

LAFCO considered the items listed under its consent calendar, which includes a Visa Justification, the Executive Officer's amended expense report, ratification of payments as reconciled for the month of September, and the consideration of LAFCO 3196: Reorganization to include Annexations to the City of Big Bear Lake and Detachments from CSA 53, CSA 54 and CSA 70 and their respective zones and its required environmental determination. 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 states that an amended expense report has been provided to the Commission.

Commissioner Bagley moves approval of the consent calendar, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Lovingood.

PUBLIC HEARING ITEMS:

ITEM 5. CONSENT ITEMS DEFERRED FOR DISCUSSION

No items deferred for discussion.

ITEM 6. CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3173; AND (2) LAFCO 3173 – SPHERE OF INFLUENCE REVIEW FOR THE SAN BERNARDINO VALLEY WATER CONSERVATION DISTRICT

Commissioner Curatalo opens the public hearing for LAFCO 3173.

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3173, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. Notice of the Commission's consideration of this application was published in a newspaper of general circulation within the area, *The Sun*, through a 1/8th page legal ad in-lieu of individual notice as authorized by statute.

Executive Officer Kathleen Rollings-McDonald provides a background of the proposal; stating that in November 2013, the San Bernardino Valley Water Conservation District (hereafter "SBVWCD" or "District") initiated an application requesting expansion of its sphere of influence from a "zero" sphere designation to one that returned its previous sphere of influence, which included the District area and extended beyond its boundary. She states that in March 2006, when the Commission designated a "zero" sphere of influence for SBVWCD, its position was that a single water conservation entity should address the water conservation services in the Bunker Hill Groundwater Basin and that ultimately SBVWCD should be consolidated with the San Bernardino Valley Municipal Water District (hereafter "Muni") for regional service provision. She states that the "zero" sphere was determined by LAFCO to be "...subject to review and change in the event a future significant change of circumstances so warrants," and that following that determination in July 2009, a proposed consolidation of SBVWCD and MUNI (LAFCO 3076) was considered and ultimately denied by LAFCO.

(It is noted that Commissioner Warren arrives at the dais at 9:10 a.m.)

Ms. McDonald states that in 2013, with the consent of the District, the sphere amendment application was placed on hold to allow for the completion of the required service review for water conservation in the valley region, the first in the second cycle.

(It is noted that Commissioner Lovingood arrives at the dais at 9:15 a.m.)

Ms. McDonald gives an overview of the four options staff has evaluated for Commission consideration for the sphere of influence amendment for the SBVWCD and states that Option 1 (District proposal) would expand the sphere of influence to include the existing District boundary and wash area of the Santa Ana River. Ms. McDonald states that staff does not support this option; Option 2 would expand the sphere of influence to be coterminous with Muni's sphere of influence in San Bernardino County, which staff does not support because it extends far beyond a basin configuration; Option 3 would expand the sphere of influence to encompass the Bunker Hill Groundwater Basin only, which staff does not support as it does not reflect parcel boundaries or underlying service providers. Ms. McDonald states that after analyzing the three options, LAFCO staff recommends a hybrid option (or Option 4) for the Commission's consideration which is to expand the sphere of influence for the District to encompass the Muni boundary roughly along the Bunker Hill Groundwater Basin including additional areas to align with parcel boundaries. She states this option would allow the District to participate with other agencies for storm water capture activities outside of its boundary but within its sphere of influence.

Michael Tuerpe, Project Manager, reviews the Factors of Determination for the proposal using the staff's proposed Hybrid Option and states that the present and planned land uses in the area are varied and includes densely developed residential uses, industrial, San Bernardino International Airport and its airport land use plan, open space uses within the floodway of the Santa Ana River and the San Bernardino National Forest.

