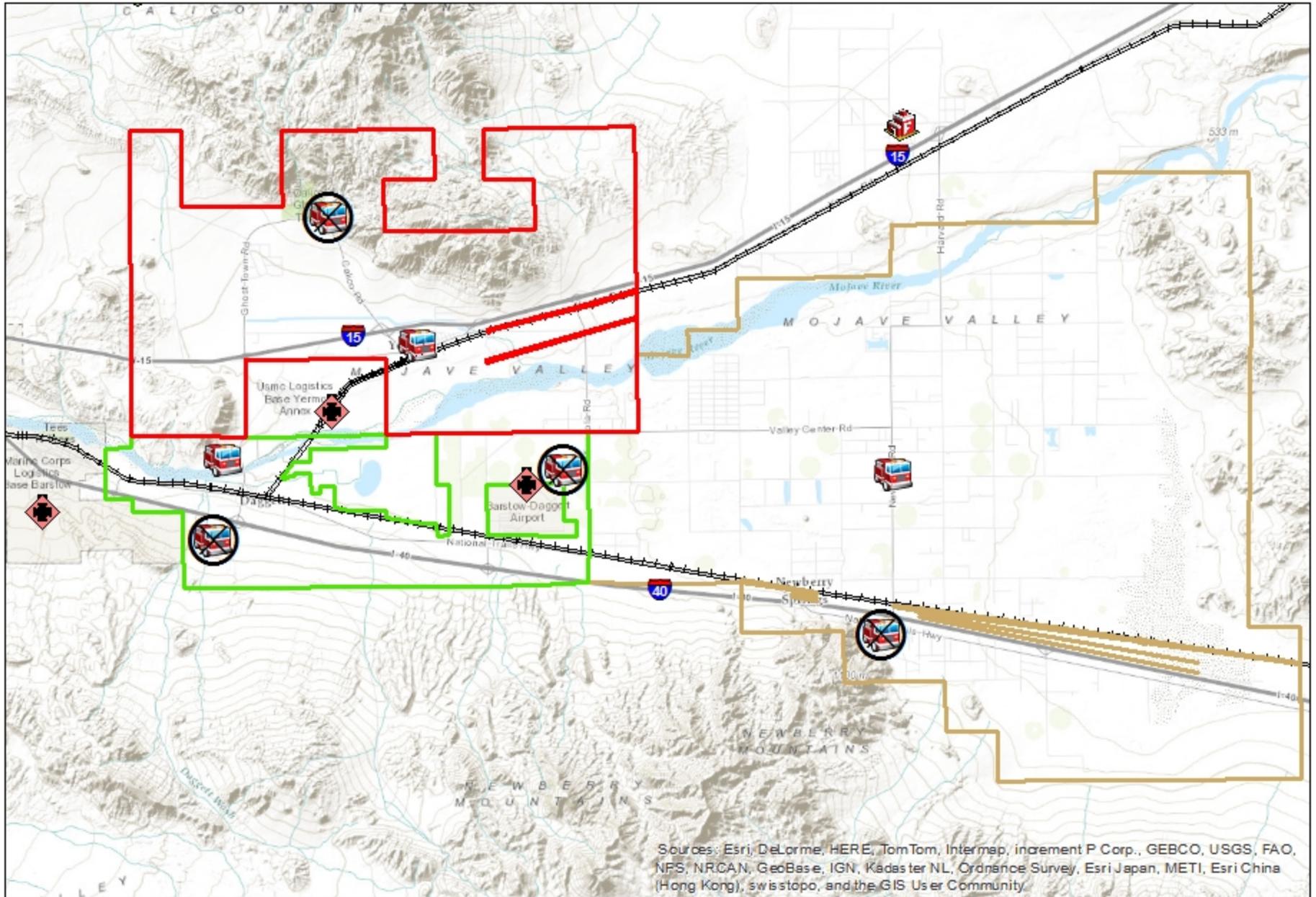


4. Maps

c. Fire Stations Locations

Attachment 4c

Fire Stations



0 1 2 4 Miles

- Yermo CSD
- Daggett CSD
- Newberry CSD

- Railroads
- Inactive Station

- CSD Volunteer Fire Station
- SB County FPD - Paid Call Station
- Military Station



5. Daggett Community Services District

a. Audit for FY 2011-12

Attachment 5a

**DAGGETT
COMMUNITY SERVICES DISTRICT**

FINANCIAL STATEMENTS
(With Independent Auditor's Report Thereon)

June 30, 2012

DAGGETT COMMUNITY SERVICES DISTRICT
AUDIT REPORT
FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

INDEPENDENT AUDITORS REPORT.....	3.
BASIC FINANCIAL STATEMENTS	
Balance Sheet / Statement of Net Assets, Government Wide June 30, 2012.....	4.
Statement of Revenues, Expenditures and Fund Balance, Government Wide For the Fiscal Year Ended June 30, 2012.....	5.
Balance Sheet, Governmental Funds June 30, 2012.....	6.
Combined Statement of Revenues, Expenditures and Change in Fund Balances, Governmental Fund Types For the Fiscal Year Ended June 30, 2012.....	7.
Business-Type Balance Sheet, Water Utility Fund June 30, 2012.....	8.
Statement of Revenues, Expenditures and Change in Fund Equity, Water Utility Fund For the Fiscal Year Ended June 30, 2012.....	9.
Statement of Cash Flows, Water Utility Fund For the Fiscal Year Ended June 30, 2012.....	10.
Notes to the Financial Statements.....	11.
REQUIRED SUPPLEMENTARY INFORMATION.....	16.
SUPPLEMENTARY INFORMATION	20.



David Whitford, Jr. CPA
CERTIFIED PUBLIC ACCOUNTANT

4515 Central Ave., #202, Riverside, CA 92506
(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies
Practice Section of the AICPA and
The California Society of Certified
Public Accountants*

Independent Auditor's Report

Board of Directors
Daggett Community Services District

I have audited the accompanying financial statements of the governmental activities and the major fund of the Daggett Community Services District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

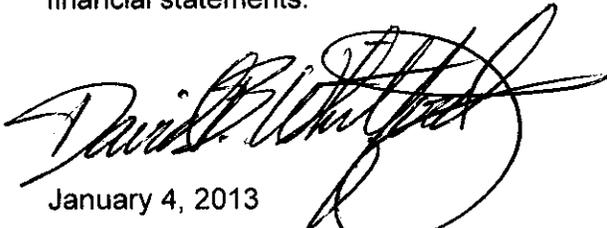
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Daggett Community Services District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Budgetary and comparison information, on pages 16 through 19, are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Daggett Community Services District's basic financial statements. The supplementary information contained on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I express no opinion on it.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.


January 4, 2013

**DAGGETT COMMUNITY SERVICES DISTRICT
BALANCE SHEET/STATEMENT OF NET ASSETS
GOVERNMENT WIDE
June 30, 2012**

	General Fund	Reconciling Items	Governmental Activities	Business-Type Activities	Statement of Net Assets
<u>Assets:</u>					
Cash and investments	158,753	-	158,753	92,865	251,618
Taxes Receivable	16,451	-	16,451	-	16,451
Accounts Receivable	-	-	-	24,230	24,230
Prepaid Expenses	-	-	-	-	-
Land	-	31,679	31,679	10,280	41,959
Other Capital Assets, net of accumulated depreciation (Note B)	-	-	-	-	-
	-	120,609	120,609	261,709	382,318
Amount to be Provided for Bond Issue	32,096	-	32,096	-	32,096
Prepaid Expenses	11,652	-	11,652	-	11,652
Total Assets	218,952	152,288	371,240	389,084	760,324
<u>Liabilities:</u>					
Accounts Payable	3,642	-	3,642	8,290	11,932
Salaries and Benefits Payable	5,241	-	5,241	6,836	12,077
Deferred Revenue	15,671	(15,671)	-	-	-
Bond Issue Payable	38,000	-	38,000	44,050	82,050
Total Liabilities	62,554	(15,671)	46,883	59,176	106,059
<u>FUND BALANCE / NET ASSETS</u>					
Fund Balance:					
Reserved for Bond Payment	1,000				
Reserved for Park Development	2,207				
Unreserved	153,191				
Total Fund Balance	156,398	(156,398)			
Total Liabilities and Fund Balances	218,952				
Net Assets:					
Invested in Capital Assets net of related debt		152,288	152,288	271,989	424,277
Interfund Transfers		131,680	131,680	(131,680)	-
Unrestricted		40,389	40,389	189,599	229,988
Total Net Assets		-	324,357	329,908	654,265

See Accountant's Report and accompanying notes

DAGGETT COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUE, EXPENDITURES, AND FUND BALANCE
GOVERNEMENT WIDE
For The Fiscal Year Ended June 30, 2012

	Government Funds	Reconciling Items	Governmental Activities	Business-Type Activities	Statement of Activities
REVENUES					
Property Taxes	97,610	2,726	100,336	-	100,336
Use of Money and Property	1,467	-	1,467	57	1,524
Water Utility Fund	-	-	-	171,979	171,979
Other Revenue	-	-	-	6,854	6,854
Total Revenue	99,077	2,726	101,803	178,890	280,693
EXPENDITURES					
Personal Services	52,306	-	52,306	25,594	77,900
Fire	24,747	-	24,747	-	24,747
Parks	24,934	-	24,934	-	24,934
Street Lighting	4,778	-	4,778	-	4,778
Water Services	-	-	-	115,831	115,831
Administration	29,996	-	29,996	-	29,996
Depreciation	-	9,614	9,614	-	9,614
Capital Outlay	-	-	-	-	-
Debt Services					
Bond Principle Retirement	4,000	-	4,000	-	4,000
Bond Interest and Fees	2,000	-	2,000	2,453	4,453
Capital Lease Interest and Fees					
Total Expenditures	142,761	9,614	152,375	143,878	296,253
Excess of Revenue over/(under) Expenditures	(43,684)	(6,888)	-	35,012	35,012
Change in Net Assets	-	-	(50,572)	-	(50,572)
Prior Year Adjustment	(177)	-	(177)	-	(177)
Fund Balance / Net Assets June 30, 2011	131,761	-	314,046	351,923	665,969
Prior Period Correction	-	-	792	3,241	4,033
Fund Balance / Net Assets June 30, 2011 as corrected	-	-	314,838	355,164	670,002
Interfund Transfers Water Utility Fund	60,268	-	60,268	(60,268)	-
Interfund Transfers Park Fund	-	-	-	-	-
Fund Balance / Net Assets June 30, 2012	148,168	-	324,357	329,908	654,265

See Accountant's Report and accompanying notes

**DAGGETT COMMUNITY SERVICES DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2012**

	General Fund	Reconciling Items	Governmental Activities
Assets			
Cash and Investments	158,753	-	158,753
Taxes Receivable	16,451	-	16,451
Accounts Receivable	-	-	-
Prepaid Expenses	-	-	-
Land	-	31,679	31,679
Other Capital Assets, net of accumulated depreciation (Note B)	-	120,609	120,609
Amount to be Provided for Bond Issue	32,096	-	32,096
Prepaid Insurance	11,652	-	11,652
Total Assets	218,952	152,288	371,240
Liabilities			
Accounts Payable	3,642	-	3,642
Salaries and Benefits Payable	5,241	-	5,241
Deferred Revenue	15,671	(15,671)	-
Bond Issue Payable	38,000	-	38,000
Total Liabilities	62,554	(15,671)	46,883
Fund Balance / Net Assets			
Fund Balance:			
Reserved for Bond Payment	1,000		
Reserved for Park Development	2,207		
Unreserved	153,191		
Total Fund Balance	156,398	(156,398)	
Total Liabilities and Fund Balances	218,952		
Net Assets:			
Invested in Capital Assets, net of related debt		152,288	152,288
Interfund Transfers		131,680	131,680
Unrestricted		40,389	40,389
Total Net Assets		-	324,357

See Accountant's Report and accompanying notes

**DAGGETT COMMUNITY SERVICES DISTRICT
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 GOVERNMENTAL FUND TYPES
 For the Fiscal Year Ended June 30, 2012**

	General Fund	Debt Service Fund	Reconciling Items	Statement of Activities
REVENUES				
Taxes	91,328	6,282	2,726	100,336
Use of Money and Property	1,467	-	-	1,467
Aid from Other Government Agencies	-	-	-	-
Other Revenue	-	-	-	-
Total Revenue	92,795	6,282	2,726	101,803
EXPENDITURES				
Personal Services	52,306	-	-	52,306
Fire	24,747	-	-	24,747
Parks	24,934	-	-	24,934
Street Lighting	4,778	-	-	4,778
Administration	29,996	-	-	29,996
Depreciation	-	-	9,614	9,614
Capital Outlay	-	-	-	-
Debt Services				
Bond Principle Retirement	-	4,000	-	4,000
Bond Interest and Fees	-	2,000	-	2,000
Capital Lease Interest and Fees	-	-	-	-
Total Expenditures	136,761	6,000	9,614	152,375
Excess of Revenue over (under) Expenditures	(43,966)	282	(6,888)	
Change in Net Assets	-	-	-	(49,780)
Prior Year Adjustment	(177)	-	(177)	(177)
Fund Balance / Net Assets June 30, 2011	126,139	5,622	-	314,046
Interfund transfers Water Utility Fund	60,268	-	-	60,268
Interfund transfers Park Fund	-	-	-	-
Fund Balance /Net Assets June 30, 2012	<u>142,264</u>	<u>5,904</u>	<u>-</u>	<u>324,357</u>

See Accountant's Report and accompanying notes

DAGGETT COMMUNITY SERVICES DISTRICT
 BUSINESS-TYPE BALANCE SHEET
 WATER UTILITY FUND
 June 30, 2012

ASSETS

Cash and Investments	92,865
Accounts Receivable	24,230
Land	10,280
Other Capital Assets, net of accumulated depreciation (see note B)	261,709
Total Assets	389,084

LIABILITIES

Accounts Payable	8,290
Salaries and Benefits Payable	6,836
Deferred Revenue	-
Bond Issue Payable	
Due within one year	5,000
Due one year after	39,050
Total Liabilities	59,176

NET ASSETS

Invested in Capital Assets, net of related debt	271,989
Interfund Transfers	(131,680)
Unrestricted	189,599
Total Net Assets	329,908

**DAGGETT COMMUNITY SERVICES DISTRICT
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND EQUITY
WATER UTILITY FUND
For the Fiscal Year Ended June 30, 2012**

OPERATING REVENUES	
Water Sales	
Residential	43,048
Business	128,931
	<hr/>
Total Revenue	171,979
OPERATING EXPENDITURES	
Salaries & Employee Benefits	
Regular Salaries	21,666
Employee Benefits	3,928
	<hr/>
Total Salaries & Employee Benefits	25,594
SERVICES AND SUPPLIES	
Communications	1,877
Insurance	-
Maintenance - Equipment	40,929
Maintenance - Structure	-
Office Expense	5,148
Auditing	3,600
Rent and Leases	-
Water Testing	2,664
Utilities	34,160
Depreciation and Amortization	19,105
Water master	6,256
Miscellaneous	2,092
	<hr/>
Total Services and Supplies	115,831
	<hr/>
Total Operating Expenditures	141,425
	<hr/>
Income/(Loss) from Operations	30,554
NON-OPERATING REVENUE	
Interest	57
Connection Fee	70
Other	6,784
	<hr/>
Total Non-Operating Revenue	6,911
OTHER NON-OPERATING ITEMS	
Interest on Long Term Debt	(2,453)
	<hr/>
Total Other Non-Operating Items	(2,453)
NET INCOME (LOSS)	
	<hr/>
	35,012
Net Assets - June 30, 2011	351,923
Prior Period Correction	3,241
	<hr/>
Net Assets - June 30, 2011, as Corrected	355,164
Interfund Transfers	(60,268)
Retained Earnings, June 30, 2012	<hr/> 329,908 <hr/>

See Accountant's Report and accompanying notes

DAGGETT COMMUNITY SERVICES DISTRICT
STATEMENT OF CASH FLOWS
WATER UTILITY FUND
For the Fiscal Year Ended June 30, 2012

Cash Flow from Operating Activities	
Net income from operation	38,253
Adjustment to Reconciled Net Income to Net Cash	
Provided by Operating Activities:	
Depreciation expense	19,106
Prior Period Correction	-
Change in accounts receivable	(3,003)
Change in interfund transfers	(60,268)
Change in accounts payable	5,574
Change in other current liabilities	2,570
Change in intangible assets	-
Net Cash Provided by (used by) Operating Activities	<u>2,232</u>
 Cash Flows from Investment Activities	
Investment in Water Rights	-
Investment in fixed assets	-
Net Cash Provided by (used by) Investing Activities	<u>-</u>
 Cash Flows from Financing Activities	
Change in long term liabilities	<u>(5,000)</u>
Net Cash Provided by (used by) Financing Activities	<u>(5,000)</u>
 Net increase (decrease) in cash	<u>(2,768)</u>
 Cash at beginning of period	<u>95,633</u>
 Cash at end of period	<u>92,865</u>
 Composition of Cash At Period End	
Cash on hand and in checking	70,486
Cash in savings	<u>22,379</u>
Total Composition of Cash at Period End	<u>92,865</u>

See Accountant's Report and accompanying notes

DAGGETT COMMUNITY SERVICES DISTRICT
June 30, 2012

NOTES TO THE FINANCIAL STATEMENTS

Summary of significant accounting policies:

The District has two funds for recording monies. The General fund receives and disburses all monies for the regular business of the district which is fire, lighting and parks. A Debt Service Fund collects tax revenues and pays the interest and principal on the General Obligation Bonds.

The Water Utility Fund is a separately maintained proprietary account for receipts and disbursements of water delivery items, including the Revenue Bonds.

Basis of Accounting:

The accounts of the District are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the statement of net assets net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

Cash

Cash held by the District at June 30, 2012, consisted of the following:

Petty Cash	35
On deposit	<u>251,583</u>
Total	<u><u>251,618</u></u>

Deposits and Investments

The District has adopted an investment policy in accordance with Section 53601 of the California Government Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies

DAGGETT COMMUNITY SERVICES DISTRICT
June 30, 2012

NOTES TO FINANCIAL STATEMENTS

Deposits and Investments (continued)

- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.

The deposits of the District are entirely insured or collateralized with securities held by the District or held by its agent in the name of the District.

Account Group

The accounting and reporting treatment applied to the General Fixed Assets associated with a fund is determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The long term debt is recorded in the Debt Service account group.

Property Taxes

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended June 30, 2011, the District has provided for protection against possible losses with insurance.

Taxes Receivable

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Deferred taxes represent the portion of the levied tax revenue

DAGGETT COMMUNITY SERVICES DISTRICT
June 30, 2012

NOTES TO FINANCIAL STATEMENTS

Taxes Receivable (continued)

that is not expected to be received and available for use within 60 days of the fiscal year end.

	General Fund	Statement of Net Assets
County Tax Revenue	-	2,726
Deferred Tax Revenue	15,671	-
	15,671	2,726

NOTE B: CAPITAL ASSETS

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in the government wide financial statements are capitalized at cost, or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received. Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method.

A summary of changes in capital assets is as follows:

GENERAL FUND				
	Beginning Balance	Additions	Retirements	Ending Balance
Asset (at cost):				
Land	\$ 31,679	\$ -	\$ -	\$ 31,679
Structures and improvements	248,417	-	-	248,417
Equipment	240,604	-	-	240,604
Total Assets (at cost)	\$ 520,700	\$ -	\$ -	\$ 520,700
Allowance for Depreciation and Amortization	Beginning Balance	Additions	Deletions	Ending Balance
Structures and improvements	133,727	6,910	-	\$ 140,637
Equipment	225,072	2,703	-	227,775
Intangible Cost	-	-	-	-
Total Depreciation and Amortization	\$ 358,799	\$ 9,613	\$ -	\$ 368,412

DAGGETT COMMUNITY SERVICES DISTRICT
June 30, 2012

NOTES TO FINANCIAL STATEMENTS

WATER FUND

<u>Assets (at cost):</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 10,280	\$ -	\$ -	\$ 10,280
Structures and improvements	337,698	-	-	337,698
Equipment	995,911	-	-	995,911
Intangible cost	112,415	-	-	112,415
<u>Total Assets (at cost)</u>	<u>\$ 1,456,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,456,304</u>
<u>Allowance for Depreciation and Amortization</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Structures and improvements	188,336	11,524	-	\$ 199,860
Equipment	889,435	7,582	-	897,017
Intangible cost	87,438	-	-	87,438
<u>Total Depreciation and Amortization</u>	<u>\$ 1,165,209</u>	<u>\$ 19,106</u>	<u>\$ -</u>	<u>\$ 1,184,315</u>

The District General Fund has one bond issue outstanding as follows:

<u>1979 General Obligation Bond - 5% Interest</u>	<u>Balance June 30, 2011</u>	<u>Paid</u>	<u>Balance June 30, 2012</u>
	<u>\$ 42,000</u>	<u>\$ 4,000</u>	<u>\$ 38,000</u>

The Balance is payable as follows:

FYE: June 30, 2013	\$ 3,000
FYE: June 30, 2014	3,000
FYE: June 30, 2015	3,000
FYE: June 30, 2016	3,000
FYE: June 30, 2017 and thereafter	26,000
	<u>\$ 38,000</u>

DAGGETT COMMUNITY SERVICES DISTRICT
June 30, 2012

NOTES TO FINANCIAL STATEMENTS

Budgetary Procedure

Prior to the beginning of each fiscal year, the Board of Directors adopts and files an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes, with the San Bernardino Auditor-Controller. The source of financing for these cost and reserve requirements are; 1) the available fund balance carried forward from the preceding year; 2) revenue other than property taxes, and 3) property taxes. Each year appropriations lapse at year end.

Accounts Receivable

Accounts receivable reflect monies due at the fiscal year end that were received and available for use within 60 days of that date.

