LAFCO Resolution No. 3141 for the Service Review for the City of Big Bear Lake

Attachment 3

LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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

PROPOSAL NO.: **LAFCO 3125**

HEARING DATE: **August 15, 2012**

RESOLUTION NO. 3141

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3125 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE CITY OF BIG BEAR LAKE (affirmation of existing sphere of influence).

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

WHEREAS, a service review mandated by Government Code 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and,

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, a public hearing by this Commission was called for August 15, 2012 at the time and place specified in the notice of public hearing and in any order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing; and,

WHEREAS, at this hearing, this Commission certified that the sphere of influence update is statutorily exempt from environmental review pursuant to the provisions of the California Environmental Quality Act (CEQA) and such exemption was adopted by this Commission on August 15, 2012. The Commission directed its Executive Officer to file a Notice of Exemption within five working days of its adoption; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence shall be affirmed for the City of Big Bear Lake (hereafter shown as the "City") as depicted on the map attached as Exhibit "A" to this resolution;

WHEREAS, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated August 6, 2012 and received and filed by the Commission on August 15, 2012, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

1. Growth and population projections for the affected area:

The current land use designation within the City of Big Bear Lake (based on the City's General Plan originally adopted in 1999) includes approximately 6.6% Rural Residential (5% of which is within the City's unincorporated sphere area designated by the County as Rural Living, 40 acres minimum), 1.6% Equestrian Estates, 35.3% Single-Family Residential, 6.1% Multiple Family Residential, 10.3% Commercial and/or Industrial, 2.8% Village Specific Plan, 2.2% Public Facilities, 4.8% Open Space, 9.3% roads, and 21% is designated Big Bear Lake (within the City's unincorporated sphere area designated by the County as Floodway).

Within the City's entire sphere, roughly 99% of the land is privately owned and the remainder, 1%, is public, which is devoted primarily to resource protection and recreational use.

Land Ownership Breakdown (in Acres)
Within the City of Big Bear Lake

Ownership Type	City	Unincorporated Sphere	Total Sphere Area
Private	4,072	1,445	5,517
Public Lands – Federal (BLM), State, & others	40	0	40
Total	**4,112**	**1,445**	**5,557**

Population Projections

In 2000, the population within the City's boundaries was 5,438. By 2010, the City's population decreased by 7.9 percent to 5,019 mainly due to the economic downturn that happened a few years ago. According to the City, there has been sparse development and the tourism industry has been significantly impacted. The City also indicated that numerous jobs have been eliminated within the City.

The Commission projected the growth for the City's boundaries utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the City of Big Bear Lake for the given periods and the use of average annual growth rate. By 2040, the population within the City is estimated to reach 7,533. This represents a projected annual growth rate of approximately 1.36 percent between 2010 and 2040, which also represents a total population increase of 50 percent from 2010.

Population Projection 1990-2040
Within the City of Big Bear Lake

Census[1]			Population Projection					
1990	2000	2010	2015	2020	2025	2030	2035	2040
5,351	5,438	5,019	5,311[2]	5,619[3]	6,046[4]	6,506	7,001	7,533

[1] Data derived from the 1990, 2000, and 2010 Census for the City of Big Bear Lake.
[2] 2015 projection were calculated using Average Annual Growth Rate based on the compounded rate between 2010 and 2020
[3] 2020 and 2035 population data was taken from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast using local input and latest data from the 2010 Census, the California Employment Development Department, and the California Department of Finance - (published May 2011).
[4] 2025, 2030, and 2040 projections were calculated using Average Annual Growth Rate based on the compounded rate between 2020 and 2035

The population projection shown above may represent an unattainable growth trend based on the historic growth experienced in the community. In addition to the population decline experienced in the last 10 years, there are other circumstances in the City that tend to restrict growth such as availability of lands for development. Based on these issues, actual growth is expected to be much lower than projected.

Therefore, in order to represent a more realistic growth projection for the City, the Commission revised the projected growth rate between 2020 and 2040 based on the growth rate projection identified in the Urban Water Management Plan recently prepared for the City's Department of Water and Power, which had an annual growth rate of approximately 0.7 percent. As shown in the revised projection below, it is estimated that the population within the City is expected to reach only 6,460 (instead of 7,533) by 2040, or a total population increase of just 29 percent (instead of 50 percent) from 2010.