Mr. Tuerpe addresses the present and probable need for public facilities and services in the area and states that the population within the Muni and District's sphere increased 14% and 8% respectively from 1990 to 2000, and projections identify the areas to grow at a lesser rate of 0.5% annually through 2020. Mr. Tuerpe states that the need for water conservation resources has intensified due to the severe drought gripping the state. He addresses the present capacity of public facilities and adequacy of public services and states that the primary agencies are San Bernardino Valley Municipal Water District, San Bernardino Valley Water Conservation District, and the San Bernardino County Flood Control District, and that the secondary agencies are Beaumont-Cherry Valley Water District, City of San Bernardino Municipal Water Department, East Valley Water District, West Valley Water District and Yucaipa Valley Water District. He states that the economies of interest are vast and varied.

Mr. Tuerpe states that the current authorized power is water conservation with service descriptions of: 1) water conservation and 2) survey of water supply and resources and that staff is not recommending any change at this time.

Ms. McDonald states that according to the application, the District has identified habitat management and enhancement as an opportunity for the District. However, habitat

management or similar services are not authorized by LAFCO or the District's principal act. She states that as an alternative to the District providing habitat management and enhancement, the Inland Empire Resource Conservation District could perform this service as its parent act and LAFCO recognize it as an active function.

Mr. Tuerpe states that for environmental considerations, the Commissioner's Environmental Consultant Tom Dodson has indicated the review of LAFCO 3173 is statutorily exempt from CEQA as outlined in the State CEQA Guidelines, Section 15061 (b) (3).

Ms. McDonald states that given the determinations made in the May 2015 service review, staff's analysis of the options presented for this sphere amendment, and the determinations required for a sphere amendment which are discussed in the report, staff recommends that the Commission approve the hybrid option which is a sphere expansion to generally encompass the service territory of Muni and additional surrounding area.

Commissioner Cox asks if the District is viable. Ms. McDonald states that detailed information in the Service Review demonstrates that the District has made great strides in improving their finances, however the District did need to cut staff. Commissioner Cox commends the District for their improvements and asks if there are any additional revenues. Ms. McDonald states that there are no new revenues through a sphere of influence designation, but that the District has the authority to contract. Ms. Cox states that she is open to the District pursuing contracts to enhance revenues.

Mark Bulot, President, San Bernardino Valley Municipal Water District, states that he supports the District's request for expansion to include its existing boundary and wash area of the Santa Ana River. He states that he is against staff's recommendation and is concerned about the rationale of staff recommendation and lack of discussion with the affected agencies. Ms. McDonald states that the rationale and information is clearly noted in the service review and that the service review report was shared and discussed with the affected agencies prior to its publication.

James Morales, Chairman, East Valley Water District, states that the agencies are fortunate to have forged relationships with the water groups and is in support of option 1.

John Mura, General Manager, East Valley Water District, states that he is in support of option 1.

Daniel Cozad, General Manager, San Bernardino Valley Water Conservation District, states that he is available to answer any questions the Commission may have.

Chairman Curatalo closes the public hearing.

Commissioner Cox moves approval of staff recommendations for LAFCO 3173, second by Commissioner Ramos. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: None.

DISCUSSION ITEMS:

ITEM 7. PRESENTATION OF PRELIMINARY FEASIBILITY STUDY ON THE RIM OF THE WORLD INCORPORATION

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

(It is noted that Commissioner Lovingood and Commissioner Ramos leave the dais at 9:55 a.m.)

Ms. McDonald states that at the July 15, 2014 hearing, the Commission agreed to a contract with the Second Supervisorial District to prepare a preliminary feasibility study for incorporation of the area generally defined by the Rim of the World Unified School District (USD) boundary. LAFCO staff in turn contracted with the firm of Rosenow Spevacek Group (hereafter RSG) to prepare an Incorporation Feasibility Analysis (IFA) that addressed state law and the specific policies that San Bernardino LAFCO has adopted. She states that LAFCO staff also requested that an alternative be evaluated in the report excluding the LAFCO defined Hilltop Community (Running Springs, Arrowbear, and Green Valley Lake).