	<u>General Fund</u>
County Tax Revenue	<u>\$3,210</u>
	<u>Water Company</u>
Receivable from Customers	<u>\$24,230</u>
	<u>Debt Service</u>
County Tax	<u>\$0</u>

The Water Utility Fund has one bond issue outstanding as follows:

<u>1980 Revenue Bonds -</u>	Balance		Balance
<u>5% Interest</u>	June 30, 2011	Paid	June 30, 2012
	<u>\$ 49,050</u>	<u>\$ 5,000</u>	<u>\$ 44,050</u>

The Principal is payable as follows:

FYE: June 30, 2013	\$ 4,000
FYE: June 30, 2014	4,000
FYE: June 30, 2015	4,000
FYE: June 30, 2016	4,000
FYE: June 30, 2017 and thereafter	28,050
	<u>\$ 44,050</u>

DAGGETT COMMUNITY SERVICES DISTRICT
Comparative Statement of Revenues,
Expenditures and Change in Fund Balances
General Fund
For the Fiscal Years Ended June 30, 2011 and June 30, 2012
REQUIRED SUPPLEMENTARY INFORMATION

	General Fund 2011	General Fund 2012	Difference
REVENUE			
Taxes	90,221	91,328	1,107
Use of Money and Property	865	1,467	602
Aid from Other Government Agencies	-	-	-
Other Revenue	-	-	-
	<hr/>	<hr/>	<hr/>
Total Revenue	91,086	92,795	1,709
EXPENDITURES			
Personal Service	17,393	52,306	34,913
Fire	22,778	24,747	1,969
Parks	22,950	24,934	1,984
Street Lighting	3,693	4,778	1,085
Administration	17,442	29,996	12,554
Capital Outlay	-	-	-
Debt Service			
Bond Principal Retirement	-	-	-
Bond Interest and Fees	-	-	-
	<hr/>	<hr/>	<hr/>
Total Expenditures	84,256	136,761	52,505
Excess of Revenue over (under) Expenditures	6,830	(43,966)	(50,796)
Prior Year Adjustment	(3)	(177)	
Fund Balance June 30, 2010 & 2011	96,958	126,139	
Interfund transfers Water Utility	22,354	60,268	
Interfund transfers Park Fund	-	-	
Fund Balance June 30, 2011 & 2012	<hr/> <hr/>	<hr/> <hr/>	
	126,139	142,264	

DAGGETT COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenditures and Change
In Fund Equity, Budget, and Actual
General Fund
For the Fiscal Year Ended June 30, 2012
REQUIRED SUPPLEMENTARY INFORMATION

	Budget 2012	Amounts 2012	Over/(Under) Budget
Revenue:			
Taxes	78,000	91,328	13,328
Use of Money and Property	2,300	1,467	(833)
Aid from Other Government Agencies	-	-	-
Other Revenue	9,600	-	(9,600)
Total Revenue	89,900	92,795	2,895
 Expenditures			
Personal Services	24,000	52,306	28,306
Fire	9,500	24,747	15,247
Parks	3,500	24,934	21,434
Street Lighting	3,300	4,778	1,478
Administration	40,600	29,996	(10,604)
Capital Outlay	9,000	-	(9,000)
Debt Service			
Bond Principal Retirement	-	-	-
Bond Interest and Fees	-	-	-
Capital Lease Interest and Fees	-	-	-
Total Expenditures	89,900	136,761	46,861
 Excess of Revenue over (under) Expenditures	-	(43,966)	(43,966)
 Prior Year Adjustment	-	(177)	(177)
 Fund Balance June 30, 2011	-	126,139	
 Interfund transfers Water Utility Fund	-	60,268	
Interfund transfers Park Fund	-	-	
 Fund Balance June 30, 2012	-	142,264	

DAGGETT COMMUNITY SERVICES DISTRICT
Comparative Statement of Revenues,
Expenditures and Change in Fund Equity
Water Utility Fund
For the Fiscal Years Ended June 30, 2011 and 2012
REQUIRED SUPPLEMENTARY INFORMATION

	Actual 2011	Actual 2012	Difference
OPERATING REVENUES			
Water Sales			
Residential	40,807	43,048	2,241
Business	122,201	128,931	6,730
Total Revenue	163,008	171,979	8,971
OPERATING EXPENDITURES			
Salaries & Employee Benefits			
Regular Salaries	18,589	21,666	3,077
Employee Benefits	1,964	3,928	1,964
Total Salaries & Employee Benefits	20,553	25,594	5,041
SERVICES AND SUPPLIES			
Communications	1,890	1,877	(13)
Insurance	-	-	-
Maintenance - Equipment	16,545	40,929	24,384
Maintenance - Structure	(3,379)	-	3,379
Office Expense	3,171	5,148	1,977
Auditing	9,450	3,600	(5,850)
Rent and Leases	1,697	-	(1,697)
Water Testing	1,020	2,664	1,644
Transportation and Travel	-	-	-
Utilities	29,545	34,160	4,615
Depreciation and Amortization	19,604	19,105	(499)
Watermaster	682	6,256	5,574
Miscellaneous	748	2,092	1,344
Total Services and Supplies	80,973	115,831	34,858
Total Operating Expenditures	101,526	141,425	39,899
Income/(Loss) From Operations	61,482	30,554	(30,928)
NON-OPERATING REVENUE			
Interest	69	57	(12)
Connection Fee	70	70	-
Other	1,255	6,784	5,529
Total Non-Operating Revenue	1,394	6,911	5,517
OTHER NON-OPERATING ITEMS			
Interest on Long Term Debt	(2,703)	(2,453)	250
Total Other Non-Operating Items	(2,703)	(2,453)	250
Net Income (Loss)	60,173	35,012	(25,161)
Retained Earnings, June 30, 2010 and 2011	314,071	351,923	
Prior Year Correction	33	3,241	
Retained Earnings, June 30, 2010 and 2011, As Corrected	314,104	355,164	
Interfund Transfers	(22,354)	(60,268)	
Retained Earnings, June 30, 2011 and 2012	<u>351,923</u>	<u>329,908</u>	

DAGGETT COMMUNITY SERVICES DISTRICT
Statement of Revenues, Expenditures
And Change in Fund Equity, Budget and Actual
Water Utility Fund
For the Fiscal Year Ended June 30, 2012

	Budget 2012	Actual 2012	Over/(under) Budget
OPERATING REVENUES			
Water Sales			
Residential	-	43,048	-
Business	-	128,931	-
Total Revenue	79,855	171,979	92,124
OPERATING EXPENDITURES			
Salaries & Employee Benefits			
Regular Salaries	16,000	21,666	5,666
Employee Benefits	3,950	3,928	(22)
Total Salaries & Employee Benefits	19,950	25,594	5,644
SERVICES AND SUPPLIES			
Communications	1,000	1,877	877
Insurance	1,730	-	(1,730)
Maintenance - Equipment	5,000	40,929	35,929
Maintenance - Structure	6,000	-	(6,000)
Office Expense	1,325	5,148	3,823
Auditing	2,100	3,600	1,500
Rent and Leases	1,000	-	(1,000)
Water Testing	1,500	2,664	1,164
Transportation and Travel	1,000	-	(1,000)
Utilities	25,000	34,160	9,160
Depreciation and Amortization	-	19,105	19,105
Watermaster	5,300	6,256	956
Miscellaneous	2,700	2,092	(608)
Total Services and Supplies	53,655	115,831	62,176
Total Operating Expenditures	73,605	141,425	67,820
Income/(Loss) From Operations	6,250	30,554	24,304
NON-OPERATING REVENUE			
Interest	-	57	57
Connection Fee	-	70	70
Other	-	6,784	6,784
Total Non-Operating Revenue	-	6,911	6,911
OTHER NON-OPERATING ITEMS			
Interest on Long Term Debt	(6,000)	(2,453)	(3,547)
Total Other Non-Operating Items	(6,000)	(2,453)	(3,547)
NET INCOME (LOSS)	250	35,012	35,262
Retained Earnings, June 30, 2010		351,923	
Prior Period Correction		3,241	
Retained Earnings, June 30, 2010, as Corrected		355,164	
Interfund Transfers		(60,268)	
Retained Earnings, June 30, 2011		329,908	

DAGGETT COMMUNITY SERVICES DISTRICT
June 30, 2012

GENERAL INFORMATION

Type of Governmental Unit — Special District
Date of Formation — January 3, 1955
Statutory Authority — California Government Code,
 Section 61000, et seq., Title 6
 Division 2, Part 5.
Audit Period — July 1, 2011 thru June 30, 2012
Formed in County of — San Bernardino, California
Governing Body — Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Vacant	Director	November 2015
Mentie Hazelett	Director	November 2013
Robert Whipple	Director	November 2015
Joseph Morris, Jr.	Director	November 2013
Karen A. Golden	Director	November 2015

Other Officer — Beryl Bell
 Secretary

Method of Accounting — Modified Accrual / Accrual

Districts' Funds — General Fund
 Water Utility Fund
 Debt Service Fund

Location of Financial Records — 33703 Second Street
 Daggett, California 92327

Depository

Chase Bank
 1291 East Main Street
 Barstow, California 92311

San Bernardino County Treasurer
 County of San Bernardino
 San Bernardino, California

Union Bank of California
 239 East Main Street
 Barstow, California 92311

DAGGETT COMMUNITY SERVICES DISTRICT
SUMMARY OF INSURANCE
AS OF June 30, 2012

<u>COVERAGE</u>	<u>INSURING COMPANY</u>	<u>POLICY PERIOD</u>
<u>Fire, Lighting, Extended Coverage</u>	Special District Risk Management Authority (SDRMA)	July 1, 2011 to June 30, 2012
<u>Property and Contents</u> \$ 1,000,000,000	(SDRMA)	
<u>Property Coverage</u> \$ 50,000,000	Travelers Indemnity Policy Number KTJCMB230-T7858-98	
<u>Comprehensive General Liability</u> \$ 10,000,000		
<u>Auto Liability</u> \$ 10,000,000		
<u>Fidelity Bond</u> \$ 400,000	(SDRMA)	
<u>Excess Liability</u> \$ 10,000,000	Insurance Company of the State of Pennsylvania 4797-2053	
<u>Worker's Compensation Insurance:</u> All District employees are covered by State Compensation Insurance Fund Policy	State Compensation Insurance Fund FDAC - FASIS	

Note: See insurance papers and policies for actual terms and conditions.

5. Daggett Community Services District

**b. State Controller Report
Submission for FY 2012-13**

Attachment 5b

SPECIAL DISTRICTS FINANCIAL TRANSACTIONS AND COMPENSATION REPORT

COVER PAGE

Daggett Community Services District

SCO Reporting Year: **2013**

ID Number: **12053605600**

Fiscal Year Ended: 06/30/13 (MM/DD/YY)

Certification:

I hereby certify that, to the best of my knowledge and belief, the report forms fairly reflect the financial transactions of the district in accordance with the requirements as prescribed by the California State Controller.

District Fiscal Officer

Signature

Title

Name (Please Print)

Date

CLIENT COPY

Per Government Code section 53891, this report is due within 90 days after the end of the fiscal year. If filed in electronic format, the report is due within 110 days after the end of the fiscal year. However, in the case of hospital districts, the report is due within 120 days after the end of the fiscal year.

Per Government Code section 26909, a copy of the independent audit is to be filed with the Controller within 12 months after the close of the fiscal year.

Please complete, sign, and mail this cover page to either address below.

Mailing Address:

State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
P. O. Box 942850
Sacramento, CA 94250

Express Mailing Address:

State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
3301 C Street, Suite 700
Sacramento, CA 95816



David B Whitford, Jr.
CERTIFIED PUBLIC ACCOUNTANT

4515 Central Ave., #202, Riverside, CA 92506
(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies
Practice Section of the AICPA and
The California Society of Certified
Public Accountants*

October 17, 2013

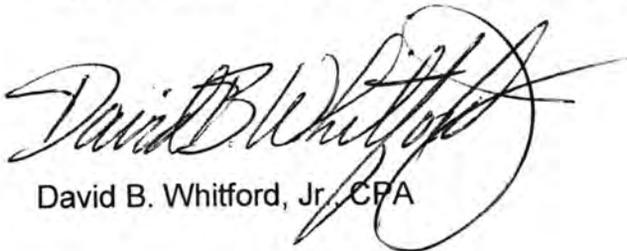
Board of Directors
Daggett Community Services District
Daggett, California 92327

Board of Directors

I have compiled the balance sheet of *Daggett Community Services District* at *June 30, 2013* and the statements of revenue and expenditures for the year then ended which are included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the California State Controller information that is the representation of management. I have not audited or reviewed the financial statements referred to above and accordingly do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the California State Controller, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.



David B. Whitford, Jr., CPA

CLIENT COPY

СТЕИЛ СОБА

**Daggett Community Services District
Special Districts Financial Transactions Report**

General Information

Fiscal Year 2013

Mailing Address

Street 1 Is Address Changed?

Street 2

City State Zip

Email

Members of the Governing Body

	First Name	Middle Initial	Last Name	Title
Member	<input type="text" value="Joseph"/>	<input type="text"/>	<input type="text" value="Morris Jr"/>	<input type="text" value="Director"/>
Member	<input type="text" value="Karen"/>	<input type="text"/>	<input type="text" value="Golden"/>	<input type="text" value="Director"/>
Member	<input type="text" value="Mark"/>	<input type="text"/>	<input type="text" value="Staggs"/>	<input type="text" value="Director"/>
Member	<input type="text" value="Mentie"/>	<input type="text"/>	<input type="text" value="Hazelett"/>	<input type="text" value="Director"/>
Member	<input type="text" value="Robert"/>	<input type="text"/>	<input type="text" value="Whipple"/>	<input type="text" value="Director"/>
Member	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Member	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Member	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Member	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Other Officials

First Name	Middle Initial	Last Name	Title
<input type="text" value="Beryl"/>	<input type="text"/>	<input type="text" value="Bell"/>	<input type="text" value="Secretary"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Report Prepared By

First Name	Middle Initial	Last Name	Phone No
<input type="text" value="David"/>	<input type="text" value="B"/>	<input type="text" value="Whitford Jr"/>	<input type="text" value="(951) 341-8344"/>

Independent Auditor

First Name	Middle Initial	Last Name	Phone No
<input type="text" value="David"/>	<input type="text" value="B"/>	<input type="text" value="Whitford Jr"/>	<input type="text" value="(951) 341-8344"/>

Daggett Community Services District
Special Districts Financial Transactions Report - Consolidated Balance Sheet

Fiscal Year	2013	Assets					General Long-Term Debt	Total Memorandum Only
		General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets		
Assets								
Cash and Cash Equivalents		137,112	5,596		115,999			\$258,707
Taxes Receivable		12,769						\$12,769
Interest Receivable								\$0
Accounts Receivable					28,982			\$28,982
Loans, Notes, and Contracts Receivable								\$0
Due from Other Funds								\$0
Inventory of Materials and Supplies								\$0
Other Current Assets								
Lease Payments Receivable								
Unearned Finance Charges								
Investments								\$0
Restricted Assets								
Deferred Charges								
Unamortized Discount on Long-Term Debt								
Other Assets								\$0
Fixed Assets								
Land					10,280	31,679		\$41,959
Buildings and Improvements					337,699	248,416		\$586,115
Equipment					1,108,326	240,604		\$1,348,930
Construction in Progress								\$0
Total Fixed Assets					\$1,456,305	\$520,699		\$1,977,004
Accumulated Depreciation					1,202,397	377,777		\$1,580,174
Net Fixed Assets					\$253,908	\$142,922		\$396,830
Other Debits								
Amount Available in Debt Service Funds							5,596	\$5,596
Amount to be Provided							28,404	\$28,404
Total Assets		\$149,881	\$5,596	\$0	\$398,889	\$142,922	\$34,000	\$731,288

Daggett Community Services District
Special Districts Financial Transactions Report - Consolidated Balance Sheet

Liabilities and Equity

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	Total Memorandum Only
Liabilities and Equity								
Accounts/Warrants Payable		2,580			6,653			\$9,233
Loans and Notes Payable								\$0
Interest Payable - Matured/Accrued								\$0
Other Current Liabilities		17,060			16,950			\$34,010
Compensated Absences Payable					7,612			\$7,612
Due to Other Governments								\$0
Due to Other Funds								\$0
Long-Term Debt								
General Obligation Bonds							34,000	\$34,000
Revenue Bonds					39,050			\$39,050
Certificates of Participation								\$0
Special Assessment								\$0
Federal								\$0
State								\$0
Time Warrants								\$0
Other Long-Term Indebtedness								\$0
Unamortized Premium on Long-Term Debt								
Advances for Construction								
Deferred Revenue								\$0
All Other Non-Current Liabilities								
Total Liabilities		\$19,640	\$0	\$0	\$70,265		\$34,000	\$123,905
Fund Equity								
Contributed Capital								
Investments in General Fixed Assets						142,922		\$142,922
Retained Earnings								
Reserved								
Unreserved					328,624			\$328,624
Fund Balances								
Reserved		3,302	5,596					\$8,898
Unreserved Designated								\$0
Unreserved Undesignated		126,939						\$126,939
Total Fund Equity		\$130,241	\$5,596	\$0	\$328,624	\$142,922		\$607,383
Total Liabilities and Fund Equity		\$149,881	\$5,596	\$0	\$398,889	\$142,922	\$34,000	\$731,288

Daggett Community Services District
Special Districts Financial Transactions Report - Long-Term Debt

General Obligation Bonds, Revenue Bonds, Certificates of Participation and Other

Fiscal Year	2013	
District-wide or Improvement District/Zone		District-wide
Improvement/Zone (If Applicable)		
Type of Debt		General Obligation Bonds
Activity		Recreation and Park
Purpose of Issue		General Business of District
Nature of Revenue Pledged		Additional General Tax
Percent of Pledge		100.00
Year of Authorization		1979
Principal Amount Authorized		165,000
Principal Amount Issued		165,000
Beginning Maturity Date		1979
Ending Maturity Date		2019
Principal Amount Unmatured, Beginning of Fiscal Year		\$38,000
Adjustments - Increase (Decrease)		
Principal Amount Issued During Fiscal Year		
Principal Amount Matured During Fiscal Year		4,000
Principal Amount Defeased During Fiscal Year		
Principal Amount Unmatured, End of Fiscal Year		\$34,000
Principal Amount in Default, End of Fiscal Year		
Interest in Default, End of Fiscal Year		
Amount Held in Bond Reserve		

Daggett Community Services District
Special Districts Financial Transactions Report - Long-Term Debt

General Obligation Bonds, Revenue Bonds, Certificates of Participation and Other

Fiscal Year	2013
District-wide or Improvement District/Zone	District-wide
Improvement/Zone (If Applicable)	
Type of Debt	Revenue Bonds
Activity	Water Enterprise
Purpose of Issue	Upgrade Delivery Service
Nature of Revenue Pledged	Additional Customer Fees
Percent of Pledge	100.00
Year of Authorization	1980
Principal Amount Authorized	131,700
Principal Amount Issued	131,700
Beginning Maturity Date	1980
Ending Maturity Date	2020
Principal Amount Unmatured, Beginning of Fiscal Year	\$44,050
Adjustments - Increase (Decrease)	
Principal Amount Issued During Fiscal Year	
Principal Amount Matured During Fiscal Year	5,000
Principal Amount Defeased During Fiscal Year	
Principal Amount Unmatured, End of Fiscal Year	\$39,050
Principal Amount in Default, End of Fiscal Year	
Interest in Default, End of Fiscal Year	
Amount Held in Bond Reserve	

Daggett Community Services District
Special Districts Financial Transactions Report
Consolidation of Fund Equities and Transfers

Consolidation of Fund Equities and Transfers

Fiscal Year 2013

	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds
Consolidation of Fund Equities				
Non-Enterprise Activities	\$130,241	\$5,596	\$0	
Enterprise Fund Equities				
Airport				\$0
Electric				\$0
Harbor and Port				\$0
Hospital				\$0
Waste Disposal				\$0
Water				\$328,624
Total Ending Fund Equities	\$130,241	\$5,596	\$0	\$328,624

Transfers In	Transfers Out	Net
A	B	C

Consolidation of Transfers In and Transfer Out

General and Special Revenue Funds	\$0	\$0	
Debt Service Funds	\$0	\$0	
Capital Projects Funds	\$0	\$0	
Enterprise Activities			
Airport	\$0	\$0	
Electric	\$0	\$0	
Harbor and Port	\$0	\$0	
Waste Disposal	\$0	\$0	
Water	\$0	\$0	
Total	\$0	\$0	\$0

Daggett Community Services District
Special Districts Financial Transactions Report - Water Enterprise

Revenues, Expenses and Changes in Fund Equity

Fiscal Year 2013

Special Assessments	[]
Prior Year Taxes and Assessments	[]
Penalties and Cost on Delinquent Taxes and Assessments	[]
Federal	
Aid for Construction	[]
Other Federal	[]
State	
Aid for Construction	[]
State Water Project	[]
Homeowners Property Tax Relief	[]
Timber Yield	[]
State Other and In-Lieu Taxes	[]
Other Governmental Agencies	
Redevelopment Pass-Through	[]
Other	[]
Other Non-Operating Revenues	[]
Total Non-Operating Revenues	\$0
Non-Operating Expenses	
Interest on Long-Term Debt	1,800
Other Interest	[]
Other Non-Operating Expenses	[]
Total Non-Operating Expenses	\$1,800
Non-Operating Income (Loss)	(\$1,800)
Income (Loss) Before Operating Transfers	(\$115)
Operating Transfers In (Intra-District)	[]
Operating Transfers Out (Intra-District)	[]
Net Income (Loss)	(\$115)
Fund Equity, Beginning of Period	\$328,739
Contributed Capital	
Federal	[]
State	[]
Other Governmental Agencies	[]
Non-Governmental Agencies	[]
Prior Period Adjustments	[]
Residual Equity Transfers	[]
Other	[]
Fund Equity, End of Period	\$328,624

Daggett Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity

Revenues, Expenditures, Sources and Uses

Fiscal Year 2013

	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	A	B	C
Non-Enterprise Activity	Fire Protection		
Taxes and Assessments			
Current Secured and Unsecured (1%)	36,716		
Voter Approved Taxes			
Property Assessments			
Special Assessments (Mello/Roos, Mark/Roos)			
Prior Year Taxes and Assessments	-4		
Penalties and Cost on Delinquent Taxes and Assessments			
Licenses, Permits, and Franchises			
Fines, Forfeits, and Penalties			
Revenue From Use of Money and Property			
Interest Income	27		
Rents, Concessions and Royalties			
Federal			
Aid for Construction			
Other Federal			
State			
Aid for Construction			
State Water Project			
Homeowners Property Tax Relief	382		
Timber Yield			
Other State			
Other Governmental Agencies			
Redevelopment Pass-Through			
Other			
Charges for Current Services	57		
Contributions From Property Owners			
Self Insurance Only			
Member Contributions			
Claim Adjustments			
Other Revenues	1,057		
Total Revenues	\$38,235	\$0	\$0
Expenditures			
Salaries and Wages	10,831		
Employee Benefits	747		
Services and Supplies	32,968		
Self Insurance Only - Claims Paid			

Daggett Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	A	B	C	
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets				
Other Expenditures				
Total Expenditures	\$44,546	\$0	\$0	
Revenues Over (Under) Expenditures	(\$6,311)	\$0	\$0	
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)	\$0	\$0	\$0	
Revenues/Sources Over (Under) Expenditures/Uses	(\$6,311)	\$0	\$0	
Fund Equity, Beginning of Period	\$90,808	\$0	\$0	
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period	\$84,497	\$0	\$0	

Daggett Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and	Debt Service	Capital Projects
		Special Revenue	Funds	Funds
		Funds		
		A	B	C
Non-Enterprise Activity		Lighting and Lighting Maintenance		
Taxes and Assessments				
Current Secured and Unsecured (1%)		3,672		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments				
Penalties and Cost on Delinquent Taxes and Assessments				
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
Revenue From Use of Money and Property				
Interest Income		3		
Rents, Concessions and Royalties		16		
Federal				
Aid for Construction				
Other Federal				
State				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		38		
Timber Yield				
Other State				
Other Governmental Agencies				
Redevelopment Pass-Through				
Other				
Charges for Current Services				
Contributions From Property Owners				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues				
Total Revenues		1		
Expenditures		\$3,730	\$0	\$0
Salaries and Wages				
Employee Benefits		1,083		
Services and Supplies		74		
Self Insurance Only - Claims Paid		6,457		

Revenues, Expenditures, Sources and Uses

Daggett Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	A	B	C	
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets				
Other Expenditures				
Total Expenditures	\$7,614	\$0	\$0	
Revenues Over (Under) Expenditures	(\$3,884)	\$0	\$0	
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)	\$0	\$0	\$0	
Revenues/Sources Over (Under) Expenditures/Uses	(\$3,884)	\$0	\$0	
Fund Equity, Beginning of Period	(\$35,171)	\$0	\$0	
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period	(\$39,055)	\$0	\$0	

Daggett Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Recreation and Park		
Taxes and Assessments				
Current Secured and Unsecured (1%)		49,929		
Voter Approved Taxes			5,384	
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		-6		
Penalties and Cost on Delinquent Taxes and Assessments				
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
Revenue From Use of Money and Property				
Interest Income		38	17	
Rents, Concessions and Royalties		435		
Federal				
Aid for Construction				
Other Federal				
State				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		534	91	
Timber Yield				
Other State				
Other Governmental Agencies				
Redevelopment Pass-Through				
Other				
Charges for Current Services				
Contributions From Property Owners				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues				
Total Revenues		\$50,930	\$5,492	\$0
Expenditures				
Salaries and Wages		15,164		
Employee Benefits		1,568		
Services and Supplies		38,908		
Self Insurance Only - Claims Paid				

Daggett Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	A	B	C	
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt		4,000		
Interest on Long-Term Debt		1,800		
Interest on Short-Term Notes and Warrants				
Fixed Assets				
Other Expenditures				
Total Expenditures	\$55,640	\$5,800		\$0
Revenues Over (Under) Expenditures	(\$4,710)	(\$308)		\$0
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)	\$0	\$0		\$0
Revenues/Sources Over (Under) Expenditures/Uses	(\$4,710)	(\$308)		\$0
Fund Equity, Beginning of Period	\$89,509	\$5,904		\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period	\$84,799	\$5,596		\$0

6. Newberry Community Services District

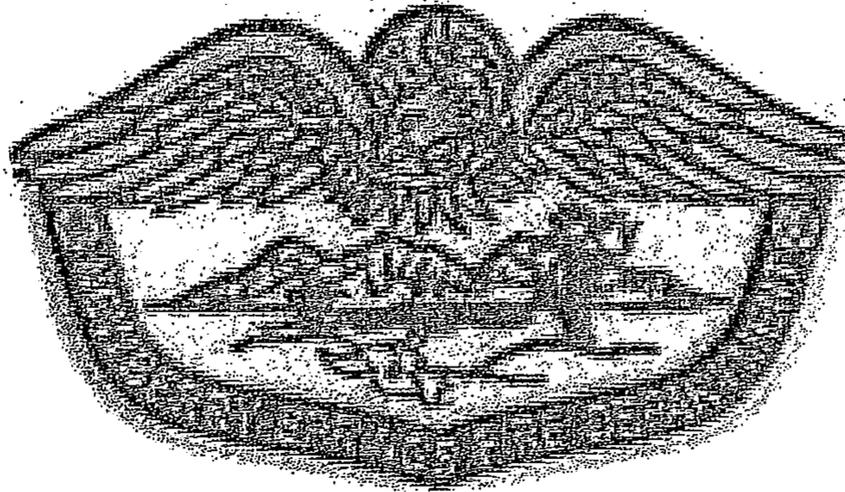
**a. Fire Department Policy and
Procedure Manual**

Attachment 6a



Newberry Community Services District

Established 1958



RECEIVED
MAY 29 2014

LAFCO
San Bernardino County

NEWBERRY SPRINGS VOLUNTEER FIRE DEPARTMENT POLICY AND PROCEDURE MANUAL Adopted May, 2014

Chief: Robert Rogers

Assistant Chief: Daphne Lanier

30884 Newberry Road, P.O. Box 206, Newberry Springs, Ca. 92365
(760) 257-3613

NewberryCSD.net (Website) Newberrycsd@gmail.com (email)

TABLE OF CONTENTS

ADMINISTRATION/AUTHORITY

- 101 PROMOTIONS
- 102 DRIVING OVER HOSE/FALSE ALARMS
- 103 MILEAGE CLAIMS
- 104 FIRE DEPARTMENT RECORDS
- 105 QUARTERLY PLANNING PROGRAMS
- 106 JUNIOR FIREFIGHTERS
- 107 ANNUAL RESPONSE STATISTICS
- 108 LIMITED DUTY
- 109 APPLICATION TO ATTEND CLASSES, CONVENTIONS, SEMINARS, WORKSHOPS, AND REIMBURSEMENT PROCEDURES
- 110 FIRE DEPARTMENT SAFETY OFFICER
- 111 FIRE DEPARTMENT HIRING PROCEDURE
- 112 POLICY RECEIPT AND ACKNOWLEDGEMENT

PERSONNEL

- 201 PERSONNEL RULES AND REGULATIONS
- 202 DISCIPLINE
- 203 PERSONAL GROOMING
- 204 EQUAL EMPLOYMENT OPPORTUNITY PROGRAM
- 205 SERIOUS INJURY OR DEATH
- 206 ALCOHOL/DRUG AND SMOKING POLICY
- 207 CRITICAL INCIDENT STRESS DEBRIEFING
- 208 ETHICS POLICY
- 209 RETURN TO DUTY AFTER EXTENDED LEAVE

APPARATUS/EQUIPMENT

- 301 VEHICLE/EQUIPMENT MAINTENANCE
- 302 APPARATUS FUEL FILL-UP
- 303 EQUIPMENT AND HOSE
- 304 DRIVING OVER HOSE
- 305 FIRE FIGHTING FOAM
- 306 SELF CONTAINED BREATHING APPARATUS
- 307 INVENTORY
- 308 REPAIRS
- 309 MAINTENANCE OF COMMUNICATIONS EQUIPMENT
- 310 PERSONAL ALERT SAFETY SYSTEMS

FIRE OPERATIONS

- 401 FIRE OPERATIONS/GENERAL RULES
- 402 ENGINE COMPANY EVOLUTIONS
- 403 MUTUAL AID/RESPONSES OUTSIDE THE NEWBERRY SPRINGS FIRE DEPARTMENT JURISDICTION
- 404 RADIO COMMUNICATIONS
- 405 HAZARDOUS CONDITIONS INSTRUCTIONS
- 406 HAZARDOUS MATERIALS OPERATIONS
- 407 INCIDENT COMMAND SYSTEMS
- 408 RESPONSE RULES
- 409 PRE-FIRE PLANNING
- 410 TURNOUT GEAR CLEANING
- 411 RESCUE OPERATIONS
- 412 EMERGENCY INCIDENT ACCOUNTABILITY
- 413 EMERGENCY MEDICAL RESPONSE

TRAINING

- 601 TRAINING STANDARDS
- 602 VIDEO EQUIPMENT
- 603 TRAINING ROOM USAGE

SAFETY

- 701 SAFETY REGULATIONS
- 702 EMERGENCY VEHICLE ACCIDENT PREVENTION
- 703 INFECTIOUS DISEASE EXPOSURE AND REPORTING
- 704 SAFETY COMMITTEE

FIRE STATION

- 801 ENERGY CONSERVATION
- 802 COLD WEATHER PROCEDURES
- 803 PARKING REGULATIONS

SECTION 101 - PROMOTIONS

POLICY:

- I. There shall be a promotion policy that identifies requirements and procedures for all promotions within the Newberry Springs Volunteer Fire Department.

