

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

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**DATE: MARCH 11, 2015**

**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer**

**TO: LOCAL AGENCY FORMATION COMMISSION**



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**SUBJECT: AGENDA ITEM #6 -- LAFCO 3186 – REORGANIZATION TO INCLUDE DISSOLUTION OF CREST FOREST FIRE PROTECTION DISTRICT AND ITS SERVICE ZONES PM-A AND PM-1, ANNEXATION TO THE SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT, ITS MOUNTAIN SERVICE ZONE AND SERVICE ZONE PM-1 AND FORMATION OF SERVICE ZONE PM-4 OF SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT**

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**INITIATED BY:**

Resolution of the Board of Directors of the Crest Forest Fire Protection District

**RECOMMENDATION:**

Staff recommends that the Commission take the following actions:

1. Modify LAFCO 3186 to remove consideration of the formation of Service Zone FP-7 of the San Bernardino County Fire Protection District;
2. Certify that LAFCO 3186, as modified, is statutorily exempt from environmental review and direct the Executive Officer to file a Notice of Exemption within five (5) days;
3. Approve LAFCO 3186, as modified, with the following conditions:
  - a. Standard conditions for a change of organization;
  - b. The effective date of this reorganization shall be no earlier than July 1, 2015 subject to completion of the terms and conditions outlined in this resolution for approval as authorized by Government Code Sections 56886(p) and 57202;

- c. Upon the effective date of the reorganization, the San Bernardino County Fire Protection District (SBCFPD) Mountain Service Zone (Mountain Service Zone), as Successor District to the Crest Forest Fire Protection District (Crest Forest FPD), shall succeed and/or be assigned, all rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the dissolving Crest Forest FPD. All property tax revenues attributable to the dissolving agency, prior to calculations required by Section 96.1 of the Revenue and Taxation Code, including delinquent taxes and any and all other collections or assets of the dissolving Crest Forest FPD shall accrue and be transferred to the Successor District pursuant to the provisions of Government Code Section 56810. Said Successor District shall be subject to the terms and conditions contained herein;
  
- d. Upon the effective date of the reorganization including dissolution, the newly formed Service Zone PM-4 of SBCFPD shall be the Successor District for the dissolving Crest Forest FPD Service Zone PM-A and shall receive all reserve fund balances to be held for the benefit of the ratepayers of the special tax within the dissolving service zone. Transactions utilizing these funds shall be accounted for and described in the annual audit and/or comprehensive financial reports recognizing Service Zone PM-4 of the SBCFPD. All other cash on hand or reserve funds shall transfer to the Successor District, the Mountain Service Zone for SBCFPD, for use in providing the service to the area of the dissolving Service Zone PM-A;
  
- e. Upon the effective date of the reorganization, the Successor District for the ambulance services provided within Exclusive Operating Area (EOA) 10 by the dissolving Crest Forest FPD, the Mountain Service Zone of SBCFPD, shall function under Division 2.5 of the California Health and Safety Code for the provision of ambulance services as authorized by the Local Emergency Medical Services Agency (LEMSA), the Inland Counties Emergency Medical Authority (ICEMA) within the territory subject to this reorganization. ICEMA is authorized to grant and enforce EOAs pursuant to Section 1797.224 and 1797.226 of the California Health and Safety Code. The subject reorganization shall not reduce the geographic size, scope or boundaries of existing EOA 10 defined by ICEMA and granted to the dissolving Crest Forest FPD, through Memorandum of Understanding Agreement No. 06-1049 and all the terms and conditions outlined in said agreement shall be assigned to the Successor District. Prior to the effective date of this reorganization including dissolution, ICEMA and the Mountain Service Zone of SBCFPD shall provide to the Local Agency Formation Commission written authorization for the assignment of the responsibilities associated with EOA 10 from Crest Forest FPD to the Mountain Service Zone of the SBCFPD pursuant to the terms of Memorandum of Understanding Agreement No. 06-1049 Section XXXI;

- f. Upon the effective date of this reorganization including annexation, the area to be annexed to Service Zone PM-1 of the SBCFPD shall continue to pay the existing special tax for paramedic service currently in effect for PM-1 of the SBCFPD pursuant to Government Code Section 56886(t). All other cash on hand or reserve funds related to the operation of the Crest Forest FPD Zone PM-1 shall transfer to Service Zone PM-1 of SBCFPD ;
- g. Upon the effective date of the reorganization including dissolution, the Successor District shall accept all facilities transferred from the dissolving Crest Forest FPD in "as is" condition (pursuant to Government Code Section 56886(h)). All system facilities and incidental liabilities, such as accounts payables, contract obligations and customer deposits shall be transferred to the Successor District. All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.), rolling stock, tools, office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the dissolving Crest Forest FPD shall be transferred to the Successor District, the Mountain Service Zone of SBCFPD;
- h. The debt obligations of the dissolving Crest Forest FPD (including but not limited to bond debt and its Certificates of Participation) shall be assigned to the Successor District, the Mountain Service Zone of SBCFPD, as authorized by Government Code Section 56886(c). Prior to the effective date of the reorganization a signed statement of transferability of the financial instruments related to the debts of the dissolving district shall be provided to the Local Agency Formation Commission;
- i. The existing fees, taxes, assessments, and charges of the Crest Forest FPD and its Service Zones PM-A and PM-1 shall continue as the obligations of the Mountain Service Zone and Service Zones PM-1 and PM-4 Service Zones of the SBCFPD respectively as authorized by Government Code Section 56886(b);
- j. Upon the effective date of the reorganization, the Mountain Service Zone of SBCFPD, as Successor District, shall specifically succeed to the supplemental retirement payments identified as Section 18 of Contract 13-555 between the Crest Forest FPD and SBCFPD. Specifically, the Mountain Service Zone of the SBCFPD shall pay to the San Bernardino County Employees Retirement Association (SBCERA) the remaining 18 years of payments equal to the calculation by SBCERA and its actuary based on the June 30, 2012 actuarial study, including a four percent (4%) annual compounded increase. The amounts defined as the required annual payment and the status of payments are shown on the chart below:

Due December 31 of each Fiscal Year	Payment to be transferred	
2013	\$ 410,437	paid
2014	426,854	paid
2015	443,928	
2016	461,685	
2017	480,152	
2018	499,358	
2019	519,332	
2020	540,105	
2021	561,709	
2022	584,177	
2023	607,544	
2024	631,846	
2025	657,120	
2026	683,405	
2027	710,741	
2028	739,171	
2029	768,738	
2030	799,488	
2031	831,468	
2032	864,727	
<b>TOTAL</b>	<b>\$ 12,221,985</b>	

- k. The remaining payments, all rights and interests held or claimed by the dissolving Crest Forest FPD under all agreements and/or memoranda of understanding with any public agency or private entity shall transfer to the Successor District, Mountain Service Zone of the SBCFPD. The Successor District, Mountain Service Zone, shall also assume all joint use, maintenance, automatic aid or mutual aid agreements held by the dissolving Crest Forest FPD [Government Code Section 56886(r)]. Amendments of existing agreements required for successful transfer, if any, shall be completed and submitted to the Local Agency Formation Commission prior to the issuance of the Certificate of Completion to address any changes [Government Code Section 56886(r)(v)];
  
- l. Upon the effective date of this reorganization, the appropriation limit of the dissolving Crest Forest FPD of \$7,039,517 shall be added to the appropriation limit of the Successor District, Mountain Service Zone of SBCFPD;
  
- m. Upon the effective date of this reorganization, the newly formed Service Zone PM-4 of SBCFPD shall be assigned an appropriation limit determined to be \$1,875,000, as of July 1, 2015, and the governing body of the SBCFPD shall be required to annually update and adopt the appropriation limit pursuant to statute.

- n. The defined successor districts, Mountain Service Zone and Service Zone PM-4 of SBCFPD, as the case may be, shall succeed to all rights, duties, and obligations of the dissolving Crest Forest FPD with respect to the enforcement, performance or payment of any outstanding bonds, including revenue bonds, or other contracts and obligations of the dissolving district. This reorganization shall not impair the rights of any bondholder or creditor of the dissolving Crest Forest FPD;
  - o. Upon the effective date of this reorganization, any funds currently deposited for the benefit of the Crest Forest FPD, its Service Zones PM-A and PM-1 which have been impressed with a public trust, use or purpose shall be transferred to the Successor Districts, Mountain Service Zone and Service Zones PM-4 and PM-1 of SBCFPD respectively, and said districts shall separately maintain such funds in accordance with the provisions of Government Code Section 57462; and,
  - p. As of the date of approval of the reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the Board of Directors of the Crest Forest Fire Protection District shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5:
    - i. **No Increase in Compensation or Benefits:** No increase in calculation for payment of benefits or compensation for employees of the Crest Forest Fire Protection District and its Board of Directors shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2014-15.
    - ii. **Bound by Current Budget:** Appropriating, encumbering, expending, or otherwise obligating any revenue of the Crest Forest Fire Protection District beyond that provided in the current budget at the time of Commission approval unless agreed to by the Successor District.
4. Adoption of LAFCO Resolution No. 3196 outlining the Commission terms, conditions and determinations.

## **BACKGROUND**

In 2010 the Local Agency Formation Commission (LAFCO) conducted its state-mandated service review for the Crest Forest community of the Mountain region which included a discussion of the Crest Forest Fire Protection District. The report presented identified the services currently provided by the Crest Forest Fire Protection District (hereafter shown as Crest Forest FPD or District). It also included a discussion of the financial constraints being experienced by the District such as revenue reductions and cost increases which were

placing the agency in deficit spending. LAFCO staff at that time questioned the District's long-term ability to fund its services without an increase in revenue.