She states that the request from the Second District was to utilize the boundary of the Rim of the World School District for incorporation, but that LAFCO staff modified the request to address the LAFCO-defined communities of Crest Forest, Lake Arrowhead and Hilltop which includes the populated, service driven areas associated with Rim of the World and excludes the larger consolidated publicly-owned lands. Ms. McDonald reviews the area on the overhead map.

Ms. McDonald states that for population, the inclusion of the three communities clearly meets the Commission's adopted policy requirement for incorporation of having at least 10,000 residents and that the alternative, which excludes the Hilltop community from the feasibility study, would also meet the Commission's policy.

(It is noted that Commissioner Lovingood returns to the dais at 10:01 a.m.)

Ms. McDonald states the Commission's adopted policy related to an incorporation states that all special districts within the area of consideration are to be addressed. She states that based on this directive, the preliminary study has included all special districts, independent and board-governed, with the exception of the San Bernardino Mountains Community Healthcare District.

(It is noted that Commissioner Ramos returns to the dais at 10:03 a.m.)

Ms. McDonald states that for the determination of feasibility, San Bernardino LAFCO has adopted specific policies to determine "financial feasibility" as outlined in the Commission's Policy and Procedure Manual. She reviews a synopsis of the policy language and states that for financial feasibility the IFA has utilized the City of Big Bear Lake as a comparable city, and its contract with the County Sheriff as the means to project law enforcement costs based upon population. She states that the City of Big Bear Lake has one of the lowest ratios of sheriff personnel to population in the County. She states that staff believes that the use of this contract as the basis for projection

its financial feasibility meets the criteria of the policy.

Ms. McDonald states that in determining feasibility, only those revenues available to a general law city will be considered and that no new taxes or hypothetical revenues will be considered. She states that in determining feasibility, salary costs shall be based upon an average of similar-sized cities within San Bernardino and Riverside Counties. She states that a reasonable reserve shall be projected as equal to 10% of the general and special funds of the city, and that the preliminary feasibility report has identified a 10% contingency for each year in the forecast as well as a 25% reserve of the City's proposed total expenditures.

Ms. McDonald states that there are questions which would still need to be answered for an incorporation, which neither staff nor RSG can answer at this time, including the future of the Cedar Glen redevelopment project area which would be included in the Lake Arrowhead area. She states that to date, San Bernardino LAFCO has not had to address the transfer of such an operation. She states that public funded retirement systems would need to be addressed as well as the mechanism to consolidate CALPERS and SBCERA contributions. She states that the incorporation's impacts upon the County Special Districts Department through the elimination of the road districts, park districts, and dam operations within this area, and the equipment and equipment replacement reserve transfer for the long-term sustainability of the agency also require further study.

Ms. McDonald states that as noted in the RSG assumptions summary memo, the information presented is to provide a preliminary service model and benchmark to allow the community to decide if it wishes to look into incorporation further. She states that the report was presented to the Rim of the World community at a community meeting hosted by the 2nd Supervisorial District. She states that in the last 30 years there have been three attempts to look at incorporation for the Lake Arrowhead area, but none have made it past the petition stage for political not financial reasons. She states that in staff's view, the IFA identified that incorporation may be possible depending on the service shifts and the level of service and operations the proponents would propose. She states that the 2nd District also requested that RSG provide an IFA Sensitivity Analysis that would provide further advice on the viability of incorporation for the study area, and that the analysis has been provided to the Commission for their information.

She states that there are many other questions that would need to be addressed in the event an incorporation is proposed, and that it is up to the community to decide if they wish to move forward. LAFCO staff will work with the community not as an advocate but as a support to help them in evaluating a potential incorporation.

Commissioner Cox asks about the transferring of property tax and if it would be problematic. Ms. McDonald states that the process is laid out in state law. Commissioner Bagley states that the property tax is the issue, and that once the school receives its share of the property tax, the residual monies left to provide for municipal, fire and policies service in the mountain area does not seem to be viable. Commissioner Cox states that the county's tax share seems very small, and that he would like to know where the county's tax monies are being used.