PROCEDURE:

- I. The position of Chief shall be appointed by the Newberry CSD Board.
- II. The position of Assistant Chief shall be appointed by the Fire Chief and approved by the Board of Directors.
 - A. Preferred Requirements:
 1. Five (5) years membership in the department.
 2. One (1) year as a fire combat line officer.
 3. Must meet NSVFD current training standards.
- III. The position of combat line officers shall be appointed by the Fire Chief and Assistant Chief.
 - A. Minimum Requirements:
 1. Three (3) years membership in the department. Exception: Two (2) years in the department and one (1) year in another department with documentation of training that meets our current training program.
 2. Must meet NSVFD current training standards.
 - B. Term in this position shall be until promoted to a higher position, member leaves the department, or demotion as per the department bylaws.
 - C. Combat line officer positions: Lieutenant and Captain.
 - D. Positions shall be filled at a ratio of one officer position for each five (5) firefighters in the department.
 - E. The number of officers in the department shall not drop below four (4). Their minimum will consist of Chief, Assistant Chief, Captain and Lieutenant.
 - F. Officers may have additional duties assigned at the discretion of the Chief or Assistant Chief.

SECTION 102 - FALSE ALARMS

POLICY:

- I. Assistance from San Bernardino County Sheriff's Department or California Highway Patrol personnel shall be requested to implement the enforcing actions identified on this section.
- II. A person is guilty of false reporting if he/she initiates a written or oral report or warning in an alleged or impending occurrence of a fire, explosion, crime, catastrophe, or emergency knowing that such a report is likely to cause evacuation of a building, place of assembly, or transportation facility, or to cause substantial public inconvenience or alarm.

- IV. The officer in charge on any scene shall acquire necessary information for the prosecution of individuals in violation of offences identified in this section.
- III. False Reporting:
 - A. When a Department member witnesses an individual initiating false reporting of a fire alarm, the member shall initiate the following action if willful disregard of occupant safety or malicious behavior is evident:
 - 1. Attempt to detain the individual, but at no risk of personal injury or property damage.
 - 2. Request police assistance through CalFire Dispatch if no police are on the scene.
 - 3. If individual leaves the scene, attempt to note any physical characteristics (type of clothing worn, approximate age, build, etc.) and direction of travel which may aid the police in their investigation.
 - B. If false reporting is unintentional or by accident:
 - 1. Attempt to detain the individual, but at no risk of personal injury or property damage.
 - 2. Request the assistance of police who may issue a citation.

SECTION 103 - MILEAGE CLAIMS

POLICY:

- I. Volunteers, when requested and pre-authorized by the Fire Chief or Assistant Chief to use their private automobiles in Department business or Training, shall be compensated at CSD rates.

PROCEDURES:

- I. Volunteers shall fill out the CSD reimbursement form.
- II. The Fire Chief or Assistant Chief shall verify and submit the form to the Treasurer for payment.

SECTION 104 - FIRE DEPARTMENT RECORDS

POLICY:

- I. The Chief of the Department is the overall custodian of all Fire Department records.
- II. The Incident Commander is responsible to fill out the incident report form carried in the apparatus. The Duty Officer will complete the run sheet form which is maintained in the station office.

PROCEDURES:

- I. The records shall be filed under 6 major topics:
 - A. Administration filed at CSD office.
 1. Newsletters & Memo's
 2. Letters incoming
 3. Letters outgoing
 4. Mutual aid contracts Annual response stats
 - B. Apparatus & Equipment filed at fire office.
 1. Station inventory Apparatus inventory Fire Hose inventory Repair instructions Equipment inventory. Note: An apparatus inventory list shall be maintained and carried on each apparatus.
 - C. Firefighting filed at the fire office.
 1. Field Incident Reports
 2. Pre-Fires
 3. Fire investigations
 4. Fire attendance
 - D. Fire Prevention filed at the CSD office.
 1. Building inspections
 2. Special inspections Education
 - E. Services filed at the fire office
 1. Apparatus Repair
 2. Purchase orders
 3. Vouchers
 4. Apparatus tests
 5. Hydrant information
 6. Station repairs
 - F. Training & Personnel filed at CSD office.
 1. Discipline
 2. Pension Records
 3. Probationary reports Disability records
 4. Haz-Mat exposure forms
 5. Training schedules
 6. Training request forms House burn forms
 7. Training manuals
 8. Drill Attendance records
 9. Personnel records

- II. General record retention schedule.
- | | |
|--------------------------------|---------------------|
| Run Reports | 7 years |
| Fire investigation reports | 9 years |
| Daily record of operations | 3 years |
| Fire alarm response records | 7 years |
| Fire alarm system drawings | life of service |
| Fire alarm maintenance records | 3 years |
| Building inspection records | life of building |
| Department volunteer records | years of service |
| Apparatus records | years of service |
| Hazmat Exposure records | life of firefighter |

SECTION 105 - QUARTERLY PLANNING PROGRAM

POLICY:

- I. A quarterly plan to define goals and objectives is to be completed prior to beginning each quarter of the year. The plan will be developed by the: Chief, Assistant Chief, and ranking officers. It is the responsibility of these members to implement the department goals and reach objectives. The quarters shall be: Jan-Mar, Apr-Jun, Jul-Sept, Oct-Dec.

PROCEDURES:

- I. The quarterly plan shall be divided into 4 sections.
- A. Apparatus and Equipment
 - B. Fire Prevention
 - C. ~~Fire Fighting/Pre-fire Planning~~
 - D. Training
- II. A brief outline describing how the goals are to be reached will be completed. The Planning Committee will go over the department goals at the end of each quarter and see what goals were reached. They will decide what steps need to be taken to complete goals that were not reached.

SECTION 106 - JUNIOR FIREFIGHTERS (CADETS)

Section pending establishment of an Explorer Post.

SECTION 107 - ANNUAL RESPONSE STATISTICS

POLICY:

- I. The Fire Chief shall submit annually a report of year-end response statistics. Such reports shall be submitted by January 31st of each year to the General Manager.

PROCEDURES:

- I. The report shall be typewritten or computer generated.

SECTION 108 - LIMITED DUTY

POLICY:

- I. A volunteer firefighter may be assigned to Limited Duty on the mutual agreement of the member, the members Physician, the Fire Chief, and/or the Assistant Fire Chief.
- II. Termination of the Limited Duty status shall be with the signed release of the members Physician.

PROCEDURE:

- I. When by mutual agreement the member's physician and the disabled member believe that the member is physically capable of performing a limited duty assignment, the member may request a signed release from the physician.
- II. Limited duty Assignments shall be based upon the needs of the Department and physical limitations determined by the member's treating physician.

SECTION 109 - APPLICATION TO ATTEND CLASSES, CONVENTIONS, SEMINARS WORKSHOPS, AND REIMBURSEMENT PROCEDURES

Section pending.

SECTION 110 - FIRE DEPARTMENT SAFETY OFFICER

POLICY:

- I. The Newberry Springs Volunteer Fire Department shall have a Safety Officer to coordinate all safety programs in the Department.

PROCEDURE:

- I. The Safety Officer position shall be appointed by the Fire Chief and be responsible for the following:
 - A. All related safety programs and functions within the department.
 - B. Shall coordinate all safety-related training for the department.
 - C. Shall serve as chair on the Safety Committee.
 - D. Shall review and/or investigate all occupational injuries involving Department members.
 - E. Make recommendations to the Chief on accident/injury prevention.

SECTION 111 - FIRE DEPARTMENT HIRING PROCEDURE

POLICY:

- I. All applicants will be properly qualified for the position they are applying for before being issued protective gear and being permitted to run calls.

PROCEDURE:

- I. All applicants are required to pass a physical agility test (PAT) to verify their ability to meet the physical demands of the position they have applied for within 90 days of acceptance.
- II. All members will be added to the department's DMV "pull list".
 - A. A pattern of unsafe/negligent driving or unacceptable record will be grounds for termination/removal of applicant.
- III. All applicants will, at NSVFD's expense, provide a LiveScan report to include FBI, DOJ and DMV to the district. Forms will be obtained from the Fire Department with the application. While a conviction is not necessarily a disqualification, certain offences are not allowed by state law. These include but are not limited to felony convictions or crimes of moral turpitude. All convictions will be reviewed by staff for a determination.

SECTION 112 - POLICY RECEIPT AND ACKNOWLEDGEMENT

POLICY:

- I. All department members will receive a copy of these policies and subsequent additions/addendums.

PROCEDURE:

- I. ALL members of the department will be required to be given a copy of these policies and a signed written acknowledgement will be placed in their personnel folders. Subsequent amendments and additions will also require written acknowledgement.

SECTION 201 - PERSONNEL RULES & REGULATIONS

POLICY:

- I. Personnel Rules and Regulations shall provide guidelines for personnel to complete their obligations and duties as members of the Newberry Springs Volunteer Fire Department.

PROCEDURES:

- I. Station Conduct
 - A. Visitors shall be provided with an escort and shall be treated in a courteous manner.
 - B. Groups desiring to visit station shall phone 760-257-3163 and request to schedule and confirm the station visit.
 - C. Any person engaged in any selling shall have been granted permission from the Fire Chief or Assistant Chief to sell items at the Fire Station.
 - D. Firearms of any kind are positively prohibited at any time in fire stations, on apparatus or on Fire Department property. This restriction does not apply to weapons carried by Peace Officers.

SECTION 202 - DISCIPLINE

POLICY:

- I. There shall be established a uniform discipline code for all members.

PROCEDURE:

- I. Any member who violates, has been found to have violated, or attempts to violate any law of the United States of America, the State of California, local ordinances, or who violates or attempts to violate any rule or regulation, policy or procedure, written or verbal, or is incompetent to perform their duties is subject to appropriate disciplinary action.
- II. Final departmental disciplinary authority and responsibility rests with the Fire Chief.
- III. Complaints by citizens against members of the department shall be recorded and investigated by the Fire Chief or his designee as soon as possible. When investigation cannot be completed on the date it is received, a preliminary report will be prepared by the supervisor in charge, outlining the complaint and any action taken, and forwarded to the Fire Chief via the chain of command.

SECTION 203 - PERSONAL GROOMING

POLICY:

- I. In order to maintain a safe working environment for all firefighters, there shall be a personal grooming standard.

PROCEDURE:

- I. Earrings and rings that are overly large or ornate and will subject the individual to potential injury may not be worn when responding to alarms. Any jewelry that interferes with quick donning of turnout coats, mask and gloves are not permitted.
- II. The bulk or length of hair must not interfere with the normal wearing of helmet or protective equipment (mask).
- III. Sideburns shall not extend to the area on the face where the protective breathing apparatus makes its seal.
- IV. Beards, goatees, and/or face stubble that may interfere with the seal of protective breathing apparatus mask are not allowed on any member.

SECTION 204 - EQUAL EMPLOYMENT OPPORTUNITY PROGRAM

POLICY:

- I. It is the policy of the Newberry Springs Volunteer Fire Department to provide a workplace for its members that is free from discrimination on the basis of race, color, sex, marital status, and sexual orientation, the presence of any sensory, mental or physical disability, political ideology, age, creed, religion, ancestry, or national origin.

PROCEDURE:

- I. The Newberry Springs Volunteer Fire Department shall follow established best practices in regards to equal employment opportunities.
- II. A member who witnesses or is otherwise aware of any act believed to be discriminatory in any nature may:
 - A. Report such act to his/her officer.
 - B. Report such act to a CSD Board member.
 - C. Report such act to the Fire Chief.
 - D. Report such act to any agency responsible for investigating and resolving issues of discrimination.

SECTION 205 - SERIOUS INJURY OR DEATH

Section pending.

SECTION 206 - ALCOHOL/DRUG AND SMOKING POLICY

POLICY:

- I. To establish responsibilities as they relate to individuals regarding alcohol/drug use and smoking while representing the Newberry Springs Volunteer Fire Department.

PROCEDURE:

- I. The Newberry Springs Fire Department shall not allow smoking inside the fenced area of Station 392 nor in any apparatus.
- II. The Newberry Springs Volunteer Fire Department shall not allow the use any alcohol in the twelve (12) hours prior to reporting for duty.
- III. The Newberry Springs Volunteer Fire Department shall not allow the use of any illegal drug use nor the abuse of any prescribed drug.
- IV. Violation of these policies are subject to disciplinary action, up to and including immediate dismissal.

SECTION 207 - CRITICAL INCIDENT STRESS DEBRIEFING

POLICY:

- I. There shall be established a critical incident stress debriefing to enable fire department personnel to minimize emotional trauma and be able to effectively deal with critical stress before job productivity, physical well-being, and emotional stability are affected.

PROCEDURE:

- I. Any incident commander may request a critical incident debriefing. When requested, a Chief Officer will be informed.
- II. Any incident faced by emergency response personnel that causes them to experience unusually strong emotional involvement may qualify for critical incident debriefing. Examples include but are not limited to:
 - A. Serious injury or death of emergency personnel at a scene, in route to, or any other operations.
 - B. Mass casualty incident.
 - C. Suicide, injury, or death of someone known by the department.
 - D. Serious injury or death of a civilian resulting in reported emotional trauma or distress.
- III. San Bernardino County Fire shall be notified and a first level debriefer/ chaplain will be requested. The first level debriefer should be someone who is not part of the normal responding emergency work force.

SECTION 208 ETHICS POLICY

POLICY:

- I. There shall be an ethics policy that provides guidelines for department members.

PROCEDURE:

- I. Personnel shall not engage in activities that could be construed by the public as a waste of tax dollars or an abuse of their volunteer status.
- II. Members shall not engage in business that would be considered as a conflict of interest, illegal or immoral. Also, they may not use department apparatus, equipment, devices or other assets for conducting personal business.
- III. Members are forbidden to solicit or petition, influence or attempt to gain the intervention of any person outside the department for purposes of personal preferment, advantage, advancement, promotion or change of duty for themselves or any other member.

SECTION 209 - RETURN TO DUTY AFTER EXTENDED LEAVE

POLICY:

- I. To ensure the safety of all members it is the policy of the department that members absent over 90 days must meet minimum standards before returning to combat duties.

PROCEDURE:

- I. Members absent over 90 days must complete all quarterly drill requirements before being involved in interior fire operations.
- II. Members must have a doctor's release to return to active duty after a long term medical disability.

SECTION 301 - VEHICLE/EQUIPMENT MAINTENANCE

POLICY:

- I. All members of the Newberry Springs Volunteer Fire Department shall be responsible for maintaining the vehicles and equipment in good working order.

PROCEDURE:

- I. Vehicles and equipment shall have regular maintenance performed after each vehicle response and the first fifteen (15) minutes of each regularly scheduled training night.
Exception: On training sessions where the vehicle will be operated the maintenance shall also be at the end of the training session.
- II. Vehicle Checks:

- A. The driver of each vehicle is responsible for conducting vehicle checks after each use.
 - 1. On classroom training session a driver will be assigned by the training officer.
- B. Equipment checks are the responsibility of the firefighters assigned to the vehicle for that training session or vehicle response.

III. Vehicle/Equipment problems:

- A. All problems shall be reported on the Vehicle Maintenance form maintained for each vehicle. The problem shall be reported to the officer in charge of the response or training session.
- B. Repairs will be in three (3) categories:
 - 1. Can be performed by existing personnel.
 - 2. Require additional training, to be performed by contracted member.
 - 3. Repairs to be performed by a qualified mechanic.
- C. Equipment Maintenance:
 - 1. The manufacturer's maintenance schedule and service recommendations shall be followed. Repair and maintenance documents are located in the department file cabinet.
 - 2. Any repairs shall be noted on the Vehicle Maintenance form.
 - 3. Equipment placed out of service shall be placed on the work bench with a note attached explaining the problem.
- D. Vehicle placed out of service:
 - 1. Whenever possible a vehicle shall be driven into the station nose first to signify it is out of service. An out of service sign shall be placed on the steering column.
 - 2. The Vehicle Maintenance form shall have out of service written across the line for that date. The exact problem shall be written on the bottom of the form in the comments section.

SECTION 302 - APPARATUS FUEL FILL-UP

POLICY:

- I. Fuel shall be purchased using the approved method.

PROCEDURES:

- I. Each apparatus shall use the appropriate purchasing card, the apparatus number and mileage shall be recorded on the gas receipt and signed by the operator/cardholder.
- II. The officer of the unit shall ensure that the mileage and engine hours are recorded in the vehicle log book.

- III. The cardholder shall be responsible for the receipt being filed in the receipt envelope at the fire station.

SECTION 303 - EQUIPMENT AND HOSE

POLICY:

- I. There shall be guidelines established to cover the use of equipment and fire hose, in order to extend the life of the equipment.
- II. An equipment loan policy to provide a tracking system, name of the responsible party and the date of return shall be implemented.

PROCEDURE:

- I. All members shall receive training on department equipment prior to use. Training shall include the manufacturer's suggested use, cleaning and maintenance.
- II. No member of the Newberry Springs Volunteer Fire Department shall remove any piece of equipment from the premises or from any apparatus during a non-authorized activity without the permission of the officer in charge.
- III. When a member of the Newberry Springs Volunteer Fire Department resigns, is discharged or in any way terminates his/her services with the department, he/she shall surrender to a department officer all the property belonging to the fire department within fifteen (15) days.
- IV. Any loss of equipment shall be reported to a department officer and recorded on the apparatus maintenance form.
- V. Fire hose shall be maintained in a ready to use status at all times. Fire Hose exposed to petroleum products shall be cleaned with a mild soap. All Fire Hose should be washed when possible after each use.

SECTION 304 - DRIVING OVER HOSE

POLICY:

- I. No person shall drive a vehicle over any unprotected fire hose or equipment of the Newberry Springs Volunteer Fire Department to be used in any Fire Department operation without the consent of the Fire Department official in command.

PROCEDURES:

- I. When a department member witnesses a motor vehicle crossing a hose line (charged or uncharged) or equipment during any Fire Department activity where hose lines or equipment are placed, the member shall initiate the following action:
 - A. When willful disregard for Department property or malicious behavior is evident:

1. Attempt to get the vehicle operator's attention and stop the vehicle, but not at risk of personal injury or property damage.
 2. Request police assistance. Notify CalFire Dispatch to dispatch law enforcement if not already on the scene.
 3. Advise the vehicle operator that he/she may be in violation of a County Ordinance and request vehicle operator to remain at the scene until arrival of a police officer.
 4. If vehicle leaves scene, attempt to write down the vehicle license plate number, type of vehicle, number of occupants, direction of travel and any relevant conditions or circumstances that may aid the police in their investigation.
- B. When violation is unintentional or by accident:
1. Attempt to get the vehicle operators attention and stop the vehicle, but not at risk of personal injury or property damage.
 2. Advise the vehicle operator that he/she may be in violation of a County Ordinance and request vehicle operator to remain at the scene.
 3. Request the assistance of the police who may issue a citation.
- I. Damaged Hose
- A. If a visual inspection reveals that hose has been damaged: i.e., torn outer jacket, bent couplings, etc., the hose shall immediately be placed out of service and tagged.
 - B. Hose that appears to have no physical damage shall be tested at 250 p.s.i. for 1 minute then raise the pressure to 400 p.s.i. for 5 seconds.
 - C. If any damage results from the test, the hose shall be immediately be placed out of service.

SECTION 305 - FIRE FIGHTING FOAM

Section pending.

SECTION 306 - SELF CONTAINED BREATHING APPARATUS

POLICY:

- I. Approved Self-Contained Breathing Apparatus (SCBA) shall be used at all emergency fire incidents. This includes vehicle and dumpster situations where toxic or oxygen deficient atmospheres may be encountered. Firefighters on emergency medical service alarms are

not required to use SCBAs unless specifically directed by the Incident Commander. The use of SCBAs at grass and brush fires will be at the discretion of the Incident Commander.

PROCEDURE:

- I. All officers and acting officers shall be responsible for adherence to these standards.
- II. All firefighters/officers shall be responsible for replacement of air supplies and verification of daily/weekly checks and proper maintenance of SCBAs.
- III. All firefighters/officers that use SCBAs shall maintain the level of proficiency and associated testing required by Department standards.
- IV. All firefighters/officers shall be responsible for maintaining their SCBA face piece and breathing tube in proper operating condition.

SECTION 307 - INVENTORY

POLICY:

- I. An inventory of apparatus, equipment and station furnishings shall be done annually.

PROCEDURE:

- I. The station inventory shall be conducted using the station inventory form.
- II. A copy of the apparatus equipment inventory form shall be maintained on each apparatus. Equipment missing shall be noted in the vehicle maintenance form and an officer notified.
- III. Missing equipment or station furnishings shall be reported to a chief officer.

SECTION 308 - REPAIRS

Section pending.

SECTION 309 - MAINTENANCE OF COMMUNICATIONS EQUIPMENT

POLICY:

- I. The maintenance policy shall be followed by all Newberry Springs Volunteer Fire Department personnel.

PROCEDURE:

- I. Portable radios in need of repair shall be placed in the office with a written statement of the problem.
- II. Pagers in need of repair shall be placed in the office with a description of the problem or part broken.
- III. All communications equipment shall be taken to a qualified repair shop for repair.
- IV. Members needing new batteries shall return the old battery and receive a replacement.
- V. Pagers and portable radios are to be cleaned using a cloth dampened with water and mild dishwashing detergent or isopropyl alcohol.
- VI. Portable radios will be turned off while in the charger.

SECTION 310 - PERSONAL ALERT SAFETY SYSTEM

POLICY:

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department that all SCBA units have a Personal Alert Safety System (PASS) attached.
- II. PASS devices will be activated after donning the SCBA face piece and before entering any hazardous atmosphere.

PROCEDURE:

- I. Chief Officers shall be responsible for adherence to these standards by all department personnel.
- II. Members assigned responsibility for apparatus checks shall be responsible for verification of weekly checks of the PASS devices.
- III. Firefighters shall properly utilize the PASS devices and maintain the devices' operability according to the manufacturer's instructions.
- IV. All members shall receive proper training on the use of PASS devices.
- V. All PASS devices shall have their batteries changed twice a year, with the change noted on the vehicle maintenance form.
- VI. If a PASS device is found to be out of service, the SCBA shall not be used unless a working PASS device is attached.
- VII. Whenever a member enters an atmosphere requiring that a SCBA be donned, the attached PASS device shall be placed into operation in the "auto mode".