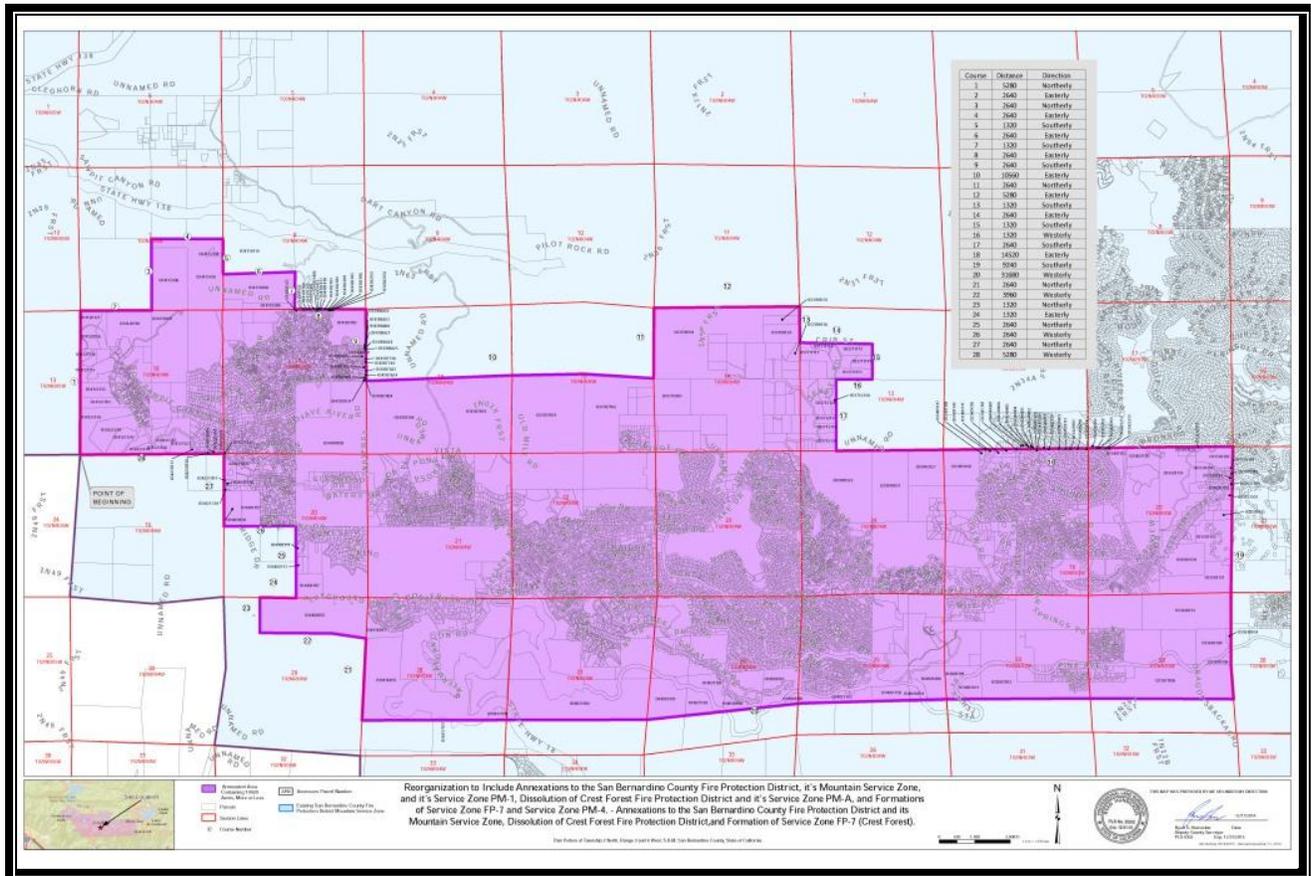
In response to analysis of the District's financial position, in 2012 the Board of Directors determined that the District needed to ask its voters to approve a special parcel tax district-wide to maintain service levels and allow for the hiring of a Fire Chief as required by law. Measures J and K were placed on the May 8, 2012 ballot asking District voters to authorize a \$59 per parcel special tax to be annually increased by inflation and establish an appropriation limit, respectively. If approved, Measure J would have added \$950,000 per year for district operations. As a special tax, Measure J was required to pass by a 2/3 majority. However, Measure J failed receiving only 57.3% of the vote.

The failure of the special tax election required the District to re-evaluate its options for providing its services. During 2012 and 2013 the Board of Directors solicited proposals from the San Bernardino County Fire Protection District (hereafter shown as SBCFPD or County Fire) and the State's CalFIRE to contract with the District to provide its full range of services. The discussions included the elimination of all district positions which triggered a review of its unfunded pension obligation, estimated to be \$32,000,000 in 2012. As a complement to these discussions, LAFCO staff reviewed with the district its jurisdictional options. Ultimately, the District chose to move forward with the contract with County Fire as its proposal reduced the unfunded retirement liability payments required of the District.

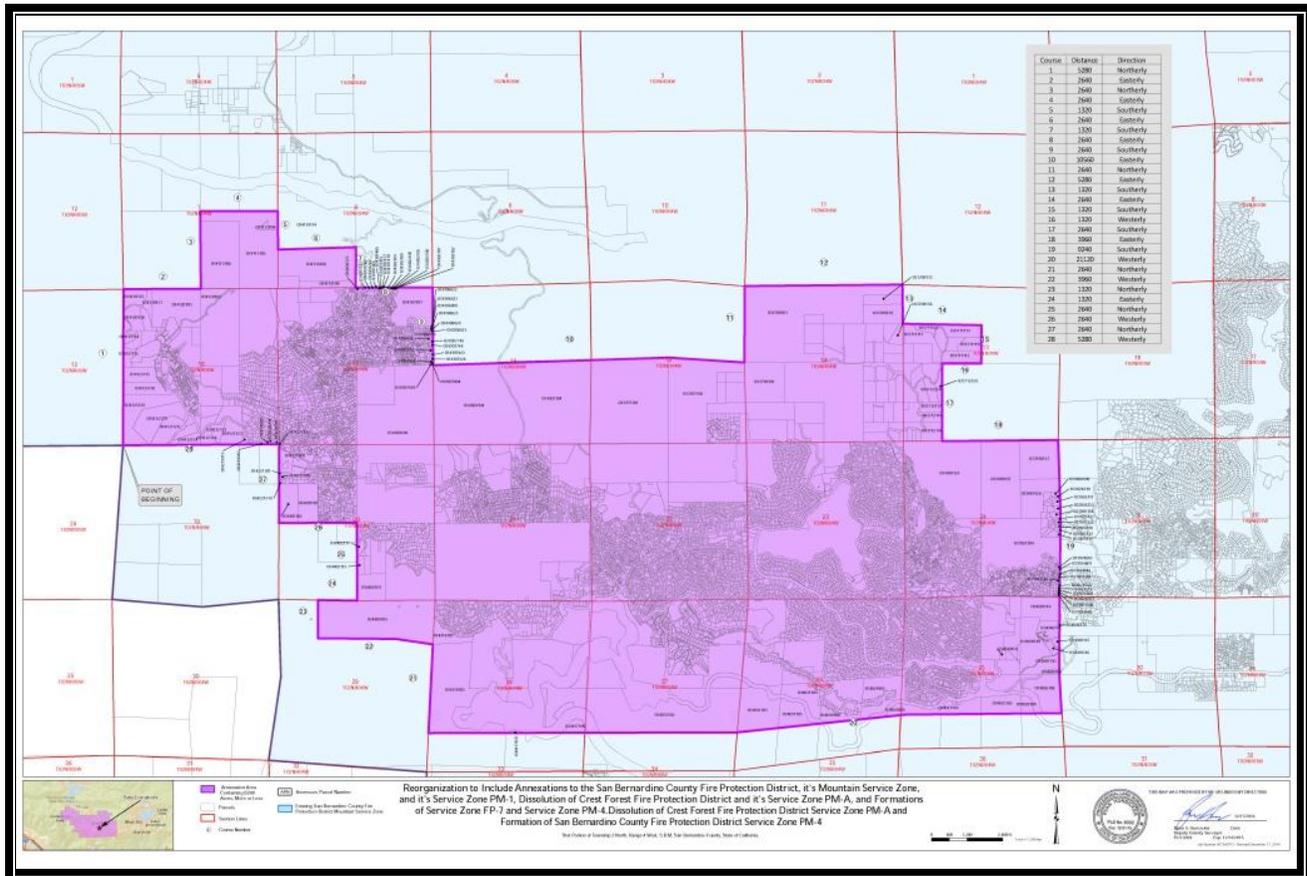
At the May 2013 hearing, the Commission determined that the contract for service between County Fire and the Crest Forest FPD was exempt from the provisions of Government Code Section 56133 (SC#376) since the area was outside the sphere of influence of County Fire. This allowed for the two agencies to finalize the contract agreement which was signed by the District in June 2013 and by County Fire in July 2013.

At the close of the first fiscal year of operation, the District began to look at the potential service reductions that would be necessary pursuant to the contract as the cost for contract administration and the payment schedule agreed to in the contract for supplemental retirement payments were affecting the boots on the ground aspect of the contract. In discussion with County Fire Administration, the County Administrative Office, and the District it was determined that the best course of action was to annex the territory to County Fire and dissolve the Crest Forest FPD.