Revised Population Projection 2010-2040
Within the City of Big Bear Lake

Census	Population Projection					
2010	2015	2020	2025	2030	2035	2040
5,019	5,311	5,619	5,818	6,025	6,239	6,460

Build-out

The table below provides the potential build-out within the City's territory. This build-out scenario takes into consideration the existing land use designations assigned for the area and the dwelling unit densities assigned for each residential land use.

Land Use Maximum Build-Out
Within the City of Big Bear Lake

Land Use	Acreage	Density (D.U. Per Acre)	Maximum Build-out (DU's)
Rural Residential (RR)	360	0.4	144
Equestrian Estates (EE)	90	1.0	90
Single Family Residential – 3 (SFR-3)	263	3.0	789
Single Family Residential – 4 (SFR-4)	1,699	4.0	6,796
Multiple Family Residential	332	12.0	3,984
Total Residential	**2,744**		**11,803**

The revised population projections identified earlier indicates that the population within the City's territory will be 6,460 by 2040. Based on the maximum residential build-out within the City's territory, the projected maximum population is anticipated to reach 28,551 (at @ 2.419 persons per household based on the ratio for the City of Big Bear Lake as identified in the State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State, 2001-2010). Likewise, based on the projected population for 2040, it is anticipated that the number of households within the City's territory will be 2,671 with a maximum potential build-out to reach approximately 11,803. These imply that the study area will reach 23 percent of its potential household and population capacity by 2040.

Population and Household Projection
Within the City of Big Bear Lake

	Projection 2040	Maximum Build-out	Ratio of 2040 Projection with Maximum Build-out
Population	6,460	28,551	0.23
Households	2,671	11,803	0.23

Additional Population Implications

Lately, home foreclosures have also affected the City. According to data obtained from staff of the County of San Bernardino Assessor's Office, from 2004 to 2006 the City had 13 foreclosures. The number rose sharply to 56 in 2007 and escalated to 132, 178, and 162 for the next three years. For the purpose of generally representing the extent of the foreclosure activity within the City, the 2010 Census identifies that there were a total of 9,705 housing units within the City and based on the foreclosure of 541 homes, this represents 5.6 percent of the total household units within the City. Additionally, not only does this imply an increase in vacancy rate, this also suggests a possible reduction in overall population.

In addition, the City's population projections shown above also do not reflect the full extent of the economic and housing conditions for the City since these figures are for the permanent population and do not take into account seasonal and tourism activities.

For purposes of planning and designing infrastructure and future service delivery, the seasonal population must be taken into consideration. Because the City is a year-round resort and tourist destination, the population can substantially increase during peak weekends. Not only does this have a significant impact on City services, it also has a long

term economic impact on local, state and federal funding formulas that are based on permanent population and not based on actual demand.

2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence:

Beginning January 2012, LAFCO is now required to determine the location and characteristics of disadvantaged unincorporated communities (DUC). DUCs are those communities that have an annual median household income that is less than 80 percent of the statewide annual median household income, which is under $46,285 (defined by Government Code Section 56302). Based on the Median Household Income taken from the 5-year 2006-2010 American Community Survey block group level data, and the Commissions adopt policies related to defining a community, there are no disadvantaged unincorporated communities within the City of Big Bear Lake current sphere of influence.

The unincorporated community of Big Bear City and portions of the National Forest are considered disadvantaged unincorporated communities that are contiguous to the City's sphere of influence. The unincorporated community of Big Bear City, which includes the unincorporated portion of the Moonridge area, is adjacent to the City's eastern sphere of influence. The adjacent unincorporated community of Big Bear City is developed with mostly single-family residences with generally a BV/RS (Bear Valley/Single Residential) land use.

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

The City directly provides water and sewer collection within its boundaries. However, it also provides water facilities outside of its jurisdiction that extend well beyond its corporate boundaries. The Big Bear Lake FPD, a subsidiary district of the city, provides fire protection and emergency medical response. As a municipality, the City is responsible for law enforcement within its boundaries and has chosen to contract with the County for law enforcement services tailored to its needs and financial resources. In addition, the City provides streetlighting, solid waste, road maintenance, and animal control services within its boundaries. The City also provides park and recreation services although the Big Bear Valley Recreation and Park District overlays the City and has facilities within the City.