SECTION 401 - FIRE OPERATIONS/GENERAL RULES

POLICY:

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department to follow established fire operation practices according to this Department Operating Instruction.

RESPONSIBILITY:

- I. Newberry Springs Volunteer Fire Department Officers shall be responsible for the training and conduct of the department members in the application of the tactical operating procedures and general rules contained in this section.
- II. The Fire Chief shall be responsible for the uniform application of tactical operations procedures.

PROCEDURE:

- I. The primary objective of Newberry Springs Volunteer Fire Department tactical operations shall be to develop and promote a systematic, coordinated method of initial attack that will permit the best use of personnel and equipment. Fire response units must operate as a team using established standard operational procedures. The effectiveness of the overall operations is determined by the actions of the first-arriving unit.
- II. Tactical operations shall be implemented to accomplish the following prioritized objectives:
 - A. Rescue
 - B. Protect Exposures
 - C. Locate the Fire
 - D. Confine the Fire
 - E. Extinguish the Fire
- III. The first responding fire fighting unit shall attempt to respond with a minimum of three (3) firefighters to any structure fire unless a water tender is also being staffed. If this is not possible then Mutual Aid shall be requested.
- IV. The units following the first fire-fighting unit will standby at a location designated by the incident commander.
- V. Fire fighting units that are standing by shall park in such a manner that lines may be laid immediately.
- VI. **Basic Fire Fighting Team Operations**
 - A. ~~First Engine Company operations (when hose is laid) include three basic categories; pre-connected, 2 1/2" supply forward or reverse, 4" forward or reverse.~~
 - B. ~~Second Engine Company operations will be governed by the actions/instructions of the first arriving unit or by specific instructions from the Incident Commander.~~
 - C. ~~The first arriving unit will announce arrival at the specified location; describe the conditions observed, and the actions being taken.~~
 - D. ~~Subsequent arriving units shall acknowledge action/instruction given to them by the first arriving unit or by the Incident Commander.~~
 - E. ~~Where unusual lays are required or other circumstances dictate, the first-arriving unit shall request support action from other responding units, and it shall be the responsibility of the other responding units to provide the requested support.~~
 - F. ~~Units requested to provide support operations shall acknowledge such a request.~~

VII. Mutual Aid

- A. Mutual aid from Desert Ambulance may be requested on any structure fire.
1. When requested, Desert Ambulance shall function as the Rehab station for firefighters. They shall be stationed at the spot designated by Incident Command. They shall not be used for fire suppression efforts, as their function is emergency medical care.
 2. If any additional personnel are needed then the Incident Commander shall request mutual aid from one or more of the surrounding fire departments. You will specify what your needs are (manpower, water, equipment, etc.). Give these departments staging instructions as they respond.

VIII. Pollution Incidents

- A. When the Newberry Springs Volunteer Fire Department is called to an incident where pollution of a waterway may result (including oil spills, chemical spills, and extinguishing agents), the responding unit shall have CalFire Dispatch notify the appropriate agency(ies).
- B. It shall be the responsibility of the Commanding Officers at incidents where pollutants may enter a city sewer system or waterways, to notify CalFire Dispatch indicating, if possible, where the outfall will be.
- C. Newberry Springs Volunteer Fire Department personnel shall not call cleanup agencies directly.

IX. Clearing Traffic Lanes

- A. Commanding officers shall make every effort to clear streets for normal traffic as soon as possible.
- B. Commanding officers shall be alert to request law enforcement for traffic control at emergency incidents when necessary.
- C. Commanding Officers shall notify CalFire Dispatch when traffic lanes will be blocked because of an emergency. An estimate of time that lanes will be blocked is to be given to CalFire so they can notify law enforcement and County Roads Department.

X. Duties at vehicle Accident Scenes

- A. When the Newberry Springs Volunteer Fire Department responds to a vehicle accident inside the district's response area:
1. First priority shall be given to rescue and any medical aid assisted as needed by Desert Ambulance.
 2. Second priority shall be preservation of physical evidence of the accident scene.
 3. A 1 3/4" hose line will be laid to protect Fire and Patients on scene.
 4. Newberry Springs Volunteer Fire Department vehicles shall be parked far enough away from the fire scene to protect it from any explosion or fire.
- B. When responding outside the district in a mutual aid type of rescue call:
1. First priority shall be given to the rescue.
 2. Second priority shall be preservation of physical evidence of the accident scene.

3. Verify that the local Fire Department is responding to the call.
4. Extrication of patients shall not start until a hose line or fire extinguisher is manned by a fire department member.
5. Newberry Springs Volunteer Fire Department vehicles and personnel shall perform traffic control only when extreme conditions warrant. The primary job of the rescue team is extrication.

XI. Fire Scene Photographs

- A. Only authorized personnel will be permitted to photograph scenes that are arson, suspicious or where an injury or death is involved.
 1. Authorized personnel will be defined as Fire or Police personnel who have responsibility for investigation of the incident or for documentary purposes.
- B. News media personnel will be permitted to enter and photograph fire scenes only with permission of the Commanding Officers at the fire scene.
 1. The Commanding Officer or designated Public Affairs Officer will stay with the news media personnel at all times they are in the fire scene area.

XII. News Releases to Media Personnel

- A. The Fire Chief shall be notified of any major or unusual incident which may attract the news media.
- B. The Fire Chief or his Authorized Representative's are the only persons authorized to make public statements at emergency scenes.

XIII. Fire Incident Information

- A. Requests for information relating to any fire incident must be submitted in writing to the Fire Chief. Private investigators, attorneys, insurance adjusters or anyone else requesting or attempting to discuss fire incidents shall be directed to follow this instruction.

XIV. Dry Standpipes

- A. Dry standpipes shall be drained after fire operations are concluded to prevent damage during freezing temperatures. The top discharge valve shall be opened during draining to prevent air lock.

XV. In-Service Guidelines for Engines

- A. Engine Company in-service guideline/emergency:
 1. When not pumping.
 2. With 1,000' 2 1/2" and 4" hose combination in hose beds.
 3. With 200' 1 3/4" hose and nozzle in hose bed.
 4. Minimum crew of 3 persons with S.C.B.A.'s

XVI. Use of Private Equipment at an Emergency

- A. The Fire Chief or Assistant Fire Chief in charge of an emergency may secure privately owned equipment in unusual circumstances when the urgency of the situation demands that the action be taken to save lives or to prevent major destruction of the environment or property.

XVII. Interference with Fire Department Activity

- A. Any person, who obstructs the operations of the Newberry Springs Volunteer Fire Department in connection with extinguishing any fire, or in the performance of other duties required, can be convicted of a misdemeanor.

XVIII. Forcible Entry into Secured Buildings

- A. When forcible entry is required to gain entrance into a room or building when an actual or suspected emergency exists, it will not be necessary to wait for the Law Enforcement to arrive prior to entry. If a responsible person is not available when leaving, contact CalFire Dispatch to have the law enforcement provide security to the building.
- B. When forcible entry is requested by a citizen to a room or residence as a personal service, or if it is necessary to gain entrance to investigate an unknown situation, contact CalFire Dispatch to request a Law Enforcement presence as a witness and to provide security to the building. Law Enforcement shall be requested even if a responsible person is present.

SECTION 402 - ENGINE COMPANY EVOLUTIONS

POLICY:

- I. It shall be the policy of the fire department to perform established hose lays at fire scenes.

PROCEDURE:

I. General Information

- A. Practicing and following these evolutions and assignments, will establish good fire ground performance.
- B. These evolutions are to be utilized in actual fire situations whenever applicable.
- C. These evolutions should be adapted successfully to most fire situations.

II. Officer Responsibility – Designating hose lays.

- A. Orders must be given clearly so all members are aware of the evolution to be performed.
- B. Orders must be brief yet contain all necessary information.
- C. The Captain/Lieutenant on the engines will direct other personnel on which hose evolution will be performed upon arrival.

III. Officer Responsibilities – Supervision

- A. The officer has the responsibility of finding the closest available hydrant to the fire scene.
- B. The officer is responsible for the location of all personnel on his/her apparatus until they are reassigned by him/her.
- C. The first arriving officer has the option of initiating the fire attack or assuming the incident command. The second arriving officers must assume incident command if the first arriving officer is initiating the fire attack.

- IV. Engine Company Evolutions
 - A. The evolutions are based on a three (3) person team.
 - B. The position of fourth/fifth member is listed to perform assignments designated by the officer.
- V. Description of Evolutions – Assignments
 - A. When two positions are listed to perform a specified task, one or both members may perform the function.
 - B. If your assignments are completed you may assist another member in performing their task in order that the hose lay may be completed.

SECTION 402-A - HOSE EVOLUTIONS "PRE-CONNECT"

- I. ACTIONS:
 - A. Officer
 - 1. Directs driver on vehicle location.
 - 2. Directs next responding unit to take a hydrant if Incident Commander is not on scene.
 - 3. Places SCBA in stand-by if needed.
 - 4. Reports to Incident Commander.
 - 5. Directs fire attack.
 - B. Driver
 - 1. Performs in cab operations.
 - 2. Sets wheel blocks.
 - 3. Opens the proper pre-connect.
 - 4. Monitors the pump and assists in placing supply in service if needed.

**SECTION 403 - MUTUAL AID/RESPONSES OUTSIDE THE NEWBERRY SPRINGS VOLUNTEER
FIRE DEPARTMENT JURISDICTION**

POLICY:

- I. Due to the unpredictable nature of emergencies and the possible need to augment fire protection resources, the Newberry Springs Volunteer Fire Department will enter into agreements with other agencies to render assistance to each other in accordance with the terms of the contracts.

PROCEDURES:

- I. The Newberry Springs Volunteer Fire Department currently has existing Mutual Aid Agreements with all fire departments in the local area. There are additional contracts with CalFire, BLM, Fort Irwin and the Marine Corps Logistics Bases. Approval from the duty officer is required for calls beyond Baker on I-15 within/ beyond Barstow City limits and beyond Ludlow on I-40.
- II. Procedures for Newberry Springs Volunteer Fire Department units responding outside their normal jurisdiction shall be as follows:
 - A. Vehicle's that may respond to these requests are at the discretion of the duty officer.
 - B. The primary responsibility for extinguishing or controlling the emergency rests with the requesting agency. The officer in charge of the Newberry Springs Volunteer Fire Department units shall cooperate closely with the officer in command of the incident yet retain control of Newberry Springs Volunteer Fire Department personnel and equipment. If the Newberry Springs Volunteer Fire Department Commanding Officer feels an operational directive is contrary to established department procedures that would place NSFD units in unnecessary jeopardy they should not be followed and the NSFD units should withdraw to a safe distance.
 - C. Newberry Springs Volunteer Fire Department personnel can be teamed up with other departments for fire ground operations.
- III. Procedures for utilization of resources coming into the district jurisdiction shall be as follows:
 - A. The responding team leader shall report to the Incident Commander for assignment.
 - B. County units shall remain under the command and control of their assigned Team Leader.

SECTION 404 - RADIO COMMUNICATIONS

POLICY:

- I. Newberry Springs Volunteer Fire Department members shall adhere to the Radio Communications and other instructions as identified in this section.

PROCEDURES:

- I. Radio transmissions shall be made in a concise, business-like manner. Personal remarks or messages are prohibited.
- II. Only portable radios assigned to apparatus or personnel by Newberry Springs Fire Department shall be carried on fire responses.
- III. Personnel shall carry their pager when they are available to respond to an emergency call. ~~Pagers are to be left at the station on emergency calls.~~
- IV. When necessary CalFire dispatch shall relay unit-to-unit transmissions.

- V. The tactical channel shall be used to coordinate mutual aid responses with other departments. Radio traffic shall only be to let CalFire know which apparatus are responding and to notify when units are on scene.
- VI. All Newberry Springs Fire Department units shall standby on a mutual aid scene until given instructions by the officer in charge.
- VII. Priority messages have priority over all other messages. The following are considered Priority messages:
 - A. Fire report on the air.
 - B. All segments of the response order: dispatch, responding, etc.
 - C. Units arriving.
 - D. Tactical operations messages.
 - E. Unit status changes.
 - F. Emergency medical messages.
- VIII. Non-emergency messages shall not be transmitted until after the emergency is cleared.
- IX. Unit transmittals shall begin with the unit being called followed by the calling unit.
- X. Radio reports:
 - A. Initial reports:
 - 1. An initial report shall include unit signature, and corrected street address if needed.
 - 2. The first arriving unit shall give an initial report upon arrival. The initial report shall include a short report when possible.
 - B. Short report:
 - 1. A short report includes unit signature, degree/type of fire or incident, tactical operation.
- XI. The Incident Commander shall notify CalFire when the fire has been extinguished or the emergency is terminated.
- XII. Radio and Siren tests shall be conducted on Tuesday night at the beginning of Drill.
- XIII. The radio terminology from the CalFire training guide shall be used by all personnel.

SECTION 405 - HAZARDOUS CONDITIONS INSTRUCTIONS

POLICY:

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department to make an immediate check of the units and personnel and to restore out-of-service units to in-service status as quickly as possible.
- II. The Newberry Springs Volunteer Fire Department will assist in the evacuation efforts when it has been deemed necessary by the Community Services District.

PROCEDURE:

- I. Safe area and techniques for personnel in the station should be identified as well as areas felt to be hazardous. Actions to be taken to ensure all units are in-service.
- II. Secure the station utilities if there is any damage. Inspect the station for any possible damage.
- III. As soon as possible begin a search of the response area to conduct an assessment of the damages.
- IV. The standard evacuation signal shall be the sirens of fire units traveling the streets and giving a verbal warning with their PA's.
- V. Record any civilians who give verbal confirmation they will not leave. Contact units responsible for assisting with civilian evacuation when you encounter someone in need of transportation to the safe zone.

SECTION 406 - HAZARDOUS MATERIALS OPERATIONS

POLICY:

- I. The Newberry Springs Volunteer Fire Department will be involved with a Hazardous Materials Incident only to the extent of their training and protective equipment allows.

PROCEDURE:

- I. A Hazardous Materials Incident is an incident involving the release of a substance that poses an unreasonable risk to life, environment or property.
- II. When a Hazardous Materials Incident is encountered CalFire Dispatch shall be notified to dispatch a HazMat team.
- III. Newberry Springs Volunteer Fire Department personnel will be used as support team members as directed by the HazMat leader.
- IV. Cleanup of residential incidents involving normal household products may have to be handled by Department personnel. Personnel assigned this type of work should be in Level "D" protection (turn-outs with boots, breathing apparatus, and minimum disposable gloves). The objective should be to remove or stabilize or neutralize the materials involved.
- VII. General Rules:
 - A. Do not walk near, touch, smell or taste any unknown product or container.
 - B. Stay upwind.
 - C. Seal off the area.
 - D. Establish command.
 - E. If possible, identify product or container.
 - F. Notify proper authorities.

SECTION 407 - INCIDENT COMMAND SYSTEM

POLICY:

- I. The Newberry Springs Volunteer Fire Department shall use the Incident Command system at incidents.

PROCEDURE:

- I. The Incident Commander shall have a full authority of the Chief of the Department.
- II. The Incident Commander and command officers shall have priority on all radio communications. All non-command communications by radio shall be kept to a minimum.
- III. Incident command shall be vested in the first officer on the scene of an emergency.
 - A. An officer regardless of rank shall be the person in charge of a unit. Acting officers shall have the same authority as appointed officers.
 - B. Only the first officer may relinquish command to the next officer to arrive. This shall be based on the need for the first officer to become involved in the extinguishments of the fire.
 - C. Incident command will be transferred to a superior officer upon his/her request. The superior officer shall notify the existing I.C. of his/her intent to take command.
 - D. Incident Command shall designate his/her generic name, i.e. "Spokane St. Command", "40 IC".

SECTION 408 - RESPONSE RULES

POLICY:

- I. The Newberry Springs Volunteer Fire Department shall insure the needed type of unit responds to incidents.

PROCEDURE:

- I. Standard responses to incidents by type and order of unit response:

SITUATION	1st	2nd	3rd	4th	5th
Structure Fire- In District	E392	WT392	BP393	WT392A	R391
Structure Fire - Mutual Aid	WT392A	WT392A	E392		
EMS Response - In District	R391	BP393	E392		
EMS Response Mutual Aid	BP393	R391			
Veg Fire In-District	BP393	E392	WT392	WT392A	
Veg Fire Mutual Aid	WT 392	BP393			
MVA In-District	E392	R391	BP393		

MVA - Other Districts	R391	E392	BP 393
Smoke Invest. In-District	BP393	E392	

The order of response may be varied dependent on:

- A. Unit requested by CalFire Dispatch
- B. Driver Availability
- C. Staffing levels

SECTION 409 - PRE-FIRE PLANNING

POLICY:

- I. There shall be an ongoing pre-fire program conducted by Newberry Springs Volunteer Fire Department personnel.

PROCEDURE:

- I. It shall be the responsibility of the department officers to survey structures and problem areas in the response area to determine which ones need a pre-fire plan.
- II. It shall be the responsibility of the members assigned to a unit to conduct designated pre-fire surveys.
- III. Pre-fire surveys should be conducted on areas having poor visibility, poor water supply, and structure having unusual or difficult fire fighting problems.
- IV. Pre-fire surveys should be reviewed annually during the first quarter of the year.
- V. Each apparatus should carry a pre-fire book with the completed pre-fire plans.
- VI. The Newberry Springs Volunteer Fire Department pre-fire form should be used for uniformity. Additional documents can be included with the pre-fire such as photographs.

SECTION 410 - TURNOUT GEAR CLEANING

POLICY:

- I. Proper washing techniques shall be used by the Newberry Springs Volunteer Fire Department.

PROCEDURE:

- I. It shall be the responsibility of all members to properly clean all protective gear, if it has been soiled. This shall be done as soon as possible. Protective gear may be taken to a dry cleaning business with prior approval.

- II. The station shall obtain the following cleaners used to clean turnout gear:
 - A. multipurpose safety detergent for general spotting and machine or and washing of the outer shell of bunking pants and coats.
 - B. A special fabric cleaner for treated fabrics, including the inner liners of bunking coats and pants with water proof fabrics.
 - C. A water-soluble solvent for the removal of grease and tar from the outer shell of bunking coats and pants.
- III. The liner must be separated from the outer shell prior to using the washing machine.
- IV. Gloves shall be cleaned the same as coat shells.
- V. Machine washing shall follow the recommendations of the cleaning agent.
- VI. Turnout coats shall be turned inside out to prevent damage to the machine.
- VII. Only designated cleaning agents shall be used on protective gear.
- VIII. Any turnout gear that has or may have been contaminated with a hazardous material shall NOT be washed in department machines. They shall be sent to a qualified representative for cleaning.

SECTION 411 - RESCUE OPERATIONS

POLICY:

- I. The Newberry Springs Volunteer Fire Department shall perform designated rescue operations.

PROCEDURE:

- I. The Newberry Springs Volunteer Fire Department shall perform the following rescue operations:
 - A. Vehicle Extrication
 - B. Residential Rescue
 - C. Light Rescue
- II. The Newberry Springs Volunteer Fire Department shall NOT be involved in any type of operation they lack adequate training and equipment to perform.
- III. Only members receiving proper training may be involved in rescue operations.
- IV. Vehicle extrication rescue members should have documented extrication training.

SECTION 412 - EMERGENCY INCIDENT ACCOUNTABILITY

POLICY:

- I. The Passport System shall be the standard system of accountability to identify individual members of a Team and their assignment. The system shall account for the assignment of Teams or units at an emergency incident. The Passport system shall be used on Mutual Aid incidents.

PROCEDURE:

- I. When multiple units respond to a scene the Passport System shall be implemented.
- II. Each department member shall have two name tags attached with snaps to their turnout/brush jacket.
- III. Members shall attach a name tag to the unit status board when they report to an apparatus.
- IV. The Incident Commander or his/her assistant shall attach the individual unit status boards to the master status board upon his/her arrival at the incident.
- V. It shall be the responsibility of each member reporting to the incident to turn over their name tag to the Incident Commander or assistant and wait for assignment.
- VI. It shall be the responsibility of the Incident Commander assistant to use the status board to track all members at the incident.
- VII. Command officers shall provide accountability by matching the name tag to each person assigned whenever a situation requires accountability.

SECTION 413 - EMERGENCY MEDICAL RESPONSE

POLICY:

- I. The Newberry Springs Volunteer Fire Department shall provide on-scene BLS emergency medical care.

PROCEDURE:

- I. **Aid Vehicle Responses.**
 - A. **Staffing for medical responses are as follows:**
 1. No more than two aid vehicles with two personnel will be considered a normal response.
 2. Manpower exception—the call dispatched indicates that:
 3. CPR is in progress or that patient needs CPR.
 4. There is more than one patient to treat.
 5. There is a rescue of any kind, with a trapped person.
 - B. Personnel manning aid vehicles shall wear approved protective clothing. Any personnel responding to the scene may respond without department bunker gear, with the understanding that they are not protected from infectious diseases.

- C. Medical units responding to medical cases shall be operated as emergency vehicles unless otherwise directed by dispatch.
- D. A medical unit responding to an emergency in a residential area should exercise care while using the siren to ease any emotional stress the siren might cause. In most cases, the siren should be shut off a short distance away.
- E. The firefighter who rides in the officer's seat on a medical unit shall serve as officer. The highest trained emergency medical person on scene shall have command of the patient(s). All other arriving units shall report to the officer-in-charge.
 - 1. Officers or acting officers at medical calls should consult with medical personnel working with patients before making decisions such as: requesting additional vehicles, placing vehicles in service, or returning incoming vehicles.
 - 2. The officer-in-charge shall be responsible for the overall scene management and should become involved with the patient's treatment as necessary. If the officer-in-charge deems it necessary, he/she may declare himself/herself the incident commander and delegate the patient care to others.
 - 3. The officer-in-charge will serve as a liaison between department personnel and law enforcement agencies in the following manner:
 - Traffic movements will be handled by law enforcement unless unavailable.
 - The control of fire department staff personnel and apparatus will be the responsibility of the officer-in-charge.
 - Handling of patient treatment will be the responsibility of the medical personnel on-scene. Transporting of a patient will be done by a transporting agency.
 - If the law enforcement officer demands overall control of the scene, the officer-in-charge may relinquish this position. Department staff will respond to orders given by the Incident Commander or Chief Officer on scene.
- F. Incidents involving assaults, overdoses, homicides and fatalities must be handled in a different manner than a medical call.
 - 1) In assault calls, the assailant may still be at the scene and could present a hazard to incoming staff and equipment. Dispatch should attempt to determine if this situation exists. All fire department personnel and/or equipment shall stage at a safe distance from scene until law enforcement has assessed the situation and deemed it safe for fire/EMS personnel to respond to the scene.
 - 2) Overdose calls should be handled as described above if the patient has been described as violent or combative.
 - 3) Incidents involving suspected suicide and/or homicide may be dealt with as previously outlined. Law enforcement involvement is necessary when the patient is found without vital signs of life. Staff arriving at the scene must be conscious of their actions and exercise extreme care when moving the patient and any other objects such as ropes, pills, firearms, other lethal weapons, and suicide notes. The officer must limit the number of personnel at the crime scene and should be able to identify who was allowed entry.

- 4) The handling of any fatality should be left to the law enforcement. Care must be exercised when allowing family, passersby, and/or the press to view the accident or crime scene.
- G. While at the scene of an emergency, the officer should attempt to place a special unit in service first, enabling the unit to respond to other calls.
- H. The Newberry Springs Volunteer Fire Department has three (3) BLS Aid vehicles..E392 carries the extrication equipment for all accidents with entrapment. For this reason it must be allowed to divert to an accident call if needed.

II Medical Call Reporting

- A. Due to the special consideration of medical calls, the need for two run sheets is needed. The officer-in-charge shall complete the department run sheet for all calls. The medical officer-in-charge will complete an ICEMA medical/trauma run sheet. A copy of the ICEMA run sheet will be given to the transporting agency ASAP. Both run sheets will be stored together for proper reporting.

SECTION 601 - TRAINING STANDARDS

POLICY:

- I. The Newberry Springs Volunteer Fire Department shall have minimum training standards for all personnel.
- II. There will be uniform training methods to improve teamwork on emergencies.