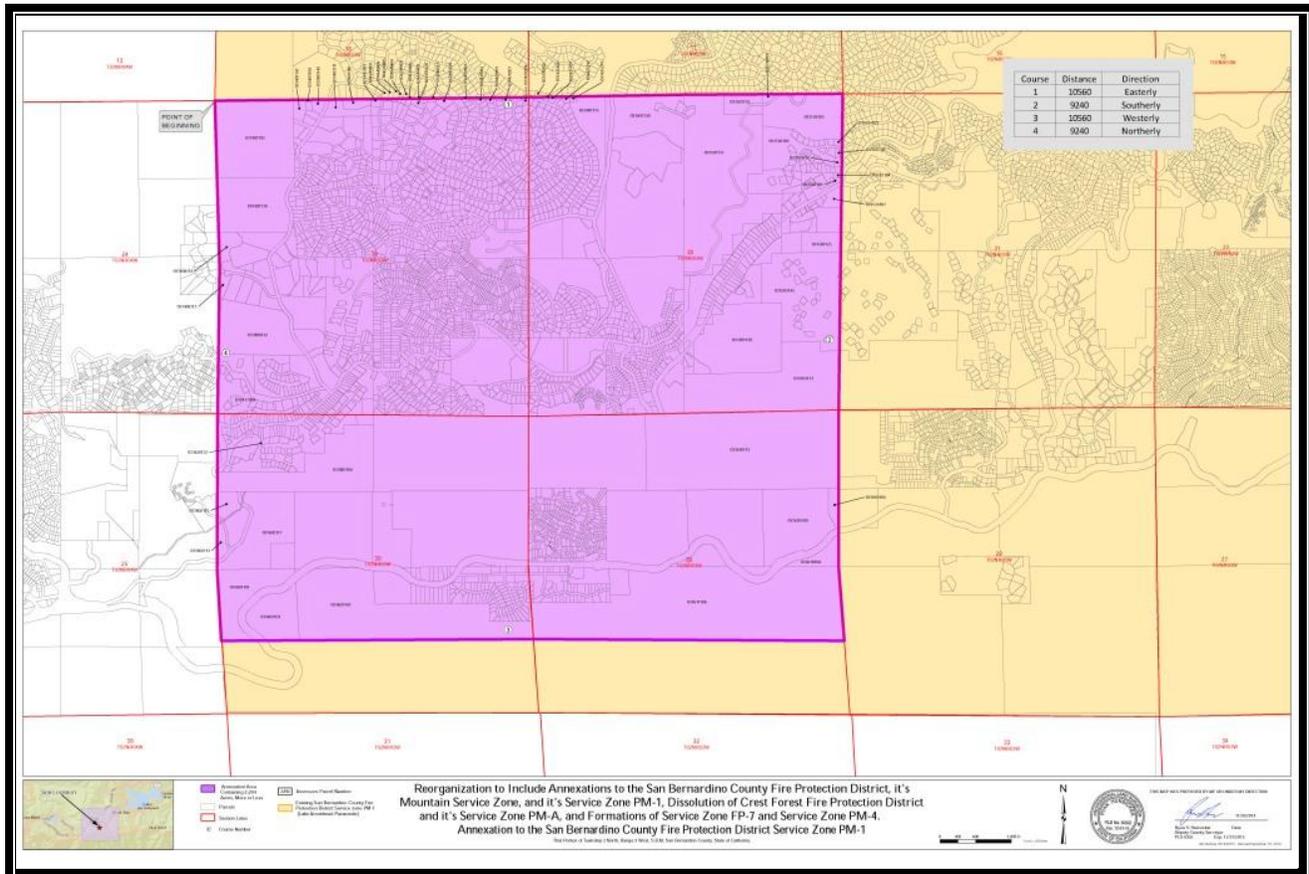
In discussion with LAFCO staff regarding filing the application, it was determined that the reorganization would require several elements in order to complete the changes necessary for transition. First, the District service area would be annexed to the County Fire and its Mountain Service Zone. The reorganization proposal as submitted is shown on the maps below; first the overall annexation to County Fire and the Dissolution of Crest Forest FPD:



Next is the formation of a new Service Zone to reflect the area of the Crest Forest FPD Service Zone PM-A to allow for transfer of the special tax to supplement paramedic funding. This boundary excludes the eastern 3.4 square miles of the District as they are a part of a separate service zone. The area is shown below:



Finally, the area of the Crest Forest FPD Service Zone PM-1 was to be annexed to the existing County Fire Service Zone PM-1. In 2008 when the County Fire Reorganization was completed, it deleted this area of the existing CSA 70 Zone PM-1 as it was within the boundaries of the independent Crest Forest FPD and could not be made a part of the County Fire except through a detachment process. Detachment was not supported by Crest Forest FPD at that time. The map below shows the area of the proposed annexation:



At the time the application was submitted, LAFCO staff was of the understanding that there was an existing contract between the Crest Forest FPD and the San Bernardino County Employees Retirement Association (SBCERA) to repay the retirement obligations of the transferred Crest Forest FPD employees. Based upon this understanding, the proposal was circulated for review and comment with the formation of a new Service Zone FP-7 as an element of the consideration to isolate this debt. However, during the processing of the application it was learned that the contractual relationship related to the supplemental payments outlined in the service contract for unfunded retirement purposes was between County Fire and the District, not the SBCERA. Therefore, there is no requirement to create the Zone since there is no contractual obligation to be addressed with SBCERA. However, the transfer of the obligations for payment to maintain employer pool percentages are discussed in detail in the finance section in this report as it is proposed that the responsibility will be transferred to the Mountain Service Zone for the balance of the 20-year obligation. LAFCO staff has modified the proposal to eliminate this formation consideration.

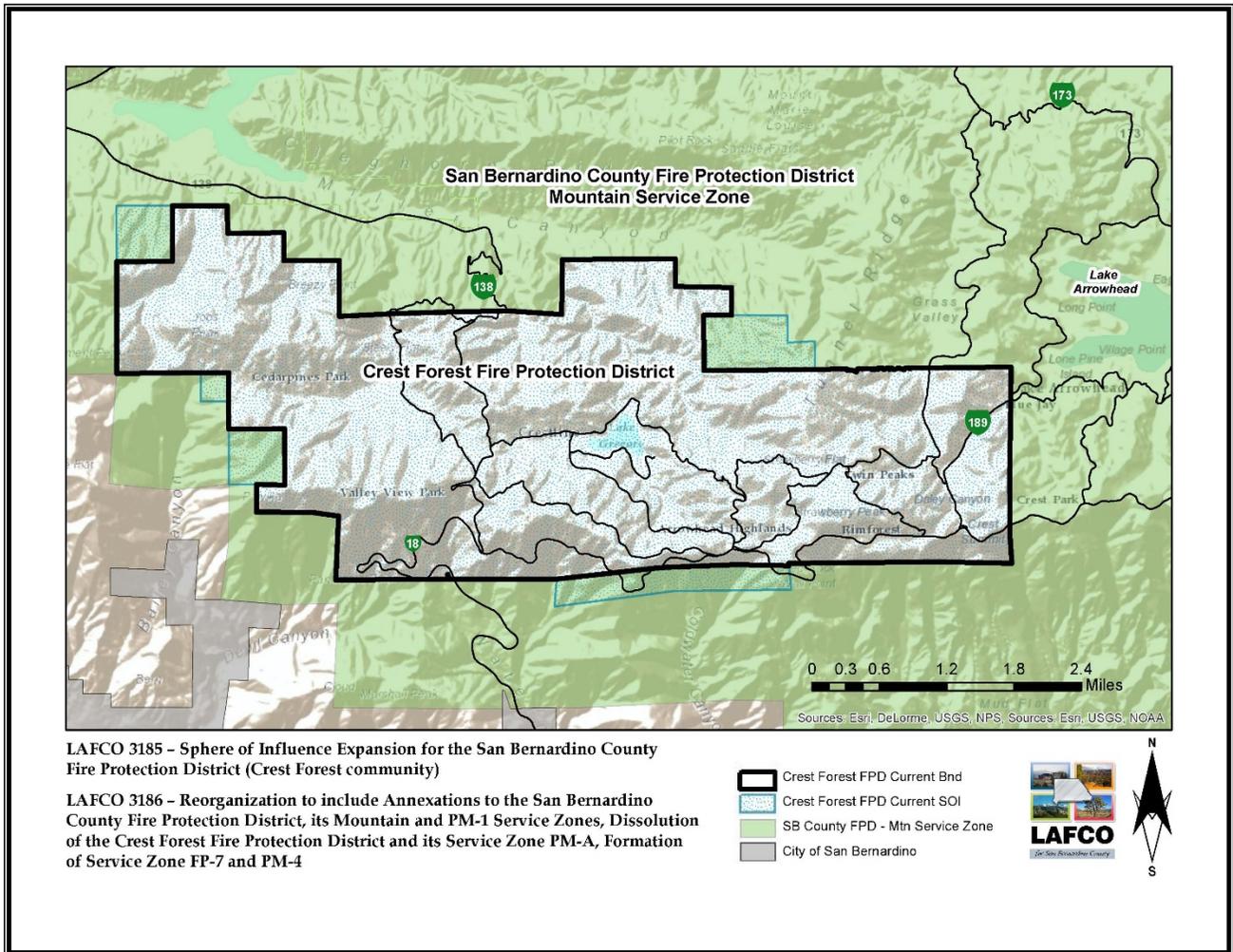
The narrative which follows provides a discussion of the mandatory factors the Commission is required to review as set forth in Government Code Section 56000 et al. The narrative provides a more detailed discussion of the various specific aspects of the reorganization and its specific transition elements proposal from this snapshot in time. As with all applications for jurisdictional change, the Commission's review will center on determinations related to the following:

1. **BOUNDARIES:** Do the boundaries presented for the reorganization represent a division which makes sense from a service delivery perspective for current and future growth? Are the boundaries definite, certain and easily recognizable? Do the boundaries promote efficient and effective service delivery?
2. **LAND USE:** Will approval of the proposal affect the land use authority or the decisions upon land use options?
3. **FINANCIAL AND SERVICE CONSIDERATIONS:** Does the reorganization represent the best available service option for the affected communities? Does it provide for a more efficient and effective form of government? Can the annexing or successor district continue to provide the level of services which existed prior to the change? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?
4. **ENVIRONMENTAL:** Will the proposed reorganization have an adverse environmental effect that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