Commissioner Lovingood asks if this is the same as a consolidation. Ms. McDonald states that for this report, the discussion is incorporation which is different from a consolidation and that at this

time it is only discussion. She states there is no current application to move the incorporation forward.

Commissioner Ramos states that for clarification, the discussion is regarding a report that has been provided, and that currently no decision on an application is being determined. Ms. McDonald responds in the affirmative.

Commissioner Bagley states that he believes that Lake Arrowhead could use the transient tax to help with the issue of sustainability, if the area should want to incorporate.

Commissioner Farrell states many members of the mountain communities attended the community meeting, and that the potential is there, but that one of the big mystery questions is who is pushing the issue of incorporation. Commissioner Warren asks if there was an organized committee for the incorporation of the area. Commissioner Farrell states that he is not aware of an existing committee at this time. He also states that there is an outstanding question regarding park service. Ms. McDonald states that CSA 18 provides park service.

Ms. McDonald states that this report is for information only, and that there is no action needed from the Commission at this time.

ITEM 8. FIRST QUARTER FINANCIAL REVIEW FOR PERIOD JULY 1 THROUGH SEPTEMBER 30, 2015: A. FINANCIAL REVIEW; B. RECOGNIZE INCREASED REVENUES OF \$45,864 IN PROPOSAL REVENUE (ACCOUNT 9800) AND CARRYOVER (ACCOUNT 9970) OF \$29,163; C. INCREASE OTHER PROFESSIONAL SERVICES (ACCOUNT 2445) BY \$75,000 FOR CONTRACT STAFFING; D. AUTHORIZATION FOR REINSTATEMENT OF SICK LEAVE BALANCE WITH PAYMENT TO RETIREMENT MEDICAL TRUST FOR JOE SERRANO; E. TRANSFER FROM COMPENSATED ABSENCE RESERVE TO ACCOUNTS 1010 AND 1045 TO FUND TERMINATION PAYMENTS FOR SEPARATION OF EMPLOYEE

Executive Officer Kathleen Rollings-McDonald presents the First Quarter Financial Review, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

She states that the report includes a review of the financial activities and the presentation of a spreadsheet showing the line item expenditures and receipts during the first quarter. She states that Salaries and Benefits are at 25% of the Adopted Budget, which includes the payout of accumulated leave balance for the former LAFCO Analyst. Service and Supplies are at 30% of the Adopted Budget. She states that the second quarter will see significant expenditures such as the full-year payment for the annual financial audit and subscription to the County Street Network for maintenance of digital mapping, consultant contract for supplemental staffing and others.

Ms. McDonald gives an update on expenditures and progress on projects and proposals approved by the Commission and special studies initiated by the Commission. These include the installation of a fiber optic line, the feasibility study for incorporation of the Rim of the World Communities, the educational training program for special districts, the special study of the Morongo Valley Community Services District, and the Sphere of Influence amendment for the Chino Basin Water Conservation District.

Ms. McDonald states that for the Contingency and Reserves series, as part of the preparation of the First-Quarter review, staff discovered that for former employee Joe Serrano, the transfer of 75% of the sick leave balance to the Retirement Medical Trust had not taken place. It was learned that as a part of the PEPRA implementation occurring at the time of Mr. Serrano's original hiring, a form was not included in the processing. In order to rectify this oversight, the staff is recommending that the Commission direct the Executive Officer to request that the County EMACS reinstate the sick leave time eliminated (146.84 hours at a value of \$3,471.46), convert it to the Retirement Medical Trust (RMT) pursuant to LAFCO Benefit Plan Policies (75% of sick leave balance or \$2,604) and provide notification to the employee of the payment of this benefit.