PROCEDURE:

- I. Probationary Firefighter Training Requirements:
 - A. Orientation IFSTA 202
 - B. Safety IFSTA 209
 - C. Bunker Equipment NSVFD Standards
 - D. Communications NSVFD Standards
 - E. Equipment Checks NSVFD Standards
 - F. Hydrants IFSTA Fire Essentials Ch. 8
 - G. Replacing SCBA Cyl. IFSTA Fire Essentials Ch. 4
 - H. Ropes IFSTA 101
 - I. Departmental Records NSVFD Standards
 - J. Terminology FF Fundamentals 1
- II. Firefighter Training Requirements:
 - A. Laying Lines IFSTA Fire Essentials Ch. 10
 - B. Portable Extinguishers. IFSTA Fire Essentials Ch. 2

- C. Ladders IFSTA Fire Essentials Ch. 5
- D. Hose & Practices IFSTA Fire Essentials Ch. 10
- E. Fire Stream Practice IFSTA Fire Essentials Ch. 9
- F. Ventilation IFSTA Fire Essentials Ch. 11
- G. Rescue IFSTA Fire Essentials Ch. 7
- H. SCBA IFSTA Fire Essentials Ch. 4
- I. Nozzle & Appliance IFSTA Fire Essentials Ch. 9
- J. Safety IFSTA 209
- K. Incident Command NSVFD Standards
- L. Hazmat NSVFD Standards

III. Engineer Training Requirements:

- A. Engine Operation IFSTA 106/NSFD Standards
- B. Engine Tactics IFSTA 106
- C. Field Hydraulics Fire Service Hydraulics
- D. Engine Familiar Engine Service Manuals
- E. Eng Back in Service NSVFD Standards
- F. Heavy Vehicles CVC 12804.11

SECTION 602 - VIDEOTAPE EQUIPMENT

POLICY:

- I. Use of the videotape equipment shall be for department use only.

PROCEDURE:

- I. The video playback unit and receiver shall only be utilized to view Fire Department related video tapes. The video playback unit and receiver in the dayroom will be used for all other viewing.
- II. The Department shall maintain an inventory of video tapes available for viewing by members.
- III. Video tapes may be checked out for viewing by members and other Departments only when signed out by an officer.

SECTION 603 - TRAINING ROOM USAGE

Section pending.

SECTION 701 - SAFETY REGULATIONS

POLICY:

- I. It shall be the Policy of the Newberry Springs Volunteer Fire Department that all members of the Newberry Springs Volunteer Fire Department follow this Safety Program.
- II. All members shall continuously review and practice safety regulations on a regular basis.

PROCEDURE:

- I. General Personal Protective Clothing Safety
 - A. Every member when working on the emergency fire ground or training fires shall wear a complete set of protective clothing. This includes bunking/turnout coat, bunking trousers, boots, gloves, and helmets with face shield/goggles and ear flaps. Coat collars shall be turned up and fastened to protect the neck and throat. Openings on the coat front and trouser fly shall be securely closed and fastened with the closure system provided.
 - B. Incident Commanders may give permission for personnel, during non-emergency duties, to remove protective coats, trousers and boots. Turnout coats and trousers shall be worn with all the liners that are provided with the item. Incident Commanders shall be aware that personnel may become overheated and exhausted during emergency operations or training activities which may require the rotation of crews. Members working at grass, brush, and wildfires shall wear brush gear, gloves, and helmets (ear flaps shall be down). Bunking coat and pants shall be worn if member has not been issued wildfire gear. Bunker boots or wildfire boots are to be worn.
 - C. Members working at grass, brush, or wildfire incidents are not required to wear a PASS Device unless directed by the Incident Commander.
 - D. When a member leaves the station in any apparatus, full protective clothing shall be carried with the member.
 - E. Gloves shall be worn during all manipulative training sessions. Officers may waive this requirement in those instances when it becomes necessary. Members shall be alert to use gloves in all instances where their use could prevent injuries.
 - F. Eye and Face Protection:
 1. Eye protection shall be used at all times when operating power saws, including the routine equipment check.
 2. Removing glass during overhaul.
 3. Pulling Walls and ceilings during overhaul.
 4. Any other situations where injury is possible.

5. Glasses/contact lenses may be worn by members in any situation the individual desires. The wearing of glasses, however, does not eliminate the need for using the eye protection devices provided by the Department, unless the glasses meet the standards for industrial safety glasses.
- G. Hearing Protection shall be worn when exposed to noise in excess of 90 dba from power tools, engine warm ups, drafting or other such activities, except in situations where the use of such protective equipment would create an additional hazard to the users such as in fire suppression.
 - H. Helmets shall be worn at all times when working at emergency responses and on all manipulative drills. They must be adjusted closely to fit the head of the wearer. The chin strap shall be adjusted to hold the helmet firmly in place and shall be used every time the helmet is worn. When members enter "hard hat" areas, they shall wear their helmets. Face shields shall be worn in the down position in instances where eye protection is required if goggles have not been issued.
 - I. After a fire has been trapped, and during the safety break, the Incident Commander shall conduct a safety inspection of the emergency scene. Hazardous conditions or areas shall be barricaded or personnel assigned to immediately correct the hazardous situation. Personnel shall be made aware of unsafe areas.
 - J. During actual fire fighting and overhaul operations, no member of the department shall enter a fire building or fire area without full protective clothing, to include helmet with face shield/goggles and ear flaps, turnout coat and hood, trousers, boots, gloves, and SCBA. 2-in/2-out will be followed with the only exception being in cases of imminent rescue.
 - K. General Station Safety
 1. The station shall be inspected, by the Fire Chief, twice a year to detect and eliminate safety hazards.
 2. The apparatus floor shall be kept free of grease, oil, water, and all tripping hazards.
 3. Exhaust fumes from diesel or gasoline apparatus shall be vented to the outside of the station. Ventilation provided by fully opened apparatus bay doors would be considered adequate ventilation.
 4. Adequate ventilation of paint fumes shall be provided whenever any painting of apparatus or equipment is done.
 - L. Training Fire Safety
 1. The Training Consultant or his/her designee shall conduct all live fire training activities.
 2. All members shall know the building layout and means of egress for live fire training.
 3. During live fire training activities, qualified personnel shall staff charged hose lines in full turnout gear and SCBA's in the standby position.
 4. A Safety Officer shall be designated and be in an appropriate position to observe conditions during live fire training.
 5. Only light fuels shall be used in live fire training, unless prior approval/permits have been obtained.

- M. Department safety drills shall be conducted during the third weekly meeting each month.

SECTION 702 - EMERGENCY VEHICLE ACCIDENT PREVENTION

POLICY:

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department to have an Emergency Vehicle Accident Prevention (EVAP) program.
- II. The Newberry Springs Volunteer Fire Department has a legal and moral obligation to insure that any driver of Newberry Springs Volunteer Fire Department vehicles is well-trained, in good physical condition, has proper safety driving attitude and is capable of handling the apparatus with a high degree of skill and common sense.

PROCEDURE:

- I. No person shall drive a Newberry Springs Volunteer Fire Department vehicle under emergency conditions without being authorized by proper authority.
- II. No person under 18 years of age shall drive a Newberry Springs Volunteer Fire Department vehicle.
- III. No person may drive any Newberry Springs Volunteer Fire Department vehicle without a valid California State Driver's license: which will be monitored by the DMV.
- IV. All heavy drivers shall participate in:
 - A. California State Fire Service Training, Driver Operator IA
 - B. Drivers re-evaluation to be every two years, to include each type of vehicle qualified to drive.
 - C. Individual fire Newberry Springs Volunteer Fire Department driver training as required.
- V. Newberry Springs Volunteer Fire Department drivers shall not:
 - A. Have a past history of: Heart attacks, strokes, fainting, seizures, or sudden onset sickness. A doctor certificate stating it is okay to drive is required if any of these conditions exist.
 - B. Be under the influence of alcohol.
 - C. Be under the influence of drugs, prescription or otherwise.
- VI. The following general vehicle safety rules shall be used to assure safe and efficient response to emergency incidents. Newberry Springs Volunteer Fire Department vehicles shall be operated with judgment rather than speed, with slow-downs or stops at danger points, followed by quick acceleration to speeds dictated by traffic conditions, visibility and capability of stopping at any point short of collision.
 - A. For all Newberry Springs Volunteer Fire Department vehicles responding with red lights, the maximum allowable speed limit shall be 10 mph over the posted speed limit.

- B. Sirens are to be used at all times while responding with red lights unless directed by law enforcement/dispatch with the following exceptions:
 - 1. When operating on dirt roads
 - 2. When doing so would cause a public nuisance (ie. Middle of the night)
- C. When approaching a traffic signal or stop sign and the signal is against the responding unit, the unit shall STOP then accelerate only after the intersection is assured.
- D. When entering a controlled intersection that is four-way red, the maximum speed of the unit will be 20 mph.
- E. When entering a non-controlled intersection and the responding unit has a green light, the unit shall enter the intersection with extreme caution.
- F. When entering intersections with no traffic signal, use extreme caution and do not assume the right-of way.
- G. When not responding to alarms, motor vehicles shall not be operated in excess of the speed limit and shall obey all traffic laws. This shall include parking regulations.
- H. Responding units shall use main arterials whenever possible.
- I. Responding units meeting a school bus which has stopped for the purpose of loading or unloading school children, and which is displaying its visual warning signals, shall not proceed past the bus until the visual warning signal is deactivated. Extreme caution must be used when proceeding past any school bus that is stopped.
- J. Normally, all Newberry Springs Volunteer Fire Department vehicles responding from the same location or station should take the same route. While responding, units should not pass one another.
- K. All Newberry Springs Volunteer Fire Department members shall obey all traffic laws when responding to the station or to the emergency scene in their private automobile.
- L. Newberry Springs Volunteer Fire Department Members shall not enter the street to stop traffic for apparatus responding from the station.
- M. No person other than a member of the Newberry Springs Volunteer Fire Department shall be permitted to ride on fire apparatus, except when authorized by the Fire Chief.
- N. Red lights and siren shall be operated when responding under emergency conditions.
- O. When the apparatus is at an emergency location and NOT legally parked, red lights shall be left on and traffic cones shall be set.
- P. Apparatus should have headlights on during all responses.
- Q. When backing an apparatus, a minimum of one person shall be stationed at the rear, in a position to communicate with the driver, and act as a guide. The guide shall be positioned at the left rear or right rear of the apparatus, as conditions dictate. If communication between the driver and guide is lost, the driver shall bring the apparatus to an immediate halt. The apparatus shall remain stopped until communication between the driver and guide is restored. If it is impossible

to obtain a guide, the driver shall get out of the apparatus and check the area prior to backing. Backing shall be done slowly.

- R. Seat belts shall be worn at all times when the vehicle is in motion. This shall apply to drivers and all passengers riding in seats where seat belts are provided.
 - S. Personnel riding in the crew cab of apparatus will be seated whenever the apparatus is in motion.
 - T. There shall be no riding the apparatus tailboards.
 - U. All drivers shall be alert to placing traffic cones to assist traffic diversion around apparatus and equipment in traffic lanes of the street.
 - V. All stations will have lines painted on the apparatus floor, to extend from the rear wheels of the apparatus to the sidewalk line, to assist the driver in positioning the apparatus in the station.
 - W. Prior to any Newberry Springs Volunteer Fire Department vehicle being started, the driver shall be in the driver's seat, the parking brake set, and the transmission in neutral, or park.
- VII. The following buzzer and horn signals shall be used to help prevent accidents and to provide communications between the cab and tailboard. No apparatus shall respond until the driver gives the signal or has acknowledged the backer.
- A. STOP: One long continuous signal.
 - B. GO AHEAD: Two signals, each of one-second duration.
 - C. BACK UP: Three signals, each of one-second duration.
- VIII. Whenever any vehicle is parked in the fire station, the parking brake shall be set.
- IX. Street parking on the level, the parking brake shall be set, the transmission in neutral, and the wheel blocks set. The park position shall be utilized for those vehicles so equipped.
- X. Parking on a grade the parking brake shall be set, wheel blocks set, and the transmission in neutral; the park position shall be used for those vehicles so equipped. On the upgrade, the front wheels shall be turned away from the curb. If on a downgrade, the front wheel shall be turned to the curb. Traffic cones shall be set to direct traffic around apparatus and equipment in the street.
- XI. The parking brake should never be used to decelerate the apparatus unless an emergency exists. Apparatus equipped with a drive line brake for pump disengaging shall not use these brakes as an emergency brake for stopping the vehicle.
- XII. The proper method for setting the parking brake shall be to bring the vehicle to a complete stop before setting the brake.
- XIII. It is the responsibility of each member to immediately report any and all accidents to the Fire Chief or Assistant Chief.
- XIV. Every driver is responsible to complete the required accident forms immediately after any accident they were involved in. One copy of all accident reports shall be given to the Safety Committee.
- XV. These actions shall be done by any vehicle involved in an accident:
- A. CalFire Dispatch shall be notified and given the exact location of the accident, nature of the accident (pedestrian, two car, etc.), number of injuries and assistance required, and to call for Mutual Aid if needed.

- B. The unit involved will render assistance or aid to the injured.
 - C. The unit involved may continue response to the emergency if there is one member that can remain at the scene with a First Aid Kit to render assistance and initiate accident investigation, and after conducting a mechanical check of the apparatus that any damage incurred will not affect vehicle operation.
 - D. The apparatus will be placed out-of-service if serious injury or suspected death, serious damage to property, or damage to fire apparatus would not allow a safe continuous response.
 - E. The unit will initiate accident investigation by obtaining names, addresses, and phone numbers of any witnesses, or if possible obtain statements of witnesses.
 - F. Accident report forms can be obtained from the police.
- XVI The Accident Review Board shall conduct an investigation and make recommendations to the Fire Chief to correct any problems. Any disciplinary action shall be decided by the Fire Chief.

SECTION 703 - INFECTIOUS DISEASE EXPOSURE AND REPORTING

Section pending.

SECTION 704 - SAFETY COMMITTEE

POLICY:

- I. A Safety Committee shall be established for the Newberry Springs Volunteer Fire Department.
- II. The Accident Review Board shall be part of the Safety Committee function.

PROCEDURE:

- I. A Safety Committee shall be comprised of:
 - A. Volunteer Officer
 - B. Department Engineer
 - C. CSD Board Member
- II. The Safety Committee shall be responsible for:
 - A. Establishing an Accident Prevention Program for all department personnel.
 - B. Investigation of all accidents.
 - C. Serve as the Accident Review Board.

- D. Safety Committee meetings as specified in applicable California codes.
- E. Posting the minutes of Safety Committee meetings on the station bulletin board.
- F. Reporting to Fire Chief unsafe practices at drills, emergency scenes, and work places.
- G. Recommending to Fire Chief changes in procedures or equipment that would enhance the safety program.
- H. The Accident Review Board shall use the guide sheets that follow this Policy.

III. HOW TO DETERMINE PREVENTABILITY

- A. This guide can be used by the Accident Review Board in determining if an accident or near miss was preventable or non-preventable.
- B. What is a preventable accident or near miss? A preventable accident or near miss is an accident or near miss in which the driver failed to do everything he/she reasonably could have done to avoid it.
- C. What is a non-preventable accident or near miss? A non-preventable accident or near miss is an accident or near miss in which the driver did everything he/she reasonably could have done to foresee the things that caused the accident or near miss and took appropriate action to guard against them. Nearly all accident or near miss situations are covered in this material. For each type accident or near miss, a series of questions is asked. If the answer is "NO" then our driver was not practicing the best defensive driving.
- D. It is often difficult to assess preventability and difficult to make a driver understand where he/she was at fault. Drivers must be shown very specifically the kinds of hazards they must anticipate and defend themselves against. Without a clear concept of what defensive driving is, it becomes a frustrating catch-all in the minds of the drivers.

IV. Following is a definition of a defensive driver, and the questions asked here will help to determine preventability and teach a driver what is meant by defensive driving. When you gather the facts about an accident or near miss, ask these questions to assess preventability:

- A. A defensive driver is one who makes allowances for the lack of skill or knowledge on the part of the other driver. Who recognizes that he/she has no control over the unpredictable actions of other drivers and pedestrians or over the conditions of weather or the road and who therefore develops a defense against all of these hazards? He/she concedes the right-of-way and makes other concessions to avoid the accident traps and hazards created by weather, roads, pedestrians and other drivers.
- B. Neither icy roads, hills, narrow roads, the absence of signs or signals, signs out of order, nor the carelessness, recklessness or ignorance on the part of others relieves the driver in the slightest degree of his/her responsibility for driving without an accident. These are situations likely to be encountered at any time and the professional must drive accordingly.

V. Intersection Accidents

- A. Did our operator approach the intersection at a safe speed for the conditions?
- B. Was our operator prepared to stop before entering the intersection?

- C. At a blind corner, did our operator pull out slowly; ready to shift his/her right foot to the brake pedal?
- D. Did our operator make sure the other driver would stop for a traffic light or stop sign?
- E. Did our operator obey all traffic signs or signals?
- F. Did our operator signal well in advance of his/her change of direction?
- G. Did our operator turn from the proper lane?
- H. Was our operator alert to the turns of other vehicles?
- I. Did our operator avoid overtaking and passing in the intersection?
- J. Did our operator refrain from jumping the green signal or riding through the caution light?
- K. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE *

VI. Collision with vehicle ahead

- A. Was our operator maintaining a safe following distance?
- B. Was our operator keeping his/her eyes and mind on the car ahead?
- C. Did our operator approach the green traffic light cautiously, expecting the driver ahead to stop suddenly on the signal change?
- D. Did our operator keep out of car tracks?
- E. Did our operator keep from skidding?
- F. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

VII. Backing Accidents

- A. Was it necessary to back?
 - 1. Did our operator have to park so close to the car ahead as to require backing to leave the parking space?
- B. Was it necessary to drive into the narrow street, dead end alley or roadway front which backing was required?
- C. If our operator could not see where the vehicle was backing:
 - 1. Did our operator get someone to guide the vehicle?
 - 2. Did our operator look around the vehicle before getting in?
 - 3. Did our operator back immediately after looking?
 - 4. Did our operator use the horn while backing?
 - 5. Did our operator look to the rear without depending on rearview mirror?
 - 6. If the distance was long, did our operator stop, get out and look around occasionally?

- D. Did our operator back slowly?
- E. Did our operator judge the backing clearance accurately?
- F. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

VIII. Pedestrians

- A. Did our operator drive through congested sections expecting that pedestrians might step in front of them?
- B. Was our operator prepared to stop?
- C. Did our operator keep as much clearance between the vehicle and the parked cars as conditions permitted?
- D. Did our operator refrain from passing a vehicle that had stopped to allow pedestrians to cross?
- E. Did our operator refrain from jumping the green light or riding through the yellow light?
- F. Was our operator aware of groups of children and was our operator prepared to stop if one ran into the street?
- G. Did our operator give all pedestrians the right-of-way?
- H. Did our operator refrain from passing a school bus which *was* stopped?
- I. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

IX. Pulling front the curb

- A. Did our operator look to the front and the rear for approaching traffic and overtaking traffic immediately before starting to pull out from the curb?
- B. Did our operator look back rather than depend on the rearview mirror?
- C. Did our operator signal before pulling from the curb?
- D. Did our operator start out when the action would not require traffic to change its speed or direction to avoid our vehicle?
- E. Did our operator continue to glance back while pulled out?
- F. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

X. Skidding

- A. Was our operator driving at a safe speed for the conditions of weather and road?
- B. Was our operator keeping at least twice the safe following distance for dry pavement?
- C. Were all of our operators actions gradual?

- D. Was our operator expecting ice on bridges, in gutters, ruts and near curbs?
- E. Was our operator alert for melting snow, freezing in the shade, loose gravel, sand, ruts, slick pavement, etc.?
- F. Did our operator keep out of car tracks and cross them at wide angles?
- G. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE

XI. Parking

- A. Was our operator on the right side of the road?
- B. Was it necessary to park near the intersection?
- C. Did our operator have to park on the traveled part of the highway, on the curve or on the hill?
- D. Where required, did our operator warn traffic by flag or flare?
- E. Did our operator park parallel to the curb?
- F. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

XII. All others

- A. Could our operator have done anything to avoid the accident or near miss?
- B. Was our operator's speed safe for the conditions?
- C. Did our operator obey signs and signals?
- D. Was our operator's vehicle under control?
- E. Had our operator followed the routing instructions?
- F. Did our operator call in for assistance when in doubt?
- G. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

SECTION 801 - ENERGY CONSERVATION

POLICY:

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department to reduce consumption of energy to meet federal, state, and municipal conservation standards.

PROCEDURES:

- I. All thermostats shall be maintained at a setting no higher than 65°F during normal daytime hours (0600 to 2200) and turned down to a maximum of 60°F during the normal night time hours (2200 to 0600).
- II. Every effort shall be made to close off/secure unoccupied rooms or areas to conserve heat. Members shall be especially alert to keep doors, which open onto the apparatus floor, closed at all times when not in use. Lights shall be turned off when an area is not in use.
- III. Heat on apparatus floor shall be maintained at a temperature of 55°F. Heat may be turned on to a maximum temperature of 65°F when personnel are physically working on the apparatus floor.
- IV. Hot water tanks shall be set no higher than 140°F.

SECTION 802 - COLD WEATHER PROCEDURES

POLICY:

- I. There shall be established guidelines for Departmental use during periods of cold weather which minimize environmental hazards to personnel and equipment.

PROCEDURES:

- I. Cold weather conditions exist when the temperature drops below 35°F. Wind chill and other factors shall be taken into consideration.
- II. Heat on the apparatus floor shall be maintained at a minimum temperature of 55°F.
- III. Apparatus shall not be washed down during cold weather episodes.
- IV. All exterior pipes exposed to freezing shall be wrapped.
- V. General apparatus procedures to be followed during cold weather:
 - A. Start and operate all gas powered portable equipment.
 - B. Drain pumps after each use.
 - C. Apply a thin coat of WD-40 to swivels and discharge ports to prevent moisture build up.
 - D. Foam that has a potential to gel after prolonged exposure to temperature below 35°F shall be agitated weekly during vehicle checks.
- VI. Officers and drivers should be alert to alternate response routes during period of ice, snow, etc.
- VII. During extreme cold weather episodes, all apparatus shall have engines left running while out of quarters.
- VIII. It shall be the responsibility of the Chief Officers to determine which units should chain up or drop chains.

SECTION 803 - PARKING REGULATIONS

Section pending.

8003

6. Newberry Community Services District

b. Audits for FY 2010-11 and 2011-12

Attachment 6b

**NEWBERRY
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
(With Independent Auditor's Report Thereon)**

JUNE 30, 2011

NEWBERRY
COMMUNITY SERVICES DISTRICT
JUNE 30, 2011

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITOR.....	1
BASIC FINANCIAL STATEMENTS	
Governmental Funds Balance Sheet / Statement of Net Assets.....	2
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances / Statement of Activities.	3
Notes to Basic Financial Statements	4
REQUIRED SUPPLEMENTARY INFORMATION	9
SUPPLEMENTARY INFORMATION.....	10



David B. Whitford, Jr.
Certified Public Accountant
4515 Central Avenue, Suite 202
Riverside, California 92506
(951) 341-8344
(951) 341-8346 FAX

Member of the Private Companies
Practice Section of the AICPA and
The California Society of Certified
Public Accountants

REPORT OF INDEPENDENT AUDITOR

Board of Directors
Newberry Community Services District

I have been engaged to audit the accompanying financial statements of the governmental activities and the major fund of the Newberry Community Services District, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements:

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility:

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion:

Substantial records and receipts for credit card expenditures, including detailed property records, have not been retained thus making them unavailable for the audit. Therefore, I was not able to obtain sufficient appropriate audit evidence for certain credit card expenditures and fixed asset costs made for the year ended June 30, 2011.

Disclaimer of Opinion:

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on the financial statements referred to in the first paragraph.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

October 25, 2013

NEWBERRY COMMUNITY SERVICES DISTRICT
 Governmental Funds Balance Sheet/Statement of Net Assets
 June 30, 2011

	General Fund	Reconciling Items	Net Assets
ASSETS			
Cash and investments	338,883		338,883
Taxes Receivable	15,495		15,495
Accounts Receivable	3,278		3,278
Prepaid Expenses	10,937		10,937
Land		6,204	6,204
Other capital assets, net of accumulated depreciation (Note B)		314,145	314,145
Total Assets	368,593	320,349	688,942
LIABILITIES			
Accounts Payable	10,818		10,818
Salaries and benefits payable	976		976
Deferred revenue	15,495	(15,495)	-
Contracts payable:			-
Due within one year	-	19,602	19,602
Due one year after	-	113,027	113,027
Total Liabilities	27,289	117,134	144,423
FUND BALANCE / NET ASSETS			
Fund Balance:			
Reserved for prepaids	10,937		
Unreserved	330,367		
Total fund balance	341,304	(341,304)	
Total Liabilities and Fund Balances	368,593		
Net Assets:			
Invested in capital assets, net of related debt		320,349	320,349
Unrestricted		224,170	224,170
Total net assets		-	544,519

NEWBERRY COMMUNITY SERVICES DISTRICT
Statement of Governmental Fund Revenues, Expenditures,
and Changes in Fund Balances / Statement of Activities
For the Year Ended June 30, 2011

	<u>General Fund</u>	<u>Reconciling Items</u>	<u>Statement of Activities</u>
Revenues:			
Property Taxes	246,167	15,495	261,662
Interest	1,706		1,706
Donations	1,364		1,364
Emergency Response	-		-
Other	9,178		9,178
Fire Department	2,168		2,168
	-		-
Total Revenues	<u>260,582</u>	<u>15,495</u>	<u>276,077</u>
Expenditures / Expenses			
Current:			
Fire Protection	80,315		80,315
Parks and recreation	21,736		21,736
Administration costs	103,703		103,703
District Special expense	352		352
Depreciation	-	54,818	54,818
Capital Outlay:		-	-
Debt Service:			-
Principal	18,706	(18,706)	-
Interest	7,249		7,249
	-		-
Total expenditures / expenses	<u>232,061</u>	<u>36,112</u>	<u>268,173</u>
Excess (deficiency) of revenues over expenditures	<u>28,521</u>	<u>(28,521)</u>	
Change in Net Assets		7,904	7,904
Fund Balance / Net Assets:			
Beginning of the year	159,434		570,152
Prior year correction	153,349		(33,537)
Beginning of the year - as corrected	<u>312,783</u>		<u>536,615</u>
End of the year	<u>341,304</u>		<u>544,519</u>

NEWBERRY COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Newberry Community Services District (the District) was formed in 1958 for the purpose of providing services to the local Newberry Springs area residents. The District was initially authorized to provide water services, sewage and waste treatment services, collection and disposal of garbage, fire protection, parks and recreation services, street lighting and maintenance of a police department. The present day services provided include parks and recreation, fire protection and street lighting.