Water

The City operates its water system through its Department of Water and Power ("DWP"). As mentioned earlier, the City of Big Bear Lake took over the Big Bear Water Systems of Southern California Water Company ("SCWC") in 1989. Although the City is the responsible entity, its charter and documents refer to the DWP as the water entity. As of 2010, the DWP provides water service to almost 16,000 customers from four separate water systems: Big Four (which is a combination of the Big Bear, Moonridge, Sugarloaf and Erwin Lake systems), Lake Williams, Fawnskin, and Rimforest. The "Big Four" system delivers water to four communities, but is licensed by the California Department of Health Services as two systems – Big Bear Lake/Moonridge and Erwin Lake/Sugarloaf systems. The "Big Four" system is the largest of the water systems with 13 pressure zones and approximately 14,320 active connections that serve the City, portions of Big Bear City, the unincorporated Moonridge area, and the unincorporated areas of Sugarloaf and Erwin Lake. The Lake Williams system, which serves the Lake Williams area has approximately 120 active connections and is supplied by three active groundwater wells that pump into a reservoir. The Fawnskin system, which serves the north shore area with approximately 710 connections, is served by two pressure zones with six groundwater wells that pump directly

into the system or into its existing reservoirs. The DWP provides water to its Bear Valley customers by pumping ground water from local aquifers. Currently, no outside water source is available to augment the local supply. The Rim Forest system, which serves the unincorporated area of Rim Forest located in the Lake Arrowhead community, has approximately 300 connections. Water used in this system is purchased from the Crestline-Lake Arrowhead Water Agency ("CLAWA") the state water project contractor for the area. The Big Bear Shores RV Resort system, although technically not considered a part of the DWP's main water systems, serves a small RV Park along the north shore with a single connection that is served by two groundwater wells that pump into a small on-site reservoir.

DWP Water Service Area

There has always been confusion as to the extent of where the DWP provides water service outside of the City's corporate limits. As identified earlier, the City of Big Bear Lake took over the Southern California Water Company's (SCWC) Big Bear Water Systems in 1989. The Big Bear system includes areas located outside of the City's boundaries: the unincorporated communities of Moonridge, Sugarloaf, Erwin Lake, Lake Williams, Fawnskin, and Rimforest.

In 1994, when the Commission adopted policies related to the implementation of Government Code Section 56133 on Out-of-Agency Service Agreements, one of the policies it adopted was associated to the City's acquisition of the SCWC's system that included areas outside of its boundaries and outside of its existing sphere of influence. Back then, LAFCO requested that the City provide information on its existing area where it was obligated to serve. The City responded by providing LAFCO with copies of the certificated service area maps of the former SCWC's Big Bear system as approved by the Public Utilities Commission (PUC).

However, the PUC maps did not clearly show the boundaries of its existing service area. Not only were the boundaries vaguely delineated on the map, the boundaries were also not parcel specific. In addition, the maps did not accurately show all of the areas where the SCWC was providing a service – which included cabins within the US Forest Service (USFS) lands.

Through the service review process, LAFCO and the DWP staffs extensively reviewed its water service boundaries using not only the PUC maps, but also identifying all the parcel or lots that it currently serves including those USFS lands that are being served by the DWP (i.e. Bear Mountain and Snow Summit areas, Lakeview Tract, Pine Knot Tract, Metcalf Creek Tract, Big Bear Tract, and Willow Glen Tract). Copies of the information provided by the DWP related to the verification of its service area (dated December 9, 2011 and January 20, 2012) including all other correspondence related to its water service areas, are on file in the LAFCO office. In addition, LAFCO made adjustment to its water service boundaries to correspond to existing assessor parcel lines.

The maps included as Exhibit "B" illustrate the DWP current water service boundary as reviewed by LAFCO and DWP staffs. These are to be used as the basis, under Government Code Section 56133, for defining the City of Big Bear Lake water service area as of January 1, 2001. The DWP will be allowed to extend service within these boundaries to any undeveloped parcel without necessity for additional approval by LAFCO under Government Code Section 56133.

Camp Oakes Parcels:

The City's DWP has identified that it has been negotiating with the property owners of Camp Oakes (Long Beach YMCA) regarding a mutually beneficial project in the community of Lake Williams. The DWP is interested in drilling a well within the camp

property to serve the community. Likewise, the Camp Oakes people have voiced their interest in being served by the DWP since they do not want to be in the water business and would like to turn off their private wells and avoid the maintenance of their private facilities. The Commission understands that an agreement is being developed at this time.