Ms. McDonald states that for revenues, the Commission has received 108% of Adopted Budget revenues through the first quarter and states that the activity includes interest, 100% apportionment from the cities and special districts, and fees and deposits. She states that for the carryover from the Prior Year, the unrecognized and unassigned carryover from FY 2014-15, staff recommends that the Commission increase Account 9970 in the amount of \$29,136.

Ms. McDonald reviews the proposal activities chart and states that the remainder of the year anticipates the completion of the second cycle service review for water, sewer and streetlights, plus the Commission has directed staff to prioritize its activities to address the fire proposals submitted as the top priority, other jurisdictional changes next and then service reviews.

Ms. McDonald states that staff recommends the Commission take the recommended actions, as listed in the staff report.

Commissioner Cox asks how much longer the lease at the current office location is in effect. Ms. McDonald states that there are 18 months left in the current lease and also states that SANBAG is working with staff on the opportunity of preparing the Harvey House for use by LAFCO as its next office space. Ms. Cox states her support of the relocation and also states her concern over the safety of staff in its current office location.

Commissioner Lovingood moves to approve staff recommendations, second by Commissioner Ramos. There being no opposition, the motion passes unanimously with the following roll call vote: Ayes: Bagley, Cox, Curatalo, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: None

(It is noted that Commissioner Lovingood and Commissioner Ramos leave the dais at 10:49 a.m.)

INFORMATION ITEMS:

ITEM 9 LEGISLATIVE UPDATE REPORT

Executive Officer Kathleen Rollings-McDonald presents the Legislative report, 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 states that she has provided for the Commission a copy of the CALAFCO Legislative Update which includes information regarding the current status of bills determined to be of importance to LAFCO. She states that the legislative session has ended, and that there are two

bills of interest for the Commission, the first is SB 239 (Hertzberg) which relates to Fire Protection District contracts which will be effective January 1, 2016. She states that staff will be putting together policies related to the new requirements of this bill for the Commission's review and adoption in the months to come.

Ms. McDonald states that AB 402 is the pilot program for San Bernardino and Napa Counties that will permit the Commission to authorize a city or district to provide new or extended services outside both its jurisdictional boundaries and its sphere of influence under specified circumstances. It too will require updates to the Commission's policies and procedures for the Commission's consideration.

Ms. McDonald states that SB 272 relates to the California Public Records Act and would require the creation of an inventory of all of enterprise systems, as defined, and make it available to the public. She states that staff will be evaluating this in detail to determine what actions staff will need to take to fulfill the new requirements.

Ms. McDonald also states that she has put in her request to remain on the CALAFCO Legislative Committee.

ITEM 10 EXECUTIVE OFFICER'S ORAL REPORT:

Executive Officer Kathleen Rollings-McDonald states that the Commission may need to hold a hearing in December due to the request of the City of San Bernardino that the Commission review the exemption related to the contractual transfer of fire operations from the City to the San Bernardino County Fire Protection District. She states that the City has a deadline of mid-November to submit the contract for Commission review and that if the city is able to meet that deadline, a hearing will be scheduled on the normal date of December 16.

Ms. McDonald states that regarding the special study for the Morongo Community Meeting, staff did conduct a community meeting on September 30th, and that the study was well received.

Ms. McDonald states that for the Daggett CSD, discussion regarding a community park building has been resolved and that the County took action to establish a method to transfer ownership to the CSD.

Ms. McDonald states that she has provided the Commission with the fact sheet from the State Water Resources Control Board on the operation of SB 88 for mandated water system consolidations and the updates provided by Best Best and Krieger related to the Brown Act and Conflict of Interest Requirements.

ITEM 11 COMMISSIONER COMMENTS

Commissioner Cox wishes a staff member well in their upcoming procedure.

ITEM 12 COMMENTS FROM THE PUBLIC

No comments.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION THE HEARING IS ADJOURNED AT 11:02 A.M.

ATTEST:

REBECCA LOWERY
Clerk to the Commission

LOCAL AGENCY FORMATION COMMISSION

JAMES CURATALO, Chairman

DRAFT