The accounting policies of the Newberry Community Services District conform to generally accepted accounting principles as applicable to government units. The following is a summary of the significant accounting policies.

Measurement Focus / Basis of Accounting

The accounts of the District are organized on the basis of funds, each fund is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the balance sheet net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

The prior year corrections noted on page three correct a presentation error in the 2010 financial statement.

NEWBERRY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Cash

Cash held by the District at June 30, 2011, consisted of the following:

Petty cash	\$ 353
On deposit	310,265
Monies deposited at L.A.I.F.	<u>28,265</u>
Total	<u>\$ 338,883</u>

Deposits and Investments

The District has adopted an investment policy in accordance with Section 53601 of the California Government Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.

The deposits of the District are entirely insured or collateralized with securities held by the District or held by its agent in the name of the District.

Property Taxes

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied on the accrual basis of accounting used in the government-wide financial statements and in the general fund on the modified accrual basis of accounting, provided it is collected within 60 days of the end of the fiscal year.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

NEWBERRY COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

Risk Management

The District is exposed to various risks of loss related to torts; theft of or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended June 30, 2011, the District has provided for protection against possible losses with insurance.

Taxes Receivable

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Deferred taxes represent the portion of the levied tax revenue that is not expected to be received and available for use within 60 days of the fiscal year end.

	General Fund	Statement of Net Assets
County Tax Revenue	\$ -	\$ 15,495
Deferred Tax Revenue	15,495	-
	\$ 15,495	\$ 15,495

NOTE B: CAPITAL ASSETS

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in the government wide financial statements are capitalized at cost, or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received. Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method.

A summary of changes in capital assets is as follows:

	Balance July 1, 2010	Additions	(Dispositions)	Balance June 30, 2011
Land	\$ 6,204	\$ -	\$ -	\$ 6,204
Structures and improvements	236,055	-	-	236,055
Equipment	1,053,691	-	-	1,053,691
Totals	\$ 1,295,950	\$ -	\$ -	\$ 1,295,950

A summary of changes in accumulated depreciation for capital assets is as follows:

	Balance July 1, 2010	Additions	(Dispositions)	Balance June 30, 2011
Structures and improvements	\$ 177,909	\$ 4,268	-	\$ 182,177
Equipment	742,874	50,550	-	793,424
Totals	\$ 920,783	\$ 54,818	\$ -	\$ 975,601

NEWBERRY COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

NOTE C: LONG-TERM OBLIGATIONS:

Contract payable to Kansas State Bank of Manhattan, due in seven (7) annual installments of \$25,955 each Payable in December of each year including interest at 4.790%, from December 4, 2009 to final payment December 4, 2016	\$ 132,629
Less current portion paid	\$ <u>19,602</u>
Total long term obligation	\$ <u>113,027</u>

Maturities of long-term obligations are as follows:

June 30, XXXX	Principal	Interest	Total
2011	19,602	6,353	25,955
2012	20,541	5,414	25,955
2013	21,525	4,430	25,955
2014	22,556	3,399	25,955
2015	23,636	2,319	25,955
2016	24,769	1,186	25,955
Total	\$ 132,629	\$ 23,101	\$ 155,730

NOTE D: BUDGETS AND BUDGETARY ACCOUNTING

Prior to the beginning of each fiscal year, the Board of Directors adopts and prepares an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes. The source of financing for these costs and reserve requirements are (1) the available fund balance carried forward from the preceding years, (2) revenue other than property taxes, and (3) property taxes. Each year's appropriation lapses at year end. The District's policy is to prepare its budget on the cash basis, which recognizes revenues when they are received and expenditures when they are paid. Interfund transfers are not budgeted.

NEWBERRY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

NOTE E: BUDGET TO ACTUAL COMPARISON

As described in Note D, the District prepares its budget on the cash basis of accounting. The following adjustments have been made to bring the actual amounts of the statement of revenues and expenditures budget-to-actual into conformity with this basis of accounting:

Total revenues-financial accounting basis	\$ 276,077
Accrual adjustments	(18,773)
	<hr/>
Total revenues-budgetary basis	<u>\$ 257,304</u>
Total expenditures-financial accounting basis	\$ 268,173
Accrual adjustments	(11,794)
Depreciation	(54,818)
	<hr/>
Total expenditures--budgetary basis	<u>\$ 201,561</u>

NEWBERRY COMMUNITY SERVICES DISTRICT
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION

	<u>Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis) (Note E)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, July 1			
Resources (inflows)			
Property Taxes	218,111	242,889	24,778
Investment Earnings	6,200	1,706	(4,494)
Charges for Services	6,200	11,345	5,145
Dontations	300	1,364	1,064
Keiwitt Allocation	-	-	-
Fire Department Grant	8,000	-	(8,000)
Amounts available for appropriation	<u>238,811</u>	<u>257,304</u>	<u>18,493</u>
Charges to appropriations (Outflows)			
General Government			
Personal services	33,700	30,311	3,389
Utilities	21,660	20,653	1,007
Communications	2,000	1,767	233
District Special expenditures	850	352	498
Materials and services	43,200	50,553	(7,353)
Captial outlay	-	-	-
Fire Protection			
Personal services	17,500	12,748	4,752
Materials and services	52,050	26,703	25,347
Fire vehicle maintenance and repair	11,300	15,370	(4,070)
Communications	8,400	7,738	662
Debt service	26,955	25,955	1,000
Capital outlay	25,000	-	25,000
Park and Recreation			
Personal services	3,600	3,000	600
Materials and services	19,750	6,412	13,338
Capital outlay	-	-	-
Total charges to appropriations	<u>265,965</u>	<u>201,561</u>	<u>64,404</u>
Budgetary fund balance, June 30	<u>(27,154)</u>	<u>55,743</u>	<u>82,897</u>

NEWBERRY COMMUNITY SERVICES DISTRICT
COUNTY OF SAN BERNARDINO
JUNE 30, 2011

GENERAL INFORMATION

Type of District – Community Services
Date of Formation – December 15, 1958
Statutory Authority – California Government Code
Section 61000, et seq.,
Division 2, Title 6
Audit period – July 1, 2010 thru June 30, 2011

Name	Title	Term Expires
Debbie W Farrington	President	December 2011
Diana H Williams	Vice President / Financial Officer	December 2013
Robert Royalty	Director / Fire Department Liaison	December 2011
Robert Seeley	Director / Park Liaison	December 2013
Wayne Snively	Director	December 2013

Custodial of Financial Records – Wayne Weierbach
Secretary
Location of Financial Records – District Office
30884 Newberry Road
Newberry Springs, CA 92365

Depository

Desert Community Bank
945 East Armory Road
Barstow, CA 92311

**NEWBERRY
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS
(With Independent Auditor's Report Thereon)**

JUNE 30, 2012

**PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY**

NEWBERRY
COMMUNITY SERVICES DISTRICT
JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
REPORT OF INDEPENDENT AUDITOR.....	1
BASIC FINANCIAL STATEMENTS	
Governmental Funds Balance Sheet / Statement of Net Position.....	2
Statement of Governmental Fund Revenues, Expenditures, and Changes in Fund Balances / Statement of Activities.	3
Notes to Basic Financial Statements	4
REQUIRED SUPPLEMENTARY INFORMATION	13
SUPPLEMENTARY INFORMATION.....	15

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY



David B Whitford, Jr.
CERTIFIED PUBLIC ACCOUNTANT

4515 Central Ave., #202, Riverside, CA 92506
(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies
Practice Section of the AICPA and
The California Society of Certified
Public Accountants*

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Newberry Community Services District

I have audited the accompanying financial statements of the governmental activities and the major fund of the Newberry Community Services District, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Basis for Qualified Opinion

Substantial records and receipts for credit card expenditures, including a detailed record of property and equipment have not been maintained. These records were unavailable for the audit. Therefore I was not able to obtain sufficient audit evidence for certain credit card expenditures and fixed asset costs for the year ended June 30, 2012.

Qualified Opinion

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Newberry Community Services District, as of June 30, 2012, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

June 11, 2014

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
Governmental Funds Balance Sheet/Statement of Net Position
June 30, 2012

	General Fund	Reconciling Items	Net Position
ASSETS			
Cash and investments	346,026		346,026
Taxes Receivable	10,195		10,195
Accounts Receivable	2,394		2,394
Land		6,204	6,204
Other capital assets, net of accumulated depreciation (Note B)		243,536	243,536
Total Assets	358,615	249,740	608,355
DEFERRED OUTFLOWS OF RESOURCES			
Prepaid Insurance	12,703		12,703
LIABILITIES			
Accounts Payable	16,498		16,498
Salaries and benefits payable	3,467		3,467
Contracts payable:			
Due within one year	-	20,541	20,541
Due after one year	-	92,486	92,486
Total Liabilities	19,965	113,027	132,992
DEFERRED INFLOW OF RESOURCES			
Unearned Revenue	10,195	(10,195)	
FUND BALANCE / NET POSITION			
Fund Balance:			
Reserved for Prepaids	12,703		
Unassigned	328,455		
Total fund balance	341,158	(341,158)	
Total Liabilities and Fund Balances	361,123		
Net Position:			
Invested in capital assets, net of related debt		249,740	249,740
Unrestricted		238,326	238,326
Total net Position		-	488,066

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
Statement of Governmental Fund Revenues, Expenditures,
And Changes in Fund Balances / Statement of Activities
For the Year Ended June 30, 2012

	<u>General Fund</u>	<u>Reconciling Items</u>	<u>Statement of Activities</u>
Revenues:			
Property Taxes	211,606	10,195	221,801
Interest	1,093		1,093
Donations	2,067		2,067
Emergency Response	-		-
Other	21,104		21,104
Fire Department	2,818		2,818
	-		-
Total Revenues	<u>238,688</u>	<u>10,195</u>	<u>248,883</u>
Expenditures / Expenses			
Current:			
Fire Protection	117,088		117,088
Parks and recreation	27,819		27,819
Administration costs	85,388		85,388
District Special expense	92		92
Depreciation	-	53,100	53,100
Capital Outlay:		-	-
Debt Service:			
Principal	19,602	(19,602)	-
Interest	6,353		6,353
	-		-
Total expenditures / expenses	<u>256,342</u>	<u>33,498</u>	<u>289,840</u>
Excess (deficiency) of revenues over expenditures	<u>(17,654)</u>	<u>17,654</u>	
Change in Net Position		<u>(40,957)</u>	<u>(40,957)</u>
Fund Balance / Net Position:			
Beginning of the year	341,304		544,519
Prior year correction	17,508		(15,496)
Beginning of the year - as corrected	<u>358,812</u>		<u>529,023</u>
End of the year	<u>341,158</u>		<u>488,066</u>

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Newberry Community Services District (the District) was formed in 1958 for the purpose of providing services to the local Newberry Springs area residents. The District was initially authorized to provide water services, sewage and waste treatment services, collection and disposal of garbage, fire protection, parks and recreation services, street lighting and maintenance of a police department. The present day services provided include parks and recreation, fire protection and street lighting.

The accounting policies of the Newberry Community Services District conform to generally accepted accounting principles as applicable to government units. The following is a summary of the significant accounting policies.

Measurement Focus / Basis of Accounting

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

The accounts of the District are organized on the basis of funds, each fund is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the balance sheet net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

The district's highest level of decision-making authority for committed fund balances is the board of directors. The formal action that is required to be taken to establish (or modify or rescind) a fund balance commitment is approval of the board of directors.

The length of time used to define available for purposes of revenue recognition in the governmental fund financial statements is sixty days.

The district is not obligated in any manner for special assessment debt as there is none.

The District does not provide employees a compensated absence benefit. There is therefore no liability to pay for sick or vacation days.

NEWBERRY COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

NET POSITIONS FLOW ASSUMPTION

Net position is required to be classified into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- a. Net invested in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and unamortized bond issuance cost reduced by the outstanding balances of any bond, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to unspent proceeds is not included in the calculation in capital assets, net of related debt.
- b. Restricted – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. Unrestricted – This component of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Sometimes the District will fund outlays for particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to use restricted resources first, the unrestricted resources as they are needed.

FUND BALANCE FLOW ASSUMPTIONS

Governmental fund equity is reported as fund balance within each respective fund. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually to be maintained intact.

NEWBERRY COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

- b. Restricted – Amounts that can be spent only for specific purposes because of the District's Policy, state or federal laws or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the District's Board of Directors through an ordinance or resolution.
- d. Assigned – Amounts that are designated by the Board of Directors for a special purpose, but are not spendable until a budget is passed by the Board.
- e. Unassigned – All amounts not included in other spendable classifications.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amount to report for each category of fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by the assigned fund balance. Unassigned fund balance is applied last.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The District has one item that qualified for reporting in this category: Unavailable revenue received after the availability period. This is reported as deferred inflows on the governmental fund balance sheet and will be recognized as revenue next year.

NEWBERRY COMMUNITY SERVICE DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

DEPOSITS

Deposit risk includes:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposit, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

The District has not adopted a specific risk management policy for deposits, but does require all deposits and investments be in compliance of State statutes. Statutes authorize the District to invest in time deposits at banks selected as depositories of District funds, direct debt securities of the United States Government, and certain government agency bonds.

Cash and Investments held by the District at June 30, 2012, consisted of the following:

Petty cash	\$	353
On deposit		317,293
Monies deposited at L.A.I.F.		28,380
Total		<u>\$ 346,026</u>

PRELIMINARY DRAFT
 FOR DISCUSSION PURPOSES ONLY

Cash is at cost, which approximates fair value. The District's cash deposits, including demand deposits and certificates of deposit are insured by the Federal Deposit Insurance Corporation (FDIC) and securities held in safekeeping pledged to the entity where the security is held. At June 30, 2102, the District's deposits at banks were \$345,673; all of the District's deposits were fully-insured or collateralized.

The District has adopted an investment policy in accordance with Section 53601 of the California Government Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.

NEWBERRY COMMUNITY SERVICE DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

CHANGE IN ACCOUNTING PRINCIPLE:

During the year ended June 30, 2012, the District implemented several Governmental Accounting Standards Board (GASB) statements. Below is detailed information of those standards that has a direct impact on the District's current financial statements.

Statement No. 61 amends Statement No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units. The District has no component units and therefore is not impacted by this statement.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement will bring the authoritative accounting and financial reporting literature together in one place. Therefore, the portion to use subsequent FASB guidance has been removed.

Statement No. 63, *reporting Deferred Outflows, Deferred Inflows and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, Elements of Financial Statements. Previous financial reporting standard did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

The District early implemented Statement 65. Items Previously Reported as Assets and Liabilities, which has an effective date of June 30, 2014. GASB Statement No. 65 establishes accounting and financial reporting standard that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Prior Year Corrections

The prior year corrections noted on page three represent reconciliation differences between prior year ending Fund balance and the opening Fund balance of the current year.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

Property Taxes

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied on the accrual basis of accounting used in the government-wide financial statements and in the general fund on the modified accrual basis of accounting, provided it is collected within 60 days of the end of the fiscal year.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those Assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended June 30, 2012, the District has provided for protection against possible losses with insurance.

Taxes Receivable

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Unearned revenue represents the portion of the levied tax revenue that is not expected to be received and available for use within 60 days of the fiscal year end.

	General Fund	Statement of Net Position
County Tax Revenue	\$ -	\$ 10,195
Unearned Tax Revenue	10,195	-
	\$ 10,195	\$ 10,195

PRELIMINARY DRAFT
 FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE B: CAPITAL ASSETS

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in the government wide financial statements are capitalized at cost or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received. Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method.

A summary of changes in capital assets is as follows:

	Balance July 1, 2011	Additions	(Dispositions)	Balance June 30, 2012
Land	\$ 6,204	\$ -	\$ -	\$ 6,204
Structures and improvements	236,055	-	-	236,055
Equipment	1,053,691		(91,585)	962,106
Totals	<u>\$ 1,295,950</u>	<u>\$ -</u>	<u>\$ (91,585)</u>	<u>\$ 1,204,365</u>

A summary of changes in accumulated depreciation for capital assets is as follows:

	Balance July 1, 2011	Additions	(Dispositions)	Balance June 30, 2012
Structures and improvements	\$ 182,177	\$ 3,112	-	\$ 185,289
Equipment	793,424	49,988	(74,076)	769,336
Totals	<u>\$ 975,601</u>	<u>\$ 53,100</u>	<u>\$ (74,076)</u>	<u>\$ 954,625</u>

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE C: LONG-TERM OBLIGATIONS:

Contract payable to Kansas State Bank of Manhattan, due
 in seven (7) annual installments of \$25,955 each Payable in
 December of each year including interest at 4.790%, from
 December 4, 2009 to final payment December 4, 2016

	\$ 113,027
Less current portion paid	\$ <u>20,541</u>
Total long term obligation	\$ <u>92,486</u>

Maturities of long-term obligations are as follows:

June 30, XXXX	Principal	Interest	Total
2012	20,541	5,414	25,955
2013	21,525	4,430	25,955
2014	22,556	3,399	25,955
2015	23,636	2,319	25,955
2016	24,769	1,186	25,955
Total	\$ 113,027	\$ 16,748	\$ 129,775

PRELIMINARY DRAFT
 FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE D: SUBSEQUENT EVENTS

On May 22, 2013 Letter of intent to purchase was signed between CSD and Fire Trucks Plus in the amount of \$150,000.00 to sell the District water tender being purchased through Kansas State Bank.

In October of 2013 Fire Trucks Plus sold the truck and would not respond to questions about where the money was. In December 2013 the attorney for the District and Fire Trucks Plus attorney corresponded. The fire truck had been sold and was in Colorado in possession of Deer Trail Fire Protection. Fire Trucks Plus during this time filed Bankruptcy. The District was told that the District along with all others would need to file a lawsuit to try to recoup money with no promises of any remuneration being available.

December 19, 2013 the District received a settlement agreement that \$96,000.00 was owed to Kansa State Bank. Deer Trail Fire paid the balance owed and the District signed all Transfer documentation and Deer Trail Fire Protection now owns the truck. No money was received in the transaction.

Deer Trail purchased the truck for \$165,000.00 and paid Fire Truck Plus. Fire Trucks Plus never forwarded the money to the District and Fire Truck Plus filed bankruptcy. Deer Trail paid for the remaining balance that was owed.

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
 Budgetary Comparison Schedule
 For the Year Ended June 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Budgetary fund balance, July 1			
Resources (inflows)			
Property Taxes	218,327	211,606	(6,721)
Investment Earnings	2,500	1,093	(1,407)
Charges for Services	27,959	20,431	(7,528)
Dontations	1,000	2,067	1,067
Keiwitt Allocation	-	-	-
Fire Department Grant	20,570	-	(20,570)
Sale of Assets	-	3,491	3,491
Amounts available for appropriation	<u>270,356</u>	<u>238,688</u>	<u>(35,159)</u>
Charges to appropriations (Outflows)			
General Government			
Personal services	32,700	29,550	3,150
Utilities	4,800	4,601	199
Communications	2,750	2,787	(37)
District Special expenditures	3,000	92	2,908
Materials and services	31,800	48,450	(16,650)
Captial outlay	-	-	-
Fire Protection			
Personal services	14,500	18,462	(3,962)
Materials and services	68,775	57,594	11,181
Fire vehicle maintenance and repair	5,600	13,202	(7,602)
Communications	1,400	8,228	(6,828)
Debt service	25,955	25,955	-
Capital outlay	16,428	-	16,428
Park and Recreation			
Personal services	3,600	-	3,600
Materials and services	45,681	27,819	17,862
Capital outlay	1,000	-	1,000
Total charges to appropriations	<u>257,989</u>	<u>236,740</u>	<u>21,249</u>
Budgetary fund balance, June 30	<u>12,367</u>	<u>1,948</u>	<u>(13,910)</u>

PRELIMINARY DRAFT
 FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2012

NOTE E: BUDGETS AND BUDGETARY ACCOUNTING

Prior to the beginning of each fiscal year, the Board of Directors adopts and prepares an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes. The source of financing for these costs and reserve requirements are (1) the available fund balance carried forward from the preceding years, (2) revenue other than property taxes, and (3) property taxes. Each year's appropriation lapses at year end. The District's policy is to prepare its budget on the cash basis, which recognizes revenues when they are received and expenditures when they are paid. Interfund transfers are not budgeted.

NOTE F: BUDGET TO ACTUAL COMPARISON

As described in Note D, the District prepares its budget on the cash basis of accounting. The following adjustments have been made to bring the actual amounts of the statement of revenues and expenditures budget-to-actual into conformity with this basis of accounting:

Total revenues-financial accounting basis	\$	248,883
Accrual adjustments		(10,195)
		238,688
Total revenues-budgetary basis	\$	238,688
Total expenditures-financial accounting basis	\$	289,840
Accrual adjustments		-
Depreciation		(53,100)
		236,740
Total expenditures--budgetary basis	\$	236,740

PRELIMINARY DRAFT
 FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT
COUNTY OF SAN BERNARDINO
JUNE 30, 2012

GENERAL INFORMATION

Type of District – Community Services

Date of Formation – December 15, 1958

Statutory Authority – California Government Code
Section 61000, et seq.,
Division 2, Title 6

Audit period – July 1, 2011 thru June 30, 2012

Name	Title	Term Expires
Robert Seeley	President	December 2013
Robert Royalty	Vice President	December 2015
Diana H Williams	Director	December 2013
Calvin Owens	Director	December 2015
Wayne Snively	Director	December 2013

PRELIMINARY DRAFT
FOR DISCUSSION PURPOSES ONLY

General Manager – Vacant as of April 1, 2012

Custodial of Financial Records – Wayne Weierbach
Secretary

Location of Financial Records – District Office
30884 Newberry Road
Newberry Springs, CA 92365

Depository

Desert Community Bank
945 East Armory Road
Barstow, CA 92311

6. Newberry Community Services District

**c. State Controller Report Submission
for FY 2012-13**

Attachment 6c

**SPECIAL DISTRICTS FINANCIAL TRANSACTIONS
AND COMPENSATION REPORT**

COVER PAGE

Newberry Community Services District

SCO Reporting Year: **2013**

ID Number: **12053606600**

Fiscal Year Ended: 06/30/13 (MM/DD/YY)

Certification:

I hereby certify that, to the best of my knowledge and belief, the report forms fairly reflect the financial transactions of the district in accordance with the requirements as prescribed by the California State Controller.

District Fiscal Officer

Signature

Title

Name (Please Print)

Date

Per Government Code section 53891, this report is due within 90 days after the end of the fiscal year. If filed in electronic format, the report is due within 110 days after the end of the fiscal year. However, in the case of hospital districts, the report is due within 120 days after the end of the fiscal year.

Per Government Code section 26909, a copy of the independent audit is to be filed with the Controller within 12 months after the close of the fiscal year.

Please complete, sign, and mail this cover page to either address below.

Mailing Address:

State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
P. O. Box 942850
Sacramento, CA 94250

Express Mailing Address:

State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
3301 C Street, Suite 700
Sacramento, CA 95816



David B. Whitford, Jr.

CERTIFIED PUBLIC ACCOUNTANT

4515 Central Ave., #202, Riverside, CA 92506
(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies
Practice Section of the AICPA and
The California Society of Certified
Public Accountants*

September 24, 2013

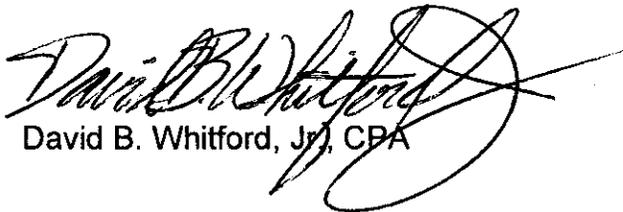
Board of Directors
Newberry Community Services District
Newberry Springs, California 92365

Board of Directors

I have compiled the balance sheet of *Newberry Community Services District* at *June 30, 2013* and the statements of revenue and expenditures for the year then ended which are included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the California State Controller information that is the representation of management. I have not audited or reviewed the financial statements referred to above and accordingly do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the California State Controller, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.