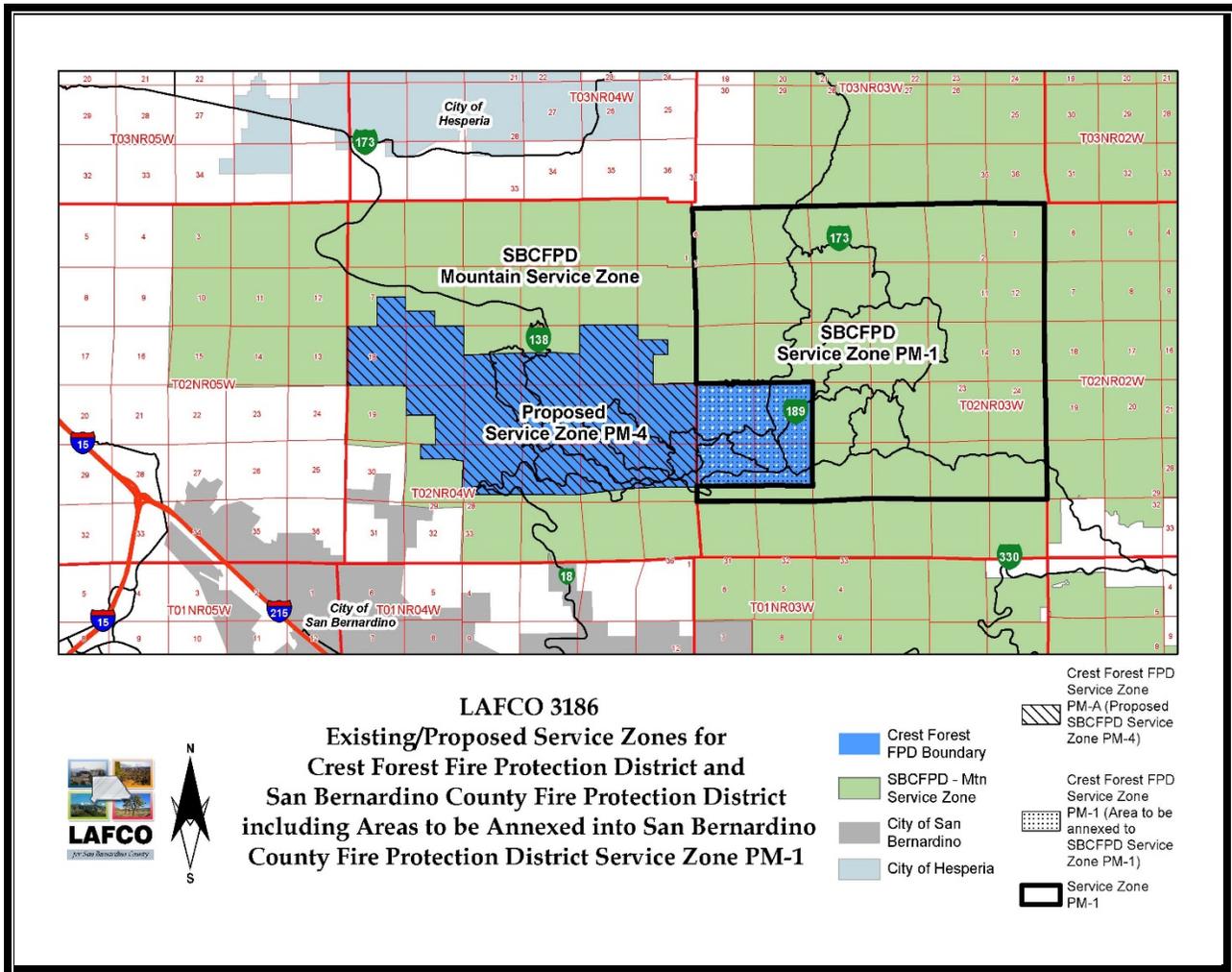
However, as has been noted before, the devil is always in the details and the conditions of approval to allow for a smooth transition and transfer of assets, obligations and responsibilities are numerous. As with most considerations presented to the Commission, the final determination of success or failure ultimately rests with the registered voters of the District. LAFCO 3186 proposes a solution to the financial constraints that have been experienced in the Crest Forest community in regard to its fire protection and emergency response services should the Commission chose to approve the application as modified by the staff.

### **BOUNDARY DISCUSSION:**

The proposal, as submitted by the District, anticipates the annexation of the entirety of the District to County Fire and its Mountain Service Zone. The Mountain Service Zone is the defined successor district to receive the assets and liabilities, responsibilities and obligations of the District as it provides for the “boots on the ground” operations within the Mountain region. The map which follows provides the topographic relief for the area which represents a clear and efficient service delivery boundary.



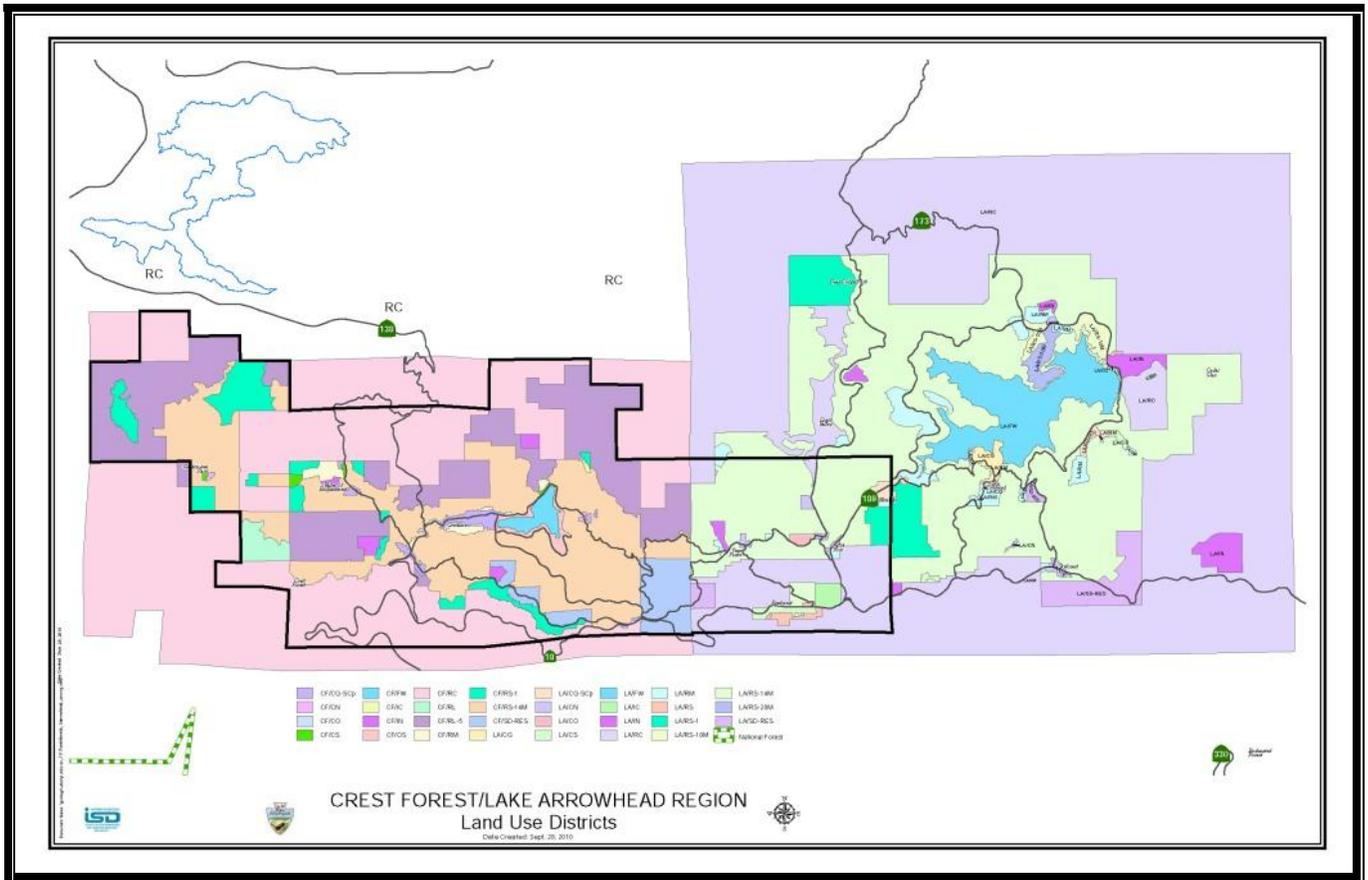
The proposal also provides for the dissolution of the existing Service Zone PM-A of Crest Forest FPD and the concurrent formation of Service Zone PM-4 of the SBCFPD to transfer the special tax for supplemental paramedic funding. The boundaries of the proposed Service Zone PM-4 exclude the eastern 3.5 square miles of the District as they are in a different service zone for a different paramedic special tax. The final element is the dissolution of the Crest Forest FPD Service Zone PM-1 and annexation to the existing SBCFPD Service Zone PM-1. The boundaries for these changes are shown below:



Based upon the review of this proposal, it is staff's position that LAFCO 3186 provides for a definite and certain boundary as required by LAFCO law for all the affected successor agencies and newly formed Service Zone.

**LAND USE:**

The review and approval of LAFCO 3186 will have no direct effect on the land use designations assigned by the County. It will, however, assist in implementing the goals as established by the County General Plan Update which are to require the delivery of a safe and sustainable emergency response system for the mountain communities. The following figure is an excerpt of the map presented in the service review and identifies the existing land uses within the reorganization area:



The Southern California Associated Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5 and approval of LAFCO 3186 will have no direct impact on those determinations.

**SERVICE CONSIDERATIONS AND FINANCIAL EFFECTS:**

The questions related to the service considerations and financial effects of LAFCO 3186 are the heart of the issue for Commission consideration. In the staff view, and that of LAFCO law, it is the responsibility of the Commission to determine whether or not the proposal will provide for an efficient and effective delivery of fire protection and emergency response to this mountain community. In addition the Commission will need to determine that delivery system is sustainable given the financial issues the Crest Forest FPD has encountered in the past. What is meant by the term “sustainable”? In the staff view, it means can the Mountain Service Zone continue to provide for the level of service contemplated for the foreseeable future. Commission policies require that the Plan for Service submitted as a part of the application contain a financial impact analysis using a projection of five years. So the task for the Commission is to evaluate the information which has been provided for the operations and answer the questions of:

Does the change represent the best available service option for the community? Does it provide for a more efficient and effective form of government? Can the successor entity continue to provide the level of services which were previously provided by the Crest Forest FPD during its 86 year existence? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?

Upon receipt of the application initiated by the District, the materials were circulated for review and comment. Questions were raised regarding the projections for funding the operations, transfer and assignment of responsibilities and facilities among other things. In response, County Fire submitted a revised Plan for Service and Fiscal Impact Analysis, a copy is included as a part of Attachment #3. It is this material that is evaluated in the service and financial considerations discussion which follows.

### **SERVICE CONSIDERATIONS:**

Effective July 1, 2013 County Fire became the service provider within Crest Forest FPD by contract, but the responsibility for management operations remained with the District. LAFCO 3186 proposes to permanently change the jurisdiction for this area, expanding the jurisdictional boundaries of County Fire to encompass the service area of the Crest Forest FPD. While the contract has outlined how County Fire will serve the community, a jurisdictional change must address the transfer of these services and respond to any questions or concerns related to the proposal.

First, the Commission is to designate the successor district for the service delivery to be the Mountain Service Zone of County Fire. The SBCFPD is the parent district, administrative arm, of the Board-governed fire district. The region structure underneath County Fire provides for the tailoring of service delivery to the unique region composition: the Valley Region with a metropolitan urban density fire delivery system, the Mountain Region with an urban forest area with a year-round population and the two Desert Regions with vastly different population needs; one with the I-15/I-40 transportation composed of truck and rail traffic and the other with the Colorado River recreational activities and isolated desert regions. Transferring the responsibility of Crest Forest FPD to the Mountain Service Zone of SBCFPD will allow for the allocation of resources within the western portion of the mountain region based upon need, not limited to jurisdiction. Conditions have been included in the staff recommendation to designate the successor district and to address the assignment of responsibilities.