Therefore, as part of the service review process, the City, through its DWP, would like to include the Camp Oakes parcels (APNs 0315-291-02, 03, 14, and 15) within its water service area. Because of the benefit of having a new well for the community of Lake Williams that is anticipated to remove the current building moratorium imposed on the community, and the property owner's desire to do away with their obligation to maintain its own private water system, both of which are valid health and safety reasons, the Commission supports this inclusion.

High Timber Ranch Project:

The City's DWP has also identified that it would like to serve the balance of the proposed High Timber Ranch project (APN 2350-021-10). The Commission understands that the project is not being developed at this time nor is it anticipated to be developed anytime soon based upon economic conditions. Although the parcel is adjacent to the DWP's existing facilities, it is within the Big Bear City Community Services District (CSD) boundaries. In reviewing this potential service extension request, the Commission identified to the DWP that it will support its request for a conditional approval for inclusion of the High Timber Ranch parcel, if the Big Bear City CSD indicates its inability to serve and consents to the DWP extension of service to the project.

Through this service review process, the Commission accepts the DWP's current water service area as shown on Exhibit "B" for use under the provisions of Government Code Section 56133, noting that these services existed prior to January 1, 2001 and therefore are grandfathered in. In the future, water service extension outside this defined water service area will require a sphere of influence amendment for the City of Big Bear Lake, and LAFCO review and approval of an out-of-agency service agreement under Government Code §56133 prior to contracting for the provision of service with the exception of the High Timber Ranch Project and Camp Oakes. A condition of approval will allow for the extension of service to Camp Oakes immediately and High Timber Ranch upon notice from the Big Bear City CSD that it cannot serve and it consents to the DWP serving the project.

Urban Water Management Plan

Pursuant to the Urban Water Management Planning Act (California Water Code, Division 6, Part 2.6, Section 10610, et seq.), each urban water supplier shall update its plan at least once every five years on or before December 31, in years ending in five and zero, and shall file with the Department of Water Resources ("DWR") a copy of the plan. In years ending in six and one, DWR submits a report to the State Legislature summarizing the status of the plans and identifies the outstanding elements of the individual plans. The DWP did provide its 2005 Urban Water Management Plan ("UWMP") to DWR, albeit with a late submission. For the 2010 UWMP, the DWR extended the 2010 submission date to June 30, 2011. The DWP has notified the Commission that it adopted its 2010 UWMP on June 26, 2012, and submitted the document to the DWR on July 18, 2012.

The following information regarding water supply, recycled water, water demand, and water conservations, is taken from the 2010 UWMP.

- *Supply*

The City's DWP primarily produces potable water from groundwater wells. These wells produce water from the subunits of the Bear Valley groundwater basin, through pumping or by gravity. The DWP does not currently use surface or imported water to meet its water demand, with the exception of the Rimforest area, which is served solely by imported water delivered from the Crestline Lake Arrowhead Water Agency ("CLAWA").

The DWP's projected water supplies are shown below:

Table 3.1 Current and Projected Demand

	Annual Pumping (afy)					
Supply Source	**2010**	**2015**	**2020**	**2025**	**2030**	**2035**
Groundwater	2,152	2,228	2,307	2,389	2,474	2,562
Imported to Rim Forest	53	55	57	59	61	63
Total	**2,205**	**2,283**	**2,364**	**2,448**	**2,535**	**2,625**

Notes:
Supply shown is based on the demands projected in Chapter 5 and meet water conservation requirements associated with the Water Conservation Act of 2009, discussed in Chapter 6. The calculations used for the demands are based on a 0.7% growth in demand each year, beginning in 2010.

These quantities are based on projected demands and meet all state water conservation requirements. As shown under Groundwater, the average annual demand is under the safe yield of the basin, which is 3,100 acre-feet per year (afy), and within DWP's allocation. The perennial yield of the basin is estimated at 4,800 afy (Geoscience, 2006).

The DWP distributes their potable water supply through a distribution system consisting of five water systems with 15 separate pressure zones, 176 miles of pipeline, 62 wells, 16 reservoirs, 12 booster stations, 41 pressure reducing valves, 26 chlorination stations, and 22 sample stations. The DWP operates a total of 62 wells, 39 vertical wells and 23 slant wells. For the Rimforest system, potable water meeting all state and federal drinking water standards is delivered from CLAWA to Rimforest, providing approximately 60 to 70 afy. Because the Rim Forest area is built out, demand is projected to only slightly increase in the future.

Groundwater underlying the DWP's service area is of good quality and requires little treatment before