David B. Whitford, Jr., CPA

Newberry Community Services District Special Districts Financial Transactions Report

General Information

Fiscal Year 2013

Mailing Address			
Street 1	30884 Newberry Road	<input type="checkbox"/>	Is Address Changed?
Street 2	P.O Box 206		
City	Newberry Springs	State	CA Zip 92365-0206
Email	newberrycsd@gmail.com		

Members of the Governing Body				
	First Name	Middle Initial	Last Name	Title
Member	Robert		Royalty	President
Member	Diana	H	Williams	Director
Member	Wayne		Snively	Director
Member	Kathleen		Ridler	Director
Member	Calvin		Owens	Director
Member				

Other Officials				
	First Name	Middle Initial	Last Name	Title

Report Prepared By				
	First Name	Middle Initial	Last Name	Phone No
	David	B	Whitford Jr	(951) 341-8344

Independent Auditor				
	First Name	Middle Initial	Last Name	Phone No
	David	B	Whitford Jr	(951) 341-8344

**Newberry Community Services District
Special Districts Financial Transactions Report - Consolidated Balance Sheet**

Fiscal Year	2013	Assets					General Fixed Assets	General Long-Term Debt	Total Memorandum Only
		General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds				
Assets									
Cash and Cash Equivalents	317,990							\$317,990	
Taxes Receivable	35,550							\$35,550	
Interest Receivable								\$0	
Accounts Receivable	5,143							\$5,143	
Loans, Notes, and Contracts Receivable								\$0	
Due from Other Funds								\$0	
Inventory of Materials and Supplies								\$0	
Other Current Assets									
Lease Payments Receivable									
Unearned Finance Charges									
Investments								\$0	
Restricted Assets									
Deferred Charges									
Unamortized Discount on Long-Term Debt									
Other Assets								\$0	
Fixed Assets									
Land						6,204		\$6,204	
Buildings and Improvements						236,055		\$236,055	
Equipment						1,053,692		\$1,053,692	
Construction in Progress								\$0	
Total Fixed Assets					\$0	\$1,295,951		\$1,295,951	
Accumulated Depreciation						1,087,240		\$1,087,240	
Net Fixed Assets					\$0	\$208,711		\$208,711	
Other Debits									
Amount Available in Debt Service Funds									
Amount to be Provided									
Total Assets	\$358,683	\$0	\$0	\$0	\$0	\$208,711	\$0	\$567,394	

**Newberry Community Services District
Special Districts Financial Transactions Report - Consolidated Balance Sheet**

Liabilities and Equity

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	Total Memorandum Only
Liabilities and Equity								
Accounts/Warrants Payable		16,256						\$16,256
Loans and Notes Payable		73,470						\$73,470
Interest Payable - Matured/Accrued								\$0
Other Current Liabilities		36,558						\$36,558
Compensated Absences Payable								\$0
Due to Other Governments								\$0
Due to Other Funds								\$0
Long-Term Debt								
General Obligation Bonds								\$0
Revenue Bonds								\$0
Certificates of Participation								\$0
Special Assessment								\$0
Federal								\$0
State								\$0
Time Warrants								\$0
Other Long-Term Indebtedness								\$0
Unamortized Premium on Long-Term Debt								\$0
Advances for Construction								\$0
Deferred Revenue								\$0
All Other Non-Current Liabilities								\$0
Total Liabilities		\$126,284	\$0	\$0	\$0		\$0	\$126,284
Fund Equity								
Contributed Capital								\$0
Investments in General Fixed Assets						208,711		\$208,711
Retained Earnings								
Reserved								\$0
Unreserved								\$0
Fund Balances								
Reserved								\$0
Unreserved Designated								\$0
Unreserved Undesignated		232,399						\$232,399
Total Fund Equity		\$232,399	\$0	\$0	\$0	\$208,711	\$0	\$441,110
Total Liabilities and Fund Equity		\$358,683	\$0	\$0	\$0	\$208,711	\$0	\$567,394

**Newberry Community Services District
Special Districts Financial Transactions Report
Consolidation of Fund Equities and Transfers
Consolidation of Fund Equities and Transfers**

Fiscal Year 2013

	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds
Consolidation of Fund Equities				
Non-Enterprise Activities	\$232,399	\$0	\$0	
Enterprise Fund Equities				
Airport				\$0
Electric				\$0
Harbor and Port				\$0
Hospital				\$0
Waste Disposal				\$0
Water				\$0
Total Ending Fund Equities	\$232,399	\$0	\$0	\$0

	Transfers In A	Transfers Out B	Net C
Consolidation of Transfers In and Transfer Out			
General and Special Revenue Funds	\$0	\$0	
Debt Service Funds	\$0	\$0	
Capital Projects Funds	\$0	\$0	
Enterprise Activities			
Airport	\$0	\$0	
Electric	\$0	\$0	
Harbor and Port	\$0	\$0	
Waste Disposal	\$0	\$0	
Water	\$0	\$0	
Total	\$0	\$0	\$0

**Newberry Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and	Debt Service	Capital Projects
		Special Revenue	Funds	Funds
		A	B	C
Non-Enterprise Activity		Fire Protection		
Taxes and Assessments				
Current Secured and Unsecured (1%)		101,576		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		8,445		
Penalties and Cost on Delinquent Taxes and Assessments		2,536		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties		998		
Revenue From Use of Money and Property				
Interest Income		438		
Rents, Concessions and Royalties		369		
Federal				
Aid for Construction				
Other Federal				
State				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		1,537		
Timber Yield				
Other State				
Other Governmental Agencies				
Redevelopment Pass-Through				
Other				
Charges for Current Services		10		
Contributions From Property Owners		1,437		
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues		151		
Total Revenues		\$117,497	\$0	\$0
Expenditures				
Salaries and Wages		21,256		
Employee Benefits		9,196		
Services and Supplies		62,885		
Self Insurance Only - Claims Paid				

**Newberry Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets		196,000		
Other Expenditures				
Total Expenditures		\$289,337	\$0	\$0
Revenues Over (Under) Expenditures		(\$171,840)	\$0	\$0
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)		\$0	\$0	\$0
Revenues/Sources Over (Under) Expenditures/Uses		(\$171,840)	\$0	\$0
Fund Equity, Beginning of Period		\$199,590	\$0	\$0
Prior Period Adjustments		22,660		
Residual Equity Transfers				
Other				
Fund Equity, End of Period		\$50,410	\$0	\$0

**Newberry Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and	Debt Service	Capital Projects
		Special Revenue	Funds	Funds
		A	B	C
Non-Enterprise Activity		Lighting and Lighting Maintenance		
Taxes and Assessments				
	Current Secured and Unsecured (1%)	1,881		
	Voter Approved Taxes			
	Property Assessments			
	Special Assessments (Mello/Roos, Mark/Roos)			
	Prior Year Taxes and Assessments	156		
	Penalties and Cost on Delinquent Taxes and Assessments	18		
	Licenses, Permits, and Franchises			
	Fines, Forfeits, and Penalties			
Revenue From Use of Money and Property				
	Interest Income			
	Rents, Concessions and Royalties			
Federal				
	Aid for Construction			
	Other Federal			
State				
	Aid for Construction			
	State Water Project			
	Homeowners Property Tax Relief	29		
	Timber Yield			
	Other State			
Other Governmental Agencies				
	Redevelopment Pass-Through			
	Other			
Charges for Current Services				
Contributions From Property Owners				
Self Insurance Only				
	Member Contributions			
	Claim Adjustments			
	Other Revenues			
	Total Revenues	\$2,084	\$0	\$0
Expenditures				
	Salaries and Wages			
	Employee Benefits			
	Services and Supplies	4,603		
	Self Insurance Only - Claims Paid			

**Newberry Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and	Debt Service	Capital Projects
		Special Revenue	Funds	Funds
		A	B	C
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets				
Other Expenditures				
Total Expenditures		\$4,603	\$0	\$0
Revenues Over (Under) Expenditures		(\$2,519)	\$0	\$0
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)		\$0	\$0	\$0
Revenues/Sources Over (Under) Expenditures/Uses		(\$2,519)	\$0	\$0
Fund Equity, Beginning of Period		(\$55,888)	\$0	\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period		(\$58,407)	\$0	\$0

**Newberry Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and	Debt Service	Capital Projects
		Special Revenue	Funds	Funds
		Funds		
		A	B	C
Non-Enterprise Activity		Recreation and Park		
Taxes and Assessments				
Current Secured and Unsecured (1%)		84,647		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		7,037		
Penalties and Cost on Delinquent Taxes and Assessments		832		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
Revenue From Use of Money and Property				
Interest Income		438		
Rents, Concessions and Royalties				
Federal				
Aid for Construction				
Other Federal				
State				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		1,281		
Timber Yield				
Other State				
Other Governmental Agencies				
Redevelopment Pass-Through				
Other				
Charges for Current Services				
Contributions From Property Owners				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues				
Total Revenues		\$94,235	\$0	\$0
Expenditures				
Salaries and Wages		7,350		
Employee Benefits				
Services and Supplies		29,955		
Self Insurance Only - Claims Paid				

**Newberry Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	A	B	C	
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets				
Other Expenditures				
Total Expenditures	\$37,305	\$0	\$0	
Revenues Over (Under) Expenditures	\$56,930	\$0	\$0	
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)	\$0	\$0	\$0	
Revenues/Sources Over (Under) Expenditures/Uses	\$56,930	\$0	\$0	
Fund Equity, Beginning of Period	\$183,466	\$0	\$0	
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period	\$240,396	\$0	\$0	

6. Newberry Community Services District

d. Response to Draft Service Review

Attachment 6d

Response to LAFCO MSR 2014

First, the collective opinion in regards to any move to consolidate Newberry C.S.D. with another C.S.D. will fail. Neither the Board of Directors nor the Citizens of Newberry Springs are in favor of such an action.

Addressing the items in the Draft Report:

Page 1. We will object for our Fire Protection powers being removed for several reasons. First there is not enough funding available for SBCoFD to take the area over and operate a fire station in the Newberry area. If the county station at Harvard Road was utilized the response times will be much too long and would only increase the response times as compared to the national or industry standards listed in this review.

Secondly, consolidation of the three districts to provide for “economy of scale” is an impractical application of ‘stream lining’ government function which will produce a cost and efficiency of services fallacy. Making government larger doesn’t work. The larger the governmental agency, the less responsive they are to their citizens. If this concept was a practical and productive action then consolidation of California, Arizona and Nevada would be appealing for savings measures. We might have our state capitol in Prescott, Arizona, a little inconvenient for some. Clearly, the smaller the governmental agency, the more responsive they are to their citizens.

Page 2. (quoting) “LAFCO staff recommends that at a minimum Daggett CSD and Yermo CSD consolidate, preferably for Daggett CSD, Newberry CSD and Yermo CSD consolidate into a single district. The long term benefit to the community would be through service which is consistent, allows for flexibility in assigning resources streamlines governance and management, and provides for the appropriate location of resources.”

The depiction that any of the districts can benefit from a consolidation of districts is a very large assumption of benefit for the districts and public at large. This may be a prudent model of streamlining governance to achieve benefit results, but, this also would effectively reduce service values already in place by each district. Basically, expanding and exploiting the inadequate funding and public service demands of each district and apply to the region (all three district) as a single agency responsible.

Newberry CSD already provides consistent services, our resources are within the district, management is provided by our Board of Directors and Staff. It is a small scale, efficient operation which is responsive to the people of Newberry Springs.

Page two also points out that the path forward “ - - - will be decided by the registered voters –“ If necessary the Newberry CSD will engage in public notices, meetings, and official discussions to provide the general public to address local government activities, actions, and events that will directly affect the public and district as a whole.

RECEIVED
SEP 02 2014

LAFCO
San Bernardino County

(Page 2)

Page 4. Page 4 points out the Newberry CSD has not filed an Appropriations limit which is required if the ad valorem tax rate was 12.5% or higher in 1977/78. We do not believe our tax rate exceeded 12.5 percent back then and we had no luck trying to find the tax rate at that time. I see from your attached emails that a former GM had the same problem back in 2009. Newberry CSD is currently working on an Appropriations limit, a rather complex document.

Page 5. Notes that our response to the Grand Jury indicated we were developing an accounting manual to be provided to LAFCO in the immediate future. I did in fact provide that information then I began looking into developing an accounting manual. However I soon learned that our manual would be a 1 page item which would say all of our checks require the signature of two directors, our directors see all the bills that have been paid since their last meeting, we require receipts for all purchases and the GM reviews all purchases. Purchases greater than \$500. require approval by the GM. Large expenditures go to the Board for approval.

All income and expenses are entered into QuickBooks and are readily available for anyone who wants to see them. A line item budget has been approved by the board and we will continue to provide a budget at the beginning of each fiscal year.

That is all our accounting manual would be - - -

Page 8. Again mentions removing Fire Powers and an annexation of the Newberry area by county fire or consolidating the three CSD's to allow for "economies of scale." As written above we don't subscribe to the theory of economy of scale, so we object to the consolidation based on that issue and others. SBCoFD and NCSD are subject to the same comparison of standard for Emergency services response requirements. Given the industry standard to be based upon NFPA criteria and other sources, the removal of local services with placement on SBCoFD would be subjected to the same comparison against industry standards. The inadequate level of response and service availability would be notably lessor than current provisions provided by NCSD. Effectively taking a step in the direction of inability to provide timely services due to resource availability and response times.

Page 10. Typo only in the chart. The square miles in Newberry and Yermo are reversed. The text below the box is correct.

Page 12. The top paragraph talks about the Grand Jury investigation being instigated by multiple citizen complaints. Most of those complaints came from three people who simply wanted to cause problems for the CSD. I'm not saying the complaints were necessarily invalid, many of them were valid complaints, however the very people who were complaining, former board members and staff, were at least partially responsible for the state of affairs at the district. Nevertheless, I think it is accurate to say that most of those complaints have been corrected and we are moving forward in the manner directed by the Grand Jury.

(Page 3)

Page 15. We will object to the dissolution of Newberry CSD and we do not find a JPA or addition to CSA 70 or CSA 40 to provide our services to be acceptable or practical. The overlay or "shift" into a CSA would not render much benefit to the district nor the public we serve.

Page 16. The first paragraph talks about Park and Recreation overhead could be reduced by sharing equipment and labor. Our Park and Recreation facilities are open to anyone who wants to use them. Those facilities need to remain in the various CSD's. It would be a little hard for us to move our ball field to a central location convenient to all three CSD's. The other CSD's have their own Park and Recreation in their districts where they should remain to be used by their community. As mentioned in the preliminary meeting on Aug 20, 2014, "...our park and field is open to anyone whom wishes to use the facility. Revenue options are explored for some usage requests, but the cost is born by the district as a benefit to the public at large..." and combining the three district recreational responsibilities to be under one governance still does not change our usage, maintenance or upkeep.

The second paragraph on pg 16 talks about each CSD competing for volunteer firefighters "from the same limited pool of volunteers." That is just as it should be. Fire stations need to remain in the communities and volunteer firefighters need to come from that community. A volunteer arriving from an adjacent community would be late and most likely find that the apparatus has already responded, staffed by local firefighters. Let it also be known that SBCoFD also recruits volunteers for their staffing at the Harvard station. The stipulate is that those volunteers are to reside within a given mileage of that fire station to be accepted. This also taps that local "pool" of volunteers and makes a competitive nature for applicants for all four districts.

At the bottom of paragraph three is a total call volume for the three CSD's of 859 calls. This does depict a possible consideration for funded services. However, given that standard depiction, the SBCoFD has tried to follow that aspect in the area (Harvard) and with given economic constraints, fiscal downturn, coupled with the low property tax base in the affected area, this options would not be feasible unless further taxation on the public/property owners were to be implemented and funded. This option is looked at frequently, but still not a feasible option primarily due to lack of fruitful funding resources.

Page 19. Under consolidation "Terms and conditions" the draft document says " - - - by statute all assets and liabilities of consolidating organizations accrue to the new entity. Thus, the consolidated district would receive title to all assets of the existing districts and would become responsible for subsequent capital improvements required. In the case of outstanding debt, a condition would be imposed by LAFCO whereby the area that incurred the debt pays off that debt. Therefore, the other consolidating agencies would not be subject to such debt payments."

(Page 4)

It goes on to say “An application for consolidation would include a condition that all property tax revenue from each district would transfer to the consolidated district.”

I cannot understand just how such a thing would work. All property tax revenue would transfer to the new district but the area that incurred the debt must pay off the debt? I can assure you that some of our assets, such as our Community Center was built by volunteers from Newberry Springs in 1959. Our citizens will not take kindly to our Community Center, our ball field, our playground, suddenly being owned by some consolidated district located who knows where. Additionally our Community Center is used by a number of local organizations on a weekly/monthly basis. Who would be available to make those reservations and open the building? Who would be available to make sure the heating/cooling is turned off? Who would clean the building?

After the transitioning board, electing a 5 member board from 3 communities means that one community could end up not being represented.

Page 22. Consolidation – Daggett & Yermo CSDs with & without Water. Under “ Fire and Emergency Response;” The word “Dispatching” is misspelled (on all tables). Also pages 26 & 27.

Page 25. LAFCO is recommending that all three CSD’s consolidate. I am not a citizen of Daggett, but I ran a water company for 22 years and I can tell you operation of a water company requires manpower, heavy equipment, lighting, pumps, spare parts, and etc. If a water main breaks in the middle of the night or a hydrant is damaged, someone needs to respond immediately to get the water shut off and to begin repairs. It simply doesn’t work to wait until morning when a contractor can be called. By then no one will have water and the water main may well be filled with dirt and sand. Additionally, even a small water system such as Daggett will be required to have a licensed operator, most likely a D-1 license.

Page 29. We agree with LAFCO. Formation of a JPA would add another layer of government and citizens of the 3 CSD’s might well lose interest in their local government.

Page 32. Discusses revenue streams generated in Newberry Springs being used for regional use, such as the interstate highways between Barstow and Baker and Barstow and Needles. We believe funds generated in Newberry Springs need to be used to support services within our jurisdiction, not regionally. We will strongly object to this proposal.

Pg 32 also points out that approximately \$52,000 was transferred from Newberry Springs to County Fire for administrative purposes during the reorganization of County Fire. I don’t see County Fire providing any administrative function to Newberry. I have the highest respect for County Fire. Former Chief Pat Dennen was a personal friend and I have worked with Chief Hartwig and his staff on several occasions and found them to be dedicated professionals.

(Page 5)

However, I do not see them providing administrative services to Newberry Fire. What did the \$52,000 provide for Newberry?

Page 41. Discusses a voter approved special tax to provide for a full time fire or Paramedic unit. The provision of living quarters within the fire stations is not addressed, but they will be quite expensive to construct and operate. I don't believe our voters will approve any increased in property taxes. All three communities are economically disadvantaged and many of our citizens simply cannot afford to pay taxes which would more than double for developed parcels. As you point out on the following page "the path forward will be decided by the registered voters." The simple statement of following industry standards for fire protection, the addition of full time staffed fire/ems services would be a financial burden of approx. \$ 3M for startup and infrastructure. This is a radical financial change and all standards and employment laws apply.

Page 49. Part B discusses CDBG funding and points out that "tax revenues received by the districts would need to be used by the districts to pay for facility upgrades." That is as it should be. The districts will live within our means. If our citizens are determined to build other facilities they will approve additional taxes to be used for that purpose.

Page 50. Points out that Newberry's park and recreation facilities have not changed since the 2009 service review. Our facilities are adequate and we have no immediate need to spend money to upgrade anything. As mentioned in the Aug 20 meeting, our location is far from major activities and population. Even though our recreational services and equipment are available to the public, not many from outside the district use those services or equipment

Page 61. The first paragraph talks about Newberry Fire having access to the Santa Fe Railroad tank near the Elementis plant and also the Mojave River pipeline. I wasn't aware of that access or any agreements. I will get with our Fire people and see if we can do some follow up on those agreements.

Page 62. Discusses responses from the Harvard Station to Newberry, Yermo and Daggett totaling 14% of their calls. I will point out those responses may be "dispatch protocol" where additional units are automatically dispatched. Likewise 10%-35% of Newberry Fire responses are at the dispatch request from SBCoFD to support their incident responses to fill unit requirements. Run numbers and statistics are a snapshot into the end result of emergency response. No fire agency can meet all standards and requirements with their own equipment and personnel. This is mainly due to type, complexity, and demands of single and multiple calls. The AHJ (Authority Having Jurisdiction: fire chief) must make those response requirements based upon many factors; equipment, personnel, priority, and funding are some of those influencing factors.

Page 70. Paragraph beginning "As stated in the Newberry CSD 2014 . . ." Newberry Springs Volunteer Fire Department has regular training to which all fire departments are invited.

(Page 6)

Page 71. The first paragraph discusses a road grader purchased by Newberry CSD to keep the non-maintained roads in acceptable condition, and that they later sold it. I believe that was because LAFCO told them they could not maintain the roads without "Road Powers". Kathleen Rollings-McDonald and I have disagreed strongly on that issue over the years. Baker CSD has an appellate court case stating that a CSD can maintain those non-dedicated roadways as necessary for them to provide their other services such as Fire and Ambulance. However, Newberry no longer has a motor grader, so I suppose that issue is academic. The road grader item was mitigated (and then liquidated) after the 2009 MSR. This should not be involved or even have anything more than a mention in this report.

The bottom paragraph on page 71 states that it is the responsibility of the CSD's to respond to fire and emergencies on public lands and the Interstate Highway System.

Page 72. The second paragraph points out that we have not established an "Appropriations Limit." I have the guidelines provided by LAFCO and will begin working on that project soon.

Page 73. Discusses the necessity of an annual audit. I believe we are current at this time and the last audit was filed with the State Controller and the County Auditor within the past week or so.

Page 74. Second paragraph says on average Daggett receives 25% of each tax dollar but Newberry and Yermo only 12%. I don't understand why the amounts are different.

Page 89. As time permits we will update our website to meet the requirements.

Best Regards,
Newberry CSD



7. Yermo Community Services District

a. Audit for FY 2011-12

Attachment 7a

YERMO
COMMUNITY SERVICES DISTRICT
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS
JUNE 30, 2012

	<u>General Fund</u>	<u>Reconciling Items</u>	<u>Statement of Net Assets</u>
ASSETS			
Cash and investments	87,698		87,698
Investments	300,154		300,154
Taxes receivable	6,016		6,016
Other receivables	-		-
Prepaid expenses	3,593		3,593
Land		14,240	14,240
Structures & Improvements		229,738	229,738
Machinery & Equipment		272,762	272,762
Furniture & Fixtures		3,062	3,062
Less accumulated depreciation		(444,404)	(444,404)
Other capital assets, net of accumulated depreciation (Note B)		-	-
Total assets	<u>397,461</u>	<u>75,398</u>	<u>472,859</u>
LIABILITIES			
Accounts Payable	5,101		5,101
Accrued expenses	68		68
Deferred revenue	3,108	(3,108)	-
Total liabilities	<u>8,277</u>	<u>(3,108)</u>	<u>5,169</u>
FUND BALANCE / NET ASSETS			
Fund Balance:			
Reserved for prepaids	3,593		
General Reserve	313,410		
Unreserved	72,181		
Total fund balance	<u>389,184</u>	(389,184)	
Total Liabilities and fund balances	<u>397,461</u>		
Net assets			
Invested in capital assets, net of related debt		5,398	5,398
Restricted		317,003	317,003
Unrestricted		145,289	145,289
Total net assets		<u>-</u>	<u>467,690</u>

See Accountant's Report and accompanying notes to the financial statements

YERMO
COMMUNITY SERVICES DISTRICT
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES
FOR YEAR ENDED JUNE 30, 2012

	General Fund	Reconciling Items	Statement of Net Assets
Revenues:			
Property Taxes	100,836	3,108	103,944
Interest	222		222
Rent	1,543		1,543
Newsletter	-		-
Gain on Sale of asset	-		-
Grants	156,598		156,598
Other	19,845		19,845
Total Revenues	279,044	3,108	282,152
Expenditures / Expenses			
Current:			
Fire Protection	58,402		58,402
Parks and Recreation	58,402		58,402
Administration Costs	25,640		25,640
Interest	1,178		1,178
District Special Expense	-		-
Depreciation	-	16,538	16,538
Capital Outlay	-	-	-
Total Expenditures / Expenses	143,622	16,538	160,160
Excess (deficiency) of Revenues over Expenditures	135,422	(135,422)	-
Change in Net Assets		121,992	121,992
Fund Balance / Net Assets:			
Beginning of the year	253,917		344,093
Prior year correction	(155)		1,605
Corrected Fund Balance, Beg.	253,762		345,698
End of the Year	389,184	-	467,690

See Accountant's Report and accompanying notes to the financial statements

YERMO
COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Yermo Community Services District was formed January 22, 1962 to provide services in the community of Yermo, in San Bernardino County, California. Presently the District furnishes fire protection services, park and recreation services, and street lighting services for the citizens of the community. It was formed and operates pursuant to the provisions of Section 61000 – 61891 of the California Government Code.

The accounting policies of the Yermo Community Services District conform to generally accepted accounting principles as applicable to government units. The following is a summary of the significant accounting policies.

Measurement Focus / Basis of Accounting

The accounts of the District are organized on the basis of funds, each fund is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the statement of net assets net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

YERMO
COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Cash

Cash held by the District at June 30, 2012, consisted of the following:

Petty cash	\$ 60
On deposit	87,638
Investments	<u>300,154</u>
Total	<u>\$ 387,852</u>

Deposits and Investments

The District has adopted an investment policy in accordance with Section 53601 of the California Government Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.