During the staff review process, one concern was expressed related to the transfer of responsibility for ambulance transport operations within Exclusive Operating Area (EOA) 10 by the Inland Counties Emergency Medical Agency (ICEMA). The Executive Director of ICEMA submitted the request for inclusion of a specific condition of approval related to the transfer and the necessity for a new operating agreement to be signed before it would recognize the authority of the Mountain Service Zone to continue operating EOA 10 (copy included as Attachment #4 to this report). County Fire responded that it did not believe such a condition was appropriate and declined to agree to the inclusion of the condition of

approval submitting its letter of February 13, 2015 stating it agreed to assignment as the successor agency (copy included as a part of Attachment #4). LAFCO staff met on two separate occasions with the entities in an effort to resolve the conflict and conferred with LAFCO Legal Counsel to craft a response to allow for the continuation of the Memorandum of Understanding Agreement No. 06-1049 between the Crest Forest FPD and ICEMA. Subsequently, a letter was received from County Executive Officer Gregory Devereaux identifying that he would be recommending to the Board of Supervisors, governing body of both ICEMA and County Fire, approval of the necessary steps to transfer Agreement NO. 06-1049 under the terms outlined in Section XXXI. With this transfer hurdle crossed, staff is recommending that the Commission include a condition of approval outlining the process and the requirement that the signed statements be provided prior to the issuance of the Certificate of Completion for the reorganization. The language is:

- Upon the effective date of the reorganization, the successor agency for the ambulance services provided within Exclusive Operating Area (EOA) 10 by the dissolving Crest Forest FPD, the Mountain Service Zone of SBCFPD, shall function under Division 2.5 of the California Health and Safety Code for the provision of ambulance services as authorized by the Local Emergency Medical Services Agency (LEMSA), the Inland Counties Emergency Medical Authority (ICEMA) within the territory subject to this reorganization. ICEMA is authorized to grant and enforce EOAs pursuant to Section 1797.224 and 1797.226 of the California Health and Safety Code. The subject reorganization shall not reduce the geographic size, scope or boundaries of existing EOA 10 as defined by ICEMA and granted to the dissolving Crest Forest FPD, through Memorandum of Understanding Agreement No. 06-1049 and all the terms and conditions outlined in said agreement shall be assigned to the Successor District. Prior to the effective date of this reorganization including dissolution, ICEMA and the Mountain Service Zone of SBCFPD shall provide to the Local Agency Formation Commission written authorization for the assignment of the responsibilities associated with EOA 10 from Crest Forest FPD to the Mountain Service Zone of the SBCFPD pursuant to the terms of Memorandum of Understanding Agreement No. 06-1049 Section XXXI;

### **FINANCIAL EFFECTS:**

The Crest Forest FPD submitted a Plan for Service along with a fiscal impact analysis identifying the expenditures and revenues for transferring its service responsibility to the Mountain Service Zone of SBCFPD. Following that County Fire provided a revised Plan for Service and Fiscal Impact Analysis identifying the service delivery patterns upon successful completion of LAFCO 3186. The following narrative will address the revised Plan for Service.

To begin this review, it is important to understand the financial position of the Crest Forest FPD and its desire to move forward with transferring its responsibilities to County Fire. Staff has taken information from the audits prepared for the District to provide an overview of the past seven (7) years of finances. These are shown below:

CREST FOREST FIRE PROTECTION DISTRICT							
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE - GOVERNMENT FUNDS							
	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<b>REVENUES</b>							
Property Taxes and Assessments*	\$ 4,234,539	\$ 4,437,535	\$ 4,261,972	\$ 4,113,635	\$ 3,931,072	\$ 3,929,615	\$ 4,027,733
Charges for Services	\$ 337,568	\$ 353,420	\$ 298,804	\$ 312,445	\$ 353,347	\$ 335,366	\$ 255,858
Other	\$ 251,802	\$ 329,900	\$ 110,478	\$ 146,159	\$ 298,341	\$ -	\$ -
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 367,691	\$ -
Interest	\$ 88,873	\$ 38,572	\$ 17,738	\$ 16,445	\$ 6,730	\$ 6,632	\$ 4,105
Grants	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 71,624
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 997	\$ -
<b>Total Revenues</b>	<b>\$ 4,912,782</b>	<b>\$ 5,159,427</b>	<b>\$ 4,688,992</b>	<b>\$ 4,588,684</b>	<b>\$ 4,589,490</b>	<b>\$ 4,640,301</b>	<b>\$ 4,359,320</b>
<b>EXPENDITURES</b>							
Salaries and Benefits	\$ 4,294,801	\$ 4,569,116	\$ 4,282,128	\$ 3,973,103	\$ 4,174,256	\$ 4,114,088	\$ 871,075
Services and Supplies	\$ 598,440	\$ 621,340	\$ 509,492	\$ 450,702	\$ 497,843	\$ 506,528	\$ 3,477,609
Capital Outlay	\$ 55,722	\$ 126,955	\$ 10,442	\$ 14,229	\$ 25,373	\$ 5,667	\$ -
Debt Service:							
Principal	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,800	\$ 63,700
Interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 127,924	\$ 123,635
<b>Debt Service Total</b>	<b>\$ 183,370</b>	<b>\$ 181,551</b>	<b>\$ 184,731</b>	<b>\$ 243,366</b>	<b>\$ 190,116</b>	<b>\$ 185,724</b>	<b>\$ 187,335</b>
<b>Total Expenditures</b>	<b>\$ 5,132,333</b>	<b>\$ 5,498,962</b>	<b>\$ 4,986,793</b>	<b>\$ 4,681,400</b>	<b>\$ 4,887,588</b>	<b>\$ 4,812,007</b>	<b>\$ 4,536,019</b>
Excess Revenues over (under) Expenditures	\$ (219,551)	\$ (339,535)	\$ (297,801)	\$ (92,716)	\$ (298,098)	\$ (171,706)	\$ (176,699)
<b>Other Sources (Uses)</b>							
Proceeds from Sale of Assets	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 129,831
Operating Transfers In	\$ 569	\$ 209,868	\$ 372,222	\$ 207,483	\$ 178,705	\$ 240,000	\$ 977,682
Operating Transfers Out	\$ (569)	\$ (209,868)	\$ (372,222)	\$ (207,483)	\$ (178,705)	\$ (240,000)	\$ (977,682)
<b>Total Other Sources (Uses)</b>	<b>\$ -</b>						
Excess Revenues and Other Source over (under) Expenditures	\$ (219,551)	\$ (339,535)	\$ (297,801)	\$ (92,716)	\$ (298,098)	\$ (171,706)	\$ (46,868)
Fund Balance (Beginning)	\$ 1,873,114	\$ 1,653,563	\$ 1,314,028	\$ 1,016,227	\$ 923,511	\$ 625,413	\$ 453,707
Fund Balance (Ending)	\$ 1,653,563	\$ 1,314,028	\$ 1,016,227	\$ 923,511	\$ 625,413	\$ 453,707	\$ 406,839

\*Assessments are the Special Taxes of PM-A and PM-1

The contractual relationship between County Fire and Crest Forest FPD began with the 2013-14 Fiscal Year. As the chart above illustrates for the five years preceding the contract effective date, the District had operated at a deficit tapping into reserves to balance the budget and continue operations. The 2014-15 Fiscal Year required the transfer of the balance of reserve funds to continue the operations of the District (\$231,091 for Board of Directors, audits, LAFCO apportionment and other District requirements) and the contract with County Fire (\$4,299,040) for a total budget of \$4,530,131, approximately \$6,000 less than the FY 2013-14 actual expenditures. However, going forward there will be less funding available for direct service as the requirement for the retirement subsidy payment approved in the contract and contract administration costs increase annually. The District's forecast is that it will end FY 2014-15 with approximately \$2,000 in reserves, making it unable to continue the level of direct service delivery to the community. This determination was made as the contract specifies that the services will be provided within the financial constraints of the district and the retirement and administrative costs must be paid.

The materials submitted by County Fire as the amended Plan for Service identify that through the elimination of the Crest Forest FPD operational requirements and the County administrative costs, the services within the area can be maintained for the five-year horizon identified. Staff's analysis of this revised material has identified one concern that it did not show the full cost for the 2014-15 Fiscal Year as it excluded the operational requirements for Crest Forest FPD operations as an independent special district. Staff has revised the material to include this with the assumption that there will be no fund balance to carry into the first full year of operations, FY 2015-16. The staff's revised fiscal impact analysis spreadsheet is shown below:

Crest Forest Five-Year Financial Analysis	2014 SBCFPD Position Staffing & 2015 Proposed Staffing	2014 SBCFPD Current contract Costs and Crest Forest Admin	2015 SBCFPD Proposed Staffing	2016 SBCFPD Proposed Staffing	2017 SBCFPD Proposed Staffing	2018 SBCFPD Proposed Staffing	2019 SBCFPD Proposed Staffing	2020 SBCFPD Proposed Staffing
<b>Staffing</b>								
<b>Station 25 - ME/MT &amp; MA</b>								
Captain	3	\$ 549,702.00	\$ 563,444.55	\$ 577,530.66	\$ 591,968.93	\$ 606,768.15	\$ 621,937.36	\$ 637,485.79
Engineer	3	\$ 486,894.00	\$ 499,066.35	\$ 511,543.01	\$ 524,331.58	\$ 537,439.87	\$ 550,875.87	\$ 564,647.77
Limited Term/EMT (LT)	3	\$ 128,130.00	\$ 128,130.00	\$ 128,130.00	\$ 128,130.00	\$ 128,130.00	\$ 128,130.00	\$ 128,130.00
Limited Term/Paramedic's (LT)	3	\$ 142,788.00	\$ 142,788.00	\$ 142,788.00	\$ 142,788.00	\$ 142,788.00	\$ 142,788.00	\$ 142,788.00
Chief Officer Differential (2 yr benefit for Crest Forest Fire Chief downgraded to Capt)		\$ 23,000.00						
Administrative Secretary	1	\$ 63,872.00	\$ 65,468.80	\$ 67,105.52	\$ 68,783.16	\$ 70,502.74	\$ 72,265.31	\$ 74,071.94
PCFs	varies	\$ 11,812.00	\$ 5,000.00	\$ 5,125.00	\$ 5,253.13	\$ 5,384.45	\$ 5,519.06	\$ 5,657.04
<b>Station 26 - ME26 &amp; MA26</b>								
Captain	3	\$ 549,702.00	\$ 563,444.55	\$ 577,530.66	\$ 591,968.93	\$ 606,768.15	\$ 621,937.36	\$ 637,485.79
Engineer	3	\$ 486,894.00	\$ 499,066.35	\$ 511,543.01	\$ 524,331.58	\$ 537,439.87	\$ 550,875.87	\$ 564,647.77
FF/PM	FMZ*							
Limited Term/EMT's (LT)	FMZ*							
Total Count of Employees	19							
<b>Total Salary and Benefits</b>		<b>\$ 2,442,794.00</b>	<b>\$ 2,466,408.60</b>	<b>\$ 2,521,295.87</b>	<b>\$ 2,577,555.32</b>	<b>\$ 2,635,221.24</b>	<b>\$ 2,694,328.83</b>	<b>\$ 2,754,914.10</b>
<b>Services and Supplies</b>								
Services and Supplies - (2000-2099)		\$ 748,697.00	\$ 614,915.00	\$ 627,213.30	\$ 639,757.57	\$ 652,552.72	\$ 665,603.77	\$ 678,915.85
Data Processing and Travel (appr 241 and 294)		\$ 2,980.00	\$ 3,039.60	\$ 3,100.39	\$ 3,162.40	\$ 3,225.65	\$ 3,290.16	\$ 3,355.96
SBCERA Obligation - (3015)		\$ 426,855.00	\$ 443,928.66	\$ 461,685.81	\$ 480,153.24	\$ 499,359.37	\$ 519,333.74	\$ 540,107.09
Debt Service Interest (3330)		\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00	\$ 7,500.00
Lease Payment - COPs (4000-4095)		\$ 185,590.00	\$ 182,717.40	\$ 184,437.50	\$ 190,885.00	\$ 191,624.90	\$ 192,165.10	\$ 197,338.10
Transfers - (5000-5030)		\$ 255,738.00	\$ 333,190.00	\$ 341,519.75	\$ 350,057.74	\$ 358,809.19	\$ 367,779.42	\$ 376,973.90
Admin Overhead Costs from Crest Forest to County Fire		\$ 228,886.00						
<b>Total Contract Appropriations</b>		<b>\$ 4,299,040.00</b>	<b>\$ 4,051,699.26</b>	<b>\$ 4,146,752.62</b>	<b>\$ 4,249,071.27</b>	<b>\$ 4,348,293.07</b>	<b>\$ 4,450,001.02</b>	<b>\$ 4,559,105.00</b>
<b>Crest Forest Independent District Operation Expenditures</b>		<b>\$ 231,091.00</b>						
<b>TOTAL DISTRICT EXPENDITURES</b>		<b>\$ 4,530,131.00</b>						
<b>Revenues</b>								
<b>Taxes</b>			<b>1%</b>	<b>1.50%</b>	<b>2.00%</b>	<b>2.000%</b>	<b>2.000%</b>	<b>2.00%</b>
Prop Taxes - Curr Sec Debt Svc - (8015)		\$ 3,025,000.00	\$ 3,055,250.00	\$ 3,101,078.75	\$ 3,163,100.33	\$ 3,226,362.33	\$ 3,290,889.58	\$ 3,356,707.37
Prop Taxes Cur Unsec 1% Gen Tax - (8025)		\$ 134,000.00	\$ 135,340.00	\$ 137,370.10	\$ 139,430.65	\$ 142,254.12	\$ 145,134.77	\$ 148,763.14
Prop Tax Cur Unitary 1% Levy - (8035)		\$ 120,000.00	\$ 121,200.00	\$ 123,018.00	\$ 124,863.27	\$ 127,391.75	\$ 129,971.43	\$ 133,220.72
Prop Tax Pri Sec 1% Gen Tax Lvy - (8115)		\$ 50,000.00	\$ 50,500.00	\$ 51,257.50	\$ 52,026.36	\$ 53,079.90	\$ 54,154.76	\$ 55,508.63
Prop Tax Pri Unsec 1% Gen Tax - (8125)		\$ 5,000.00	\$ 5,050.00	\$ 5,125.75	\$ 5,202.64	\$ 5,307.99	\$ 5,415.48	\$ 5,550.86
Int & Pen Delinquent Taxes - (8145)		\$ 56,000.00	\$ 56,560.00	\$ 57,408.40	\$ 58,269.53	\$ 59,449.48	\$ 60,653.34	\$ 62,169.67
Special Assmt Pr. - (8155)		\$ 35,000.00	\$ 35,350.00	\$ 35,880.25	\$ 36,418.45	\$ 37,155.93	\$ 37,908.33	\$ 38,856.04
Special Assmt - (8160)		\$ 446,000.00	\$ 400,000.00	\$ 406,000.00	\$ 412,090.00	\$ 420,434.82	\$ 428,948.63	\$ 439,672.34
Supp Roll Current - (8230)		\$ 15,000.00	\$ 15,150.00	\$ 15,377.25	\$ 15,607.91	\$ 15,923.97	\$ 16,246.43	\$ 16,652.59
Supp Roll Prior - (8235)		\$ 12,000.00	\$ 12,120.00	\$ 12,301.80	\$ 12,486.33	\$ 12,739.18	\$ 12,997.14	\$ 13,322.07
<b>Other Revenue</b>								
Interest Earned - (8500)		\$ 3,000.00	\$ 2,000.00	\$ 2,030.00	\$ 2,060.45	\$ 2,102.17	\$ 2,144.74	\$ 2,198.36
Gen Tax Levy Homeowner Exm - (8800)		\$ 42,000.00	\$ 42,420.00	\$ 43,056.30	\$ 43,702.14	\$ 44,587.11	\$ 45,490.00	\$ 46,627.25
Ambulance Service Fees - (9470)		\$ 250,000.00	\$ 252,500.00	\$ 256,287.50	\$ 260,131.81	\$ 265,399.48	\$ 270,773.82	\$ 277,543.17
Other Revenue - (9970) Verizon Cell Tower Lease		\$ 26,160.00	\$ 23,400.00	\$ 23,400.00	\$ 23,400.00	\$ 23,400.00	\$ 23,400.00	\$ 23,400.00
Operating Transfers IN from Crest Forest Fire Reserve Funds - 9975 (one time only)		\$ 310,971.00						
<b>Total Revenues</b>		<b>\$ 4,530,131.00</b>	<b>\$ 4,206,840.00</b>	<b>\$ 4,269,591.60</b>	<b>\$ 4,348,789.87</b>	<b>\$ 4,435,588.24</b>	<b>\$ 4,524,128.46</b>	<b>\$ 4,620,192.22</b>
<b>Total Revenues less Appropriations</b>		<b>\$ -</b>	<b>\$ 155,140.74</b>	<b>\$ 122,838.98</b>	<b>\$ 99,718.60</b>	<b>\$ 87,295.17</b>	<b>\$ 74,127.44</b>	<b>\$ 61,087.22</b>

The notes attached to the spreadsheet are an important component for understanding. They are:

\*FMZ shared resource, stationed at FS26

Note: S&B 14-16 MOU

Note: Step increase is based on 2.5% increase per year and Svc/Supplies are based on 2% increase per year

- Note: LAFCO staff has revised the increases to 1%, 1.5%, and 2.0% projected revenue increase based upon the statutory limitation on increases on ad valorem taxes
- Note: "Other Revenue" (9970) is income from the Verizon Cell Tower located at FS25
- Note: Transfers (5000-5030) represents share of DC, BCs and office staff (these cost shares will remain the same when annexed); as well as share of training expenses, SCBA program and safety gear pool program
- Note: Captains and Engineers salaries represent current average of wages earned from actual employees stationed at Crest Forest fire stations at time of budgeting for FY 14/15
- Note: PCF added (FY 14/15 budget of \$11,812 with estimated \$5k spent)
- Note: Chief Officer Differential of \$23k is a 2 year agreement within the contract to pay the outgoing Fire Chief for Crest Forest going to County Fire Captain a lost wage differential
- Note: Admin Overhead costs go away with annexation
- Note: Operating Transfers In (9975) represents all Crest Forest Reserve funds being depleted and transferred in to MCG to help pay for the contract and other extraneous costs that the district incurred
- Note: Variance from 2014 Contract services/supplies to 2015 is that training costs of \$56,330 will not be a cost anymore under annexation and other costs totaling \$77,452 are moved to the 5000 series for 2015 and beyond
- Note: Special Assessment - (8160) represents PM-A and PM-1 in 2014 contract and only PM-A in 2015 and subsequent years under annexation due to PM-1 funds having to be transferred to existing Zone PM-1

### **UNFUNDED RETIREMENT OBLIGATIONS:**

As a part of the negotiations for the contract with County Fire, the employees of the Crest Forest FPD were to be transferred to the County's Safety retirement pool. Since the District's unfunded pension obligation would transfer based upon the acceptance of the employees, the requirement was that a subsidy be paid by Crest Forest FPD, as a part of the contract for service, to defray the need for the pool's employer contribution rate to increase. The negotiations arrived at an actuarially driven 20-year subsidy payment that includes a compounded 4% annual increase. The contract established a schedule for the payments and as a function of this reorganization, the obligation is to be transferred to a successor agency. Originally, LAFCO staff was of the understanding that this payment was a contractual obligation between SBCERA and Crest Forest FPD. However, further review determined that the obligation was to County Fire upon the acquisition of the employees. In order to maintain the employer rates for others in the Safety Pool (Sheriff Employees, probation officers, etc.) the payments schedule is to be assigned to the Mountain Service Zone for the balance of the twenty year period.

The Commission has expressed its concern in the past related to unfunded retirement obligations. In order to provide the complete picture for employer retirement costs through this reorganization, staff has developed the chart below which provides a snapshot based upon known retirement rates at this time. The information identifies the transfer payments for the 20-year period agreed to in the contract to offset increases to the safety pool contribution rate, what the current employer contribution rates covers (normal retirement cost

and a contribution toward payment of unfunded liability) and then provides a dollar figure for the annual retirement costs. Of note, from 2026 through 2033 the salary rates have been applied at the same amount based upon the salary schedule of 11 steps completed. The highlighted area on the chart below is the funding for unfunded liability required of the employer.