The deposits of the District are entirely insured or collateralized with securities held by the District or held by its agent in the name of the District.

Property Taxes

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied on the accrual basis of accounting used in the government-wide financial statements and in the general fund on the modified accrual basis of accounting, provided it is collected within 60 days of the end of the fiscal year.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended June 30, 2010, the District has provided for protection against possible losses with insurance.

YERMO
COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

Taxes Receivable

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Deferred taxes represent the portion of the levied tax revenue that is not expected to be received and available for use within 60 days of the fiscal year end.

	General Fund	Statement of Net Assets
County Tax Revenue	\$ -	\$ 3,108
Deferred Tax Revenue	3,108	-
	\$ 3,108	\$ 3,108

NOTE B: CAPITAL ASSETS

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in the government wide financial statements are capitalized at cost, or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received. Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method.

A summary of changes in capital assets is as follows:

	June 30, 2011	Additions	(Dispositions)	June 30, 2012
Land	\$ 14,240			\$ 14,240
Structures and improvements	229,738	-	-	229,738
Equipment	272,762	-	-	272,762
Office Equipment	3,062	-	-	3,062
Totals	\$ 519,802	\$ -	\$ -	\$ 519,802

A summary of changes in accumulated depreciation for capital assets is as follows:

	July 1, 2011	Additions	(Dispositions)	June 30, 2012
Structures and Improvements	221,818	3,922		225,740
Equipment	206,049	12,615		218,664
Total	\$ 427,867	\$ 16,537	\$ -	\$ 444,404

YERMO
COMMUNITY SERVICES DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2012

NOTE C: BUDGETS AND BUDGETARY ACCOUNTING

Prior to the beginning of each fiscal year, the Board of Directors adopts and prepares an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes. The source of financing for these costs and reserve requirements are (1) the available fund balance carried forward from the preceding years, (2) revenue other than property taxes, and (3) property taxes. Each year's appropriation lapses at year end. The District's policy is to prepare its budget on the cash basis, which recognizes revenues when they are received and expenditures when they are paid. Interfund transfers are not budgeted.

NOTE D: BUDGET TO ACTUAL COMPARISON

As described in Note C, the District prepares its budget on the cash basis of accounting. The following adjustments have been made to bring the actual amounts of the statement of revenues and expenditures budget-to-actual into conformity with this basis of accounting:

Total revenues-financial accounting basis	\$ 279,044
Accrual adjustments	<u>(3,108)</u>
Total revenues-budgetary basis	<u>\$ 275,936</u>
Total expenditures-financial accounting basis	\$ 143,622
Accrual adjustments	<u>16,538</u>
Total expenditures--budgetary basis	<u>\$ 160,160</u>

YERMO
COMMUNITY SERVICES DISTRICT
BUDGETARY COMPARISON SCHEDULES
FOR THE YEAR ENDED JUNE 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

	Budgeted Amounts	Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget Positive (Negative)
Budgetary Fund Balance, July 1			
Resources (inflows)			
Property Taxes	101,746	100,836	(910)
Investment Earnings	0	222	222
Charges for Services	0	1,543	1,543
Other Revenues	0	173,335	173,335
	<u>101,746</u>	<u>275,936</u>	<u>174,190</u>
Amounts available for appropriation			
Charges to appropriations (outflows)			
Salaries			
Regular Salary	11,000	18,014	7,014
Employee Benefits	3,100	2,254	(846)
Services & Supplies			
Communications	3,100	0	(3,100)
Legal Notices	200	0	(200)
Utilities	17,000	28,440	11,440
Insurance	5,000	8,042	3,042
General Office Expense	3,500	6,701	3,201
Auditing	2,600	4,200	1,600
County Services	100	0	(100)
Professional and Special Services	22,000	12,399	(9,601)
General Maintenance - Equipment	10,000	15,718	5,718
General Maintenance - Structure	6,000	7,626	1,626
Rent Leases Equipment	700	3,134	2,434
Transportation and Travel	500	0	(500)
Motor Pool Charges	7,000	9,176	2,176
Directors fees	0	7,731	7,731
Credit Card Expenses	0	19,009	19,009
Interest	0	1,178	1,178
Capital Outlay			
Structures and Improvements	0	0	0
Sports Park	0	0	0
Equipment	0	0	0
Vehicles	12,000	0	(12,000)
Depreciation	0	16,538	16,538
	<u>103,800</u>	<u>160,160</u>	<u>56,360</u>
Total Charges to appropriations			
	<u>(2,054)</u>	<u>115,776</u>	<u>117,830</u>
Budgetary Fund Balance, June 30			

7. Yermo Community Services District

**b. State Controller Report Submission
for FY 2012-13**

Attachment 7b

SPECIAL DISTRICTS FINANCIAL TRANSACTIONS AND COMPENSATION REPORT

COVER PAGE

Yermo Community Services District

SCO Reporting Year: 2013

ID Number: 12053607100

Fiscal Year Ended: 06/30/13 (MM/DD/YY)

Certification:

I hereby certify that, to the best of my knowledge and belief, the report forms fairly reflect the financial transactions of the district in accordance with the requirements as prescribed by the California State Controller.

District Fiscal Officer

Signature

Title

Name (Please Print)

Date

CLIENT COPY

Per Government Code section 53891, this report is due within 90 days after the end of the fiscal year. If filed in electronic format, the report is due within 110 days after the end of the fiscal year. However, in the case of hospital districts, the report is due within 120 days after the end of the fiscal year.

Per Government Code section 26909, a copy of the independent audit is to be filed with the Controller within 12 months after the close of the fiscal year.

Please complete, sign, and mail this cover page to either address below.

Mailing Address:

State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
P. O. Box 942850
Sacramento, CA 94250

Express Mailing Address:

State Controller's Office
Division of Accounting and Reporting
Local Government Reporting Section
3301 C Street, Suite 700
Sacramento, CA 95816



David B. Whitford, Jr.
CERTIFIED PUBLIC ACCOUNTANT

4515 Central Ave., #202, Riverside, CA 92506
(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies
Practice Section of the AICPA and
The California Society of Certified
Public Accountants*

September 19, 2013

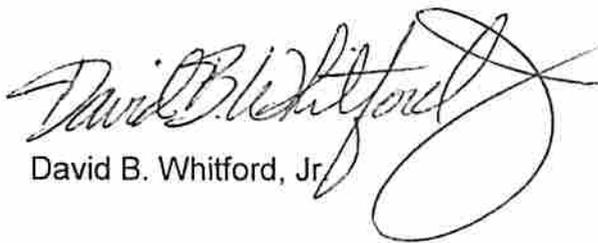
Board of Directors
Yermo Community Services District
Yermo, California 92398

Board of Directors

I have compiled the balance sheet of *Yermo Community Services District* at *June 30, 2013* and the statements of revenue and expenditures for the year then ended which are included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the California State Controller information that is the representation of management. I have not audited or reviewed the financial statements referred to above and accordingly do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the California State Controller, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.


David B. Whitford, Jr.

CLIENT COPY

**Yermo Community Services District
Special Districts Financial Transactions Report**

General Information

Fiscal Year 2013

Mailing Address

Street 1 38315 McCormick Street Is Address Changed?

Street 2 P.O Box 206

City Yermo State CA Zip 92398-

Email yermocsd1@verizon.net

Members of the Governing Body

	First Name	Middle Initial	Last Name	Title
Member	Robert		Smith	President
Member	Paul		Ray	Director
Member	Geoffrey		Berner	Vice President
Member	Karen		Howard	Director
Member	Melissa		Martin	Director
Member				

CLIENT COPY

Other Officials

First Name	Middle Initial	Last Name	Title
Michelle		Berndt	Secretary

Report Prepared By

First Name	Middle Initial	Last Name	Phone No
David	B	Whitford Jr	(951) 341-8344

Independent Auditor

First Name	Middle Initial	Last Name	Phone No
David	B	Whitford Jr	(951) 341-8344

Yermo Community Services District
Special Districts Financial Transactions Report - Consolidated Balance Sheet

Fiscal Year	2013	Assets					General Long-Term Debt	Total Memorandum Only
		General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets		
Assets								
Cash and Cash Equivalents	64,552				-1,008			\$63,544
Taxes Receivable	6,016							\$6,016
Interest Receivable								\$0
Accounts Receivable								\$0
Loans, Notes, and Contracts Receivable								\$0
Due from Other Funds								\$0
Inventory of Materials and Supplies								\$0
Other Current Assets								
Lease Payments Receivable								
Unearned Finance Charges								
Investments	300,154							\$300,154
Restricted Assets								
Deferred Charges								
Unamortized Discount on Long-Term Debt								
Other Assets	3,593							\$3,593
Fixed Assets								
Land						37,076		\$37,076
Buildings and Improvements						229,738		\$229,738
Equipment						273,824		\$273,824
Construction in Progress								\$0
Total Fixed Assets					\$0	\$540,638		\$540,638
Accumulated Depreciation						459,082		\$459,082
Net Fixed Assets					\$0	\$81,556		\$81,556
Other Debits								
Amount Available in Debt Service Funds								
Amount to be Provided								
Total Assets	\$374,315	\$0	\$0	(\$1,008)	\$81,556	\$0	\$0	\$454,863

Yermo Community Services District
Special Districts Financial Transactions Report - Consolidated Balance Sheet

Liabilities and Equity

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	Total Memorandum Only
Liabilities and Equity								
Accounts/Warrants Payable		5,169						\$5,169
Loans and Notes Payable								\$0
Interest Payable - Matured/Accrued								\$0
Other Current Liabilities								\$0
Compensated Absences Payable								\$0
Due to Other Governments								\$0
Due to Other Funds								\$0
Long-Term Debt								
General Obligation Bonds								\$0
Revenue Bonds								\$0
Certificates of Participation								\$0
Special Assessment								\$0
Federal								\$0
State								\$0
Time Warrants								\$0
Other Long-Term Indebtedness								\$0
Unamortized Premium on Long-Term Debt								
Advances for Construction								
Deferred Revenue		3,108						\$3,108
All Other Non-Current Liabilities								
Total Liabilities		\$8,277	\$0	\$0	\$0		\$0	\$8,277
Fund Equity								
Contributed Capital								
Investments in General Fixed Assets						81,556		\$81,556
Retained Earnings								
Reserved								
Unreserved					-1,008			(\$1,008)
Fund Balances								
Reserved		312,858						\$312,858
Unreserved Designated								\$0
Unreserved Undesignated		53,180						\$53,180
Total Fund Equity		\$366,038	\$0	\$0	(\$1,008)	\$81,556		\$446,586
Total Liabilities and Fund Equity		\$374,315	\$0	\$0	(\$1,008)	\$81,556	\$0	\$454,863

**Yermo Community Services District
Special Districts Financial Transactions Report
Consolidation of Fund Equities and Transfers
Consolidation of Fund Equities and Transfers**

Fiscal Year 2013

	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds
Consolidation of Fund Equities				
Non-Enterprise Activities	\$366,038	\$0	\$0	
Enterprise Fund Equities				
Airport				\$0
Electric				\$0
Harbor and Port				\$0
Hospital				\$0
Waste Disposal				\$0
Water				(\$1,008)
Total Ending Fund Equities	\$366,038	\$0	\$0	(\$1,008)

	Transfers In A	Transfers Out B	Net C
Consolidation of Transfers In and Transfer Out			
General and Special Revenue Funds	\$0	\$10,000	
Debt Service Funds	\$0	\$0	
Capital Projects Funds	\$0	\$0	
Enterprise Activities			
Airport	\$0	\$0	
Electric	\$0	\$0	
Harbor and Port	\$0	\$0	
Waste Disposal	\$0	\$0	
Water	\$10,000	\$0	
Total	\$10,000	\$10,000	\$0

**Yermo Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Fire Protection		
Taxes and Assessments				
Current Secured and Unsecured (1%)		45,396		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		83		
Penalties and Cost on Delinquent Taxes and Assessments		62		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
Revenue From Use of Money and Property				
Interest Income		148		
Rents, Concessions and Royalties				
Federal				
Aid for Construction				
Other Federal				
State				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		561		
Timber Yield				
Other State				
Other Governmental Agencies				
Redevelopment Pass-Through				
Other				
Charges for Current Services		12,021		
Contributions From Property Owners				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues		2,084		
Total Revenues		\$60,355	\$0	\$0
Expenditures				
Salaries and Wages		8,572		
Employee Benefits				
Services and Supplies		46,072		
Self Insurance Only - Claims Paid				

**Yermo Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	A	B	C	
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets	8,470			
Other Expenditures	7,098			
Total Expenditures	\$70,212	\$0	\$0	
Revenues Over (Under) Expenditures	(\$9,857)	\$0	\$0	
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)	10,000			
Total Other Financing Sources (Uses)	(\$10,000)	\$0	\$0	
Revenues/Sources Over (Under) Expenditures/Uses	(\$19,857)	\$0	\$0	
Fund Equity, Beginning of Period	\$279,738	\$0	\$0	
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period	\$259,881	\$0	\$0	

**Yermo Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Lighting and Lighting Maintenance		
Taxes and Assessments				
	Current Secured and Unsecured (1%)	10,088		
	Voter Approved Taxes			
	Property Assessments			
	Special Assessments (Mello/Roos, Mark/Roos)			
	Prior Year Taxes and Assessments	19		
	Penalties and Cost on Delinquent Taxes and Assessments	14		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
Revenue From Use of Money and Property				
	Interest Income	33		
	Rents, Concessions and Royalties			
Federal				
	Aid for Construction			
	Other Federal			
State				
	Aid for Construction			
	State Water Project			
	Homeowners Property Tax Relief	125		
	Timber Yield			
	Other State			
Other Governmental Agencies				
	Redevelopment Pass-Through			
	Other			
Charges for Current Services				
Contributions From Property Owners				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues				
	Total Revenues	\$10,279	\$0	\$0
Expenditures				
	Salaries and Wages	1,905		
	Employee Benefits			
	Services and Supplies	10,238		
	Self Insurance Only - Claims Paid			

**Yermo Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	A	B	C	
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets	1,882			
Other Expenditures				
Total Expenditures	\$14,025	\$0	\$0	
Revenues Over (Under) Expenditures	(\$3,746)	\$0	\$0	
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)	\$0	\$0	\$0	
Revenues/Sources Over (Under) Expenditures/Uses	(\$3,746)	\$0	\$0	
Fund Equity, Beginning of Period	(\$13,648)	\$0	\$0	
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period	(\$17,394)	\$0	\$0	

**Yermo Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Recreation and Park		
Taxes and Assessments				
Current Secured and Unsecured (1%)		45,396		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		83		
Penalties and Cost on Delinquent Taxes and Assessments		62		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
Revenue From Use of Money and Property				
Interest Income				
Rents, Concessions and Royalties		4,937		
Federal				
Aid for Construction				
Other Federal				
State				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		561		
Timber Yield				
Other State				
Other Governmental Agencies				
Redevelopment Pass-Through				
Other				
Charges for Current Services		5,433		
Contributions From Property Owners				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues				
Total Revenues		\$56,472	\$0	\$0
Expenditures				
Salaries and Wages		8,572		
Employee Benefits				
Services and Supplies		46,072		
Self Insurance Only - Claims Paid				

**Yermo Community Services District
Special Districts Financial Transactions Report - Non-Enterprise Activity**

Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and	Debt Service	Capital Projects
		Special Revenue Funds	Funds	Funds
		A	B	C
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets				
8,470				
Other Expenditures				
7,098				
Total Expenditures		\$70,212	\$0	\$0
Revenues Over (Under) Expenditures		(\$13,740)	\$0	\$0
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)		\$0	\$0	\$0
Revenues/Sources Over (Under) Expenditures/Uses		(\$13,740)	\$0	\$0
Fund Equity, Beginning of Period		\$138,452	\$0	\$0
Prior Period Adjustments		-1,161		
Residual Equity Transfers				
Other				
Fund Equity, End of Period		\$123,551	\$0	\$0

**Yermo Community Services District
Special Districts Financial Transactions Report - Water Enterprise**

Revenues, Expenses and Changes in Fund Equity

Fiscal Year 2013

Special Assessments	
Prior Year Taxes and Assessments	
Penalties and Cost on Delinquent Taxes and Assessments	
Federal	
Aid for Construction	
Other Federal	
State	
Aid for Construction	
State Water Project	
Homeowners Property Tax Relief	
Timber Yield	
State Other and In-Lieu Taxes	
Other Governmental Agencies	
Redevelopment Pass-Through	
Other	
Other Non-Operating Revenues	
Total Non-Operating Revenues	\$0
Non-Operating Expenses	
Interest on Long-Term Debt	
Other Interest	
Other Non-Operating Expenses	
Total Non-Operating Expenses	\$0
Non-Operating Income (Loss)	\$0
Income (Loss) Before Operating Transfers	(\$11,008)
Operating Transfers In (Intra-District)	10,000
Operating Transfers Out (Intra-District)	
Net Income (Loss)	(\$1,008)
Fund Equity, Beginning of Period	
Contributed Capital	
Federal	
State	
Other Governmental Agencies	
Non-Governmental Agencies	
Prior Period Adjustments	
Residual Equity Transfers	
Other	
Fund Equity, End of Period	(\$1,008)

**8. Fiscal Year 1977-78 Tax Rates for
Appropriations Limit Requirement**

Attachment 8

VALUATIONS AND TAX RATES

FUND, CITY OR DISTRICT	UNSECURED			SECURED		
	NET VALUATION	STATE REIMBURSED EXEMPTIONS	1976-77 TAX RATE	NET VALUATION	STATE REIMBURSED EXEMPTIONS	1977-78 TAX RATE
GENERAL COUNTY*	\$ 188,855,545.	\$ 53,069,010.	\$ 3.0034	\$ 2,485,670,895.	\$ 285,373,500.	\$ 2.6832
COUNTY FREE LIBRARY* (Excludes Cities of Ontario San Bernardino, Upland and Redlands)..	\$ 118,666,930.	\$ 32,550,330.	\$.1582	\$ 1,831,301,595.	\$ 199,983,805.	\$.1524
Total County Tax Rate.....			\$ 3.1616			\$ 2.8356#
SPECIAL SCHOOL TAXES						
Equalization Aid.....			\$.1150			\$ 0
County School Tuition.....			.0027			.0073
Institutional Education.....			.0480			.0560
County Wide Tax.....	\$ 188,855,545.	\$ 53,069,010.	\$.1657	\$ 2,485,670,895.	\$ 285,373,500.	\$.0633
Regional Occupational Program*.....	\$ 85,330,275.	\$ 19,635,230.	\$.0158	\$ 1,395,064,780.	\$ 153,409,290.	\$.0130
CITIES						
Adelanto.....	\$ 149,815.	\$ 38,670.	\$ 1.0000	\$ 6,066,490.	\$ 365,710.	\$ 1.0000
Barstow*.....	2,861,395.	1,046,600.	1.9000	35,568,770.	5,402,915.	1.8800
Chino*.....	6,458,810.	2,570,870.	1.7476	87,160,850.	11,091,100.	1.7469
Colton*.....	4,670,090.	2,062,100.	1.6139	30,914,625.	6,616,290.	1.8357
Colton Annex.....	1,423,340.	454,095.	1.5735	13,149,100.	1,901,895.	1.8357
Fontana.....	3,533,460.	986,200.	1.0000	57,970,855.	9,554,245.	1.5800
Fontana (Bond) (Land Only).....	200.	0	1.4140	11,903,270.	0	1.2600
Fontana Parking.....	192,445.	109,535.	.1500	2,324,560.	2,270.	.1500
Loma Linda.....	2,578,335.	160,850.	1.2000	24,837,720.	1,924,100.	1.2000
Montclair.....	6,706,010.	2,394,325.	1.7430	55,362,015.	6,631,620.	1.7430
Needles.....	1,129,775.	257,190.	2.7000	7,809,725.	1,349,090.	2.7000
Ontario.....	26,716,315.	6,981,440.	1.9852	180,898,070.	24,679,415.	1.9352
Redlands*.....	6,003,240.	1,712,460.	2.4800	96,998,085.	13,060,835.	2.4500
Rialto.....	6,532,855.	2,225,015.	1.6104	62,453,270.	11,373,050.	1.6000
San Bernardino*.....	28,198,230.	9,939,050.	1.7526	243,094,240.	33,338,540.	1.5513
Upland.....	9,270,830.	1,885,730.	1.8690	133,378,905.	14,310,905.	1.8064
Victorville City Light.....	573,905.	0	.3200	48,782,530.	0	.2200
CEMETERY DISTRICTS						
Barstow*.....	\$ 4,053,310.	\$ 1,341,330.	\$.0962	\$ 71,353,960.	\$ 8,800,230.	\$.0852
Needles.....	8,876,890.	481,565.	.1028	19,549,790.	1,475,135.	.1652
Twenty-nine Palms.....	854,290.	201,230.	.1934		3,452,460.	.1271
COMMUNITY SERVICE DISTRICTS						
Adelanto (Bond).....	\$ 149,815.	\$ 38,670.	\$.2256	\$ 4,839,970.	\$ 363,960.	\$.2375
Baker.....	200,065.	22,365.	1.1200	1,562,965.	18,995.	1.1200
Baker (Bond).....	200,065.	22,365.	.8058	1,562,965.	18,995.	.9603
Barstow Heights.....	8,795.	125.	1.1392	1,662,180.	317,175.	1.1730
Big Bear City.....	199,975.	38,840.	1.0000	40,711,960.	1,676,255.	1.0000
Big Bear City (Bond).....	199,975.	38,840.	1.2500	40,711,960.	1,676,255.	.9700
Big River.....	0	0	0	5,460.	0	.4500
Daggett.....	4,120.	1,050.	1.0000	291,270.	103,225.	1.2500
Daggett (Bond).....	4,120.	1,050.	2.6297	291,270.	103,225.	2.5624
Morongo Valley.....	30,435.	9,745.	1.0653	4,627,920.	858,735.	1.0653
Newberry.....	510,970.	118,940.	.8178	5,387,990.	294,315.	.9110
Yermo.....	246,020.	22,520.	.7369	3,081,340.	476,970.	1.0883
COUNTY SERVICE AREAS						
No. 2 Loma Linda (Bond).....	\$ 2,578,335.	\$ 160,850.	\$.1885	\$ 24,837,400.	\$ 1,924,100.	\$.1541
No. 8 Twentynine Palms.....	733,275.	195,240.	.1691	14,430,260.	2,516,285.	.1560
No. 9 Phelan.....	78,430.	22,490.	.1257	1,666,320.	145,455.	.2124
No. 17 Apple Valley.....	1,145,335.	264,280.	.1149	44,534,420.	4,438,970.	.0973
No. 18 Cedarapines.....	14,550.	110.	1.2629	3,250,315.	237,500.	2.0363
No. 19 Chino Glenmeade.....	9,060.	0	1.5027	8,831,590.	1,668,100.	1.0598
No. 20 Joshua Tree.....	103,200.	26,155.	.2052	12,411,805.	1,888,875.	.1803
No. 29 Lucerne Valley.....	132,850.	40,930.	.1068	12,548,240.	967,365.	.1440
No. 29 Lucerne Valley (TV).....	132,850.	40,930.	.1970	12,548,240.	967,365.	.1439
No. 30 Red Mountain.....	39,740.	18,860.	1.4387	41,025.	0	4.1700
No. 31 Yucaipa.....	1,830,680.	477,150.	.0764	47,520,270.	8,181,475.	.0618
Zone A.....	10,405.	4,780.	.2012	3,288,770.	576,800.	.1495
No. 34 Calimesa.....	213,485.	102,430.	.1810	3,120,440.	447,460.	.1462
No. 36 Lenwood.....	123,100.	61,505.	.3166	3,655,935.	1,058,705.	.2446

(COLLIER FACTOR)

*Adjusted for Redevelopment Agencies
#Includes Tax Rate Per Education Code 20450(e) \$.0053

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

215 North D Street, Suite 204, San Bernardino, CA 92415-0490
(909) 383-9900 • Fax (909) 383-9901
E-MAIL: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: OCTOBER 14, 2014 
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #12: Status Report on Rim of the World Recreation and Park District

RECOMMENDATION:

Staff recommends that the Commission continue consideration of the status report to the February 18, 2015 Hearing.

BACKGROUND:

LAFCO staff continues to monitor the activities of the Rim of the World Recreation and Park District pursuant to the conditions imposed during its service review as outlined in LAFCO Resolution No. 3095. Staff has been working with the District for the last four years to address these concerns and on October 1st met with the General Manager, newly appointed Finance Officer and a member of the Board of Directors to review questions related to the Fiscal Year 2014-15 budget, reserves, and audit schedule. At the end of the meeting it was determined that additional time was required to answer the staff's questions and it was agreed that the status report would be continued to the January or February 2015 hearing.

LAFCO staff is recommending a continuance to the February 18, 2015 hearing to assure the delivery of the District's 2013-14 audit for review and to allow sufficient time for the district to complete its mid-year financial analysis with its new finance manager. Staff will continue to work with the district during the intervening time.

KRM