<b>CREST FOREST - EMPLOYER CONTRIBUTION</b>										
FISCAL YEAR	TRANSFER PAYMENT	50% of		County Safety: Employer Contribution Rate			County Safety: Employer Contribution Cost			Total Paid to SBCERA
		SAL & BEN	SAL & BEN	NORMAL COST	UAAL	TOTAL	NORMAL COST	UAAL	TOTAL	
2013				19.24%	17.15%	36.39%				
2014	\$ 410,437	\$ 2,073,192	\$ 1,036,596	19.73%	20.26%	39.99%	\$ 204,520	\$ 210,014	\$ 414,535	\$ 824,972
2015	426,854	2,125,022	1,062,511	19.88%	23.27%	43.15%	211,227	247,246	458,473	885,327
2016	443,928	2,178,147	1,089,074	22.06%	27.03%	49.09%	240,250	294,377	534,626	978,554
2017	461,685	2,232,601	1,116,301	22.06%	27.03%	49.09%	246,256	301,736	547,992	1,009,677
2018	480,152	2,288,416	1,144,208	22.06%	27.03%	49.09%	252,412	309,279	561,692	1,041,844
2019	499,358	2,345,626	1,172,813	22.06%	27.03%	49.09%	258,723	317,011	575,734	1,075,092
2020	519,332	2,404,267	1,202,134	22.06%	27.03%	49.09%	265,191	324,937	590,127	1,109,459
2021	540,105	2,464,374	1,232,187	22.06%	27.03%	49.09%	271,820	333,060	604,881	1,144,986
2022	561,709	2,525,983	1,262,992	22.06%	27.03%	49.09%	278,616	341,387	620,003	1,181,712
2023	584,177	2,589,133	1,294,566	22.06%	27.03%	49.09%	285,581	349,921	635,503	1,219,680
2024	607,544	2,653,861	1,326,931	22.06%	27.03%	49.09%	292,721	358,669	651,390	1,258,934
2025	631,846	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,299,521
2026	657,120	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,324,795
2027	683,405	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,351,080
2028	710,741	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,378,416
2029	739,171	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,406,846
2030	768,738	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,436,413
2031	799,488	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,467,163
2032	831,468	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,499,143
2033	864,727	2,720,208	1,360,104	22.06%	27.03%	49.09%	300,039	367,636	667,675	1,532,402
<b>TOTAL</b>	<b>\$ 12,221,985</b>		<b>\$ 25,181,245</b>				<b>\$ 5,507,667</b>	<b>\$ 6,696,363</b>	<b>\$ 12,204,030</b>	<b>\$ 24,426,015</b>
<b>Transfer Payment (\$12,221,985) plus UAAL Employer Contribution (\$6,696,363) equals</b>						<b>\$ 18,918,348</b>				
2017 retirement rate holds steady due to lack of projection data										
2026 salary & benefits holds steady due to 11 steps being obtained										

In order to address the continuation of the payments, the following condition of approval is proposed for Commission approval:

Upon the effective date of the reorganization, the Mountain Service Zone, as Successor District, shall specifically succeed to the supplemental retirement payments identified as Section 18 of Contract 13-555 between the Crest Forest FPD and SBCFPD. Specifically, the Mountain Service Zone of SBCFPD shall pay to the San Bernardino County Employees Retirement Association (SBCERA) the remaining 18 years of payments equal to the calculation by SBCERA and its actuary based on the June 30, 2012 actuarial study, including a four percent (4%) annual compounded increase. The amounts defined as the required annual payment and the status of payments are shown on the chart below:

Due December 31 of each Fiscal Year	Payment to be transferred	
2013	\$ 410,437	paid
2014	426,854	paid
2015	443,928	
2016	461,685	
2017	480,152	
2018	499,358	
2019	519,332	
2020	540,105	
2021	561,709	
2022	584,177	
2023	607,544	
2024	631,846	
2025	657,120	
2026	683,405	
2027	710,741	
2028	739,171	
2029	768,738	
2030	799,488	
2031	831,468	
2032	864,727	
<b>TOTAL</b>	<b>\$ 12,221,985</b>	

It is the position of LAFCO staff that the approval of this reorganization will provide for a continuing delivery of fire protection, emergency medical response and ambulance service to the Crest Forest community at or close to levels received in the past. In an urban forest setting delivery of these services is a health and safety issue to promote the residential, commercial, and recreational attributes of the community. As required by Commission policy and State law, the revised Plan for Service submitted by County Fire shows that the delivery of service can be maintained following reorganization. One cautionary note is that fund balance carried forward in each fiscal year is shown to be dwindling annually and there is less than a 2% fund balance. By FY 2020-21 it is anticipated that the expenditures for operations in this area will require all anticipated revenues and the Mountain Service Zone will need to look to regional economies of scale to continue the range and level of service enjoyed by the western portion of the Service Zone.

The staff supports the reorganization as modified in this report. Now the Commission will need to address the terms and conditions that are required to effectuate the change. Specifically, the terms and conditions will address the transition of service, transfer of obligations, discussion of assignment of special taxes and more. First, staff is recommending that the effective date be set as no earlier than July 1, 2015. This will allow for a clean break in financial and contractual operations and allow for a clean audit trail.

Next, conditions will need to be applied to transfer operations, facilities, and debt to the Mountain Service Zone for continued operation. Approval of the transfer of debt will need to be conditioned in a manner to protect the bond holders as required by State law and to address questions discovered regarding transferability of the Certificate of Participation contract and for the Station 30 special permit with the U.S. Forest Service. Legal Counsel for the Crest Forest FPD has been apprised of these issues and is currently working to address them. A condition of approval is proposed that will defer completion of this change of organization until the signed documents are submitted to LAFCO. Also the assignment of appropriation limit amounts (Gann Limit) have been reviewed and LAFCO staff determined that the separate appropriation limit for the PM-A special tax approved by vote in 1991 has not been separately set each year as required by law. LAFCO staff has developed the calculation necessary to determine the rate to be assigned to the newly formed SBCFPD Service Zone PM-4 of \$1,875,000 (included as a part of Attachment #5) and reflected in the condition of approval presented for Commission consideration.

All in all, a number of specific conditions are needed to accommodate the dissolutions, annexations, and assumption of service. The full range of conditions is outlined as follows:

- Upon the effective date of the reorganization, the San Bernardino County Fire Protection District (SBCFPD) Mountain Service Zone (Mountain Service Zone), as Successor District to the Crest Forest Fire Protection District (Crest Forest FPD), shall succeed and/or be assigned, all rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the dissolving Crest Forest FPD. All property tax revenues attributable to the dissolving agency, prior to calculations required by Section 96.1 of the Revenue and Taxation Code, including delinquent taxes and any and all other collections or assets of the dissolving Crest Forest FPD shall accrue and be transferred to the Successor District pursuant to the provisions of Government Code Section 56810. Said Successor District shall be subject to the terms and conditions contained herein;
- Upon the effective date of the reorganization including dissolution, the newly formed Service Zone PM-4 of SBCFPD shall be the successor agency for the dissolving Crest Forest FPD Service Zone PM-A and shall receive all reserve fund balances to be held for the benefit of the ratepayers of the special tax within the dissolving service zone. Transactions utilizing these funds shall be accounted for and described in the annual audit and/or comprehensive financial reports recognizing Service Zone PM-4 of the SBCFPD. All other cash on hand or reserve funds shall transfer to the Successor District, the Mountain Service Zone for SBCFPD, for use in providing the service to the area of the dissolving Service Zone PM-A;
- Upon the effective date of this reorganization including annexation, the area to be annexed to Service Zone PM-1 of the SBCFPD shall continue to pay the existing special tax for paramedic service currently in effect for that agency

pursuant to Government Code Section 56886(t). All other cash on hand or reserve funds related to the operation of the Crest Forest FPD Zone PM-1 shall transfer to Service Zone PM-1 of SBCFPD;

- Upon the effective date of the reorganization including dissolution, the Successor District shall accept all facilities transferred from the dissolving Crest Forest Fire Protection District in “as is” condition (pursuant to Government Code Section 56886(h)). All system facilities and incidental liabilities, such as accounts payables, contract obligations and customer deposits shall be transferred to the Successor District. All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.), rolling stock, tools, office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the dissolving Crest Forest FPD shall be transferred to the Successor District, Mountain Service Zone of SBCFPD;
- The debt obligations of the dissolving Crest Forest FPD (including but not limited to bond debt and its Certificates of Participation) shall be assigned to the Successor District, the Mountain Service Zone of SBCFPD as authorized by Government Code Section 56886(c). Prior to the effective date of the reorganization a signed statement of transferability of the financial instruments related to the debts of the dissolving district shall be provided to the Local Agency Formation Commission ;
- The existing fees, taxes, assessments, and charges of the Crest Forest FPD and its Service Zones PM-A and PM-1 shall continue as the obligations of the Mountain Service Zone and Service Zones PM-1 and PM-4 of the San Bernardino County Fire Protection District, respectively, as authorized by Government Code Section 56886(b);
- The remaining payments, all rights and interests held or claimed by the dissolving Crest Forest FPD under all agreements and/or memoranda of understanding with any public agency or private entity shall transfer to the Successor District, Mountain Service Zone of the SBCFPD. The Successor District, Mountain Service Zone, shall also assume all joint use, maintenance, automatic aid or mutual aid agreements held by the dissolving Crest Forest FPD [Government Code Section 56886(r)]. Amendments of existing agreements required for successful transfer shall be completed and submitted to the Local Agency Formation Commission prior to the issuance of the Certificate of Completion to address any changes [Government Code Section 56886(r)(v)];
- Upon the effective date of this reorganization, the appropriation limit of the dissolving Crest Forest FPD of \$7,039,517 shall be added to the appropriation limit of the Successor District, Mountain Service Zone of SBCFPD;

- Upon the effective date of this reorganization, the newly formed Service Zone PM-4 shall be assigned an appropriation limit determined to be \$1,875,000, as of July 1, 2015, and the SBCFPD shall be required to annually update and adopt the appropriation limit pursuant to statute;
- Successor Districts, Mountain Service Zone and PM-4 of SBCFPD, as the case may be, shall succeed to all rights, duties, and obligations of the dissolving Crest Forest FPD with respect to the enforcement, performance or payment of any outstanding bonds, including revenue bonds, or other contracts and obligations of the dissolving district. This reorganization shall not impair the rights of any bondholder or creditor of the dissolving Crest Forest FPD;
- Upon the effective date of this reorganization, any funds currently deposited for the benefit of the Crest Forest FPD, its Service Zones PM-A and PM-1 which have been impressed with a public trust, use or purpose shall be transferred to the Successor Districts, Mountain Service Zone and Service Zones PM-4 and PM-1 of SBCFPD respectively, and said districts shall separately maintain such funds in accordance with the provisions of Government Code Section 57462;

The final element that will need to be addressed is that during the transition period State law specifies that the dissolving entity be limited in its authority for expenditures and encumbering obligations. Therefore, staff is recommending that the following condition be included to address this issue which will limit the operation from the point in time that the Commission approves the reorganization (adoption of its resolution) through the effective date proposed to be July 1, 2015.

- As of the date of approval of the reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the Board of Directors of the Crest Forest Fire Protection District shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5:
  - **No Increase in Compensation or Benefits:** No increase in calculation for payment of benefits or compensation for employees of the Crest Forest Fire Protection District and its Board of Directors shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2014-15.
  - **Bound by Current Budget:** Appropriating, encumbering, expending, or otherwise obligating any revenue of the Crest Forest Fire Protection District beyond that provided in the current budget at the time of Commission approval unless agreed to by the Successor District.

Staff would note that the condition includes the proviso that if an issue arises that requires expenditure of funds or the obligation for payment it can be approved if the Successor District agrees. This allows for a mechanism to address unknowns during the transition.

## **ENVIRONMENTAL CONSIDERATIONS**

The Commission is the lead agency for review of the potential environmental consequences of the reorganization evaluated in this report. LAFCO staff has provided the Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, with the application materials and responses provided by the Crest Forest Fire Protection District and the San Bernardino County Fire Protection District. Mr. Dodson has reviewed this proposal and has indicated that it is his recommendation that the reorganization is statutorily exempt from the California Environmental Quality Act (CEQA) (copy of letter included as Attachment #6). This determination is based on the fact that the reorganization will transfer the delivery of fire protection, emergency medical response and ambulance services from one entity to another which will not result in any physical impacts on the environment. Therefore, this action is exempt as defined under Section 15061(b) (3) of the State CEQA Guidelines. It is recommended that the Commission adopt the General Rule Statutory Exemption for this proposal by taking the actions outlined in the recommendation section of this report.

## **DETERMINATIONS**

The following determinations are required to be provided by Commission policy and Government Code Section 56668 for any proposal considered:

1. The County Registrar of Voters Office has determined that the study area is legally inhabited with 6,986 registered voters as of December 30, 2014.
2. The study area is proposed to be within the sphere of influence assigned the San Bernardino County Fire Protection District through approval of LAFCO 3185.
3. The County Assessor's Office has determined that the total assessed valuation of land and improvements for the area is \$1,460,733,112 as of January 13, 2015. This figure is broken down as \$333,542,372 for land and \$1,127,190,740 for improvements.
4. Legal advertisement of the Commission's consideration of the proposal has been provided through publication in *The Sun* a newspaper of general circulation in the area as well as *The Alpenhorn* a weekly paper within the community of Crestline. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notice.
5. In compliance with Commission policy and Government Code Section 56157, the Notice of Hearing for the hearing on this proposal was provided by publication in *The Sun* as an 1/8<sup>th</sup> page legal ad. Comments from registered voters and landowners and

any affected local agency in support or opposition will be reviewed and considered by the Commission in making its determination.

6. The proposed reorganization, including annexations and formation of a Service Zone of the San Bernardino County Fire Protection District and the assumption of the functions and services previously provided by the dissolving Crest Forest Fire Protection District does not conflict with the established County General Plan or its adopted Crest Forest Community Plan. The proposed reorganization has no direct impact on such land use designations.
7. The Southern California Associated Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5 and approval of LAFCO 3186 has no direct impact on these determinations. The Sustainable Community Strategy includes as a determination the need to assure the ongoing availability of health and safety services which approval of LAFCO 3186 will support.
8. The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated his recommendation that the review of this reorganization proposal is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that that the proposal will not change the area in which the service is provided; therefore, no physical affect upon the environment can be seen. With that determination a General Rule Statutory Exemption as authorized under Section 15061(b) (3) of the State CEQA Guidelines is appropriate. A copy of Mr. Dodson's response is included for the Commission's review as Attachment #6 to this report.
9. The study area is presently served by the following public agencies:

- County of San Bernardino
- Mojave Desert Resource Conservation District
- Crest Forest Fire Protection District and its Service Zones PM-A and PM-1
- Crestline-Lake Arrowhead Water Agency
- Crestline Village Water District
- Crestline Sanitation District
- Lake Arrowhead Community Services District
- San Bernardino Mountains Community Healthcare District (portion)
- County Service Areas 18, 54, and 68
- County Service Area 70 (unincorporated County-wide multi-function agency) and its Zones D-1 and R-2, R-9, R-23 and R-44

The Crest Forest Fire Protection District and its Service Zone PM-A will be dissolved through successful completion of this reorganization and their services and functions transferred to the Mountain Service Zone of SBCFPD (for the district) and the newly formed Service Zone PM-4 of SBCFPD (for PM-1) respectively. Service Zone PM-1 of the Crest Forest Fire Protection District will be dissolved and its territory annexed to the existing SBCFPD Service Zone PM-1 with retention of the existing special tax.

None of the other agencies will be directly affected by the completion of this proposal through an adjustment in their boundaries as they are regional in nature.

10. The Crest Forest Fire Protection District has submitted a Plan for Service including a Fiscal Impact Analysis for the transfer of its fire protection, emergency medical response and ambulance service through dissolution of the district and its service zones. This Plan is included as a part of Attachment #2 to this report. Subsequently, the San Bernardino County Fire Protection District, on behalf of the Mountain Service Zone, submitted a modified Plan for Service and Fiscal Impact Analysis as the proposed successor agency which addresses the issues required in a plan for the provision of services as required by Government Code Section 56653. This Plan is included as a part of Attachment #3 to this report which indicates that the transfer of service to the Mountain Service Zone and the creation of a new Service Zone for paramedic funding can, at a minimum, maintain the level of service delivery currently received by the area. The Plans for Service and other information submitted by the District and County Fire have been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The LAFCO staff has determined that such Plan for Service and the supplemental data submitted conform to those adopted standards and requirements.
11. The proposal complies with Commission policies and reflects determinations made within the Crest Forest Community service review regarding questions on long-term sustainability of service. The reorganization area can benefit from the assumption of fire protection, emergency medical response and ambulance service through the Mountain Service Zone of the SBCFPD as evidenced by the Plan for Service.
12. The reorganization area can benefit from the provision of fire protection, emergency medical response and ambulance service through a single fire entity without requirement for contractual relationships.
13. This proposal will not affect the fair share allocation of the regional house needs as the entire area is unincorporated with the Regional Housing Needs Allocation (RHNA) numbers assigned to the County of San Bernardino.
14. With respect to environmental justice, the reorganization provides for the continuation of existing fire protection, emergency medical response and ambulance services within the area and will not result in the unfair treatment of any person based upon race, culture or income.
15. The County of San Bernardino has successfully completed the process for the determination of the transfer of ad valorem property tax revenues upon successful completion of this reorganization to the successor agency, Mountain Service Zone of SBCFPD for general ad valorem taxes. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.
16. The maps and legal descriptions prepared by the County Surveyor are in substantial compliance with LAFCO and State standards.

## **CONCLUSION**

Fire protection, emergency medical response and ambulance service are key health and safety issues for any community, but even more so in an isolated urban density mountain community. For more than 80 years the Crest Forest FPD has provided these services, through good times and bad, and has now determined that in order to continue to serve the community it must propose that it dissolve and transfer its obligations to the larger County Fire organization. This is not an easy step for any local community to take, it was one which was reviewed extensively. It had been hoped by the Board of Directors that the contractual relationship forged in 2013 with County Fire would allow for the district to continue to serve its constituents but the financial realities brought the District to this place in time.

LAFCO staff in years past has discussed the potential for consolidating service in the Crest Forest community to eliminate the duplication of costs for such items administrative, legal, and board governance and increase the level of funding to direct service to no avail. The Crest Forest FPD has now come to this crossroads in terms of its financial capabilities and in a statesmanlike manner has proposed that it be extinguished in order to continue to serve. Staff believes that the best option, at this time, for the service to be continued is for the area to be annexed to County Fire, its Mountain Service Zone for direct delivery of the fire protection, emergency medical response and ambulance service and the creation of Service Zone PM-4 to continue the special tax to support paramedic service in the Crest Forest community; therefore, recommends approval of LAFCO 3186 as modified. Approval of the set of actions outlined beginning on page one of this report by the Commission will place the matter in the hands of the registered voters of the Crest Forest community to determine the success or failure of this proposal.

KRM/

Attachments:

1. [Map of LAFCO 3186](#)
2. Crest Forest Fire Protection District Application:
  - a. [Application and Plan for Providing Services and Fiscal Impact Analysis](#)
  - b. [Comprehensive Financial Report for June 30, 2014 and 2013 including Audits](#)
3. [San Bernardino County Fire Protection District Plan for Service and Fiscal Impact Analysis: Copy of letter of Support](#)
4. Exclusive Operating Area 10 for Ambulance Transport:
  - a. [Map of EOA 10](#)
  - b. [Letter Dated February 24, 2015 from Gregory Devereaux, Chief Executive Officer of the County](#)
  - c. [Letter Dated February 13, 2015 from County Fire Related to Condition of Approval submitted by ICEMA;](#)
  - d. [Letter Dated January 29, 2015 from ICEMA Providing Existing MOU and Clarifying Request for Condition](#), and

- e. [Letter Dated January 15, 2015 Requesting Imposition of Specific Condition on Transfer of EOA 10 Responsibilities from ICEMA](#)
- 5. [Charts Prepared by LAFCO Staff for: Retirement Costs, Revised Financial Impact Analysis and Appropriation Limit Calculation for Service Zone PM-1](#)
- 6. [Letter from Tom Dodson of Tom Dodson and Associates, LAFCO Environmental Consultant, Recommending Adoption of Statutory Exemption for LAFCO 3186](#)
- 7. [Draft LAFCO Resolution No. 3196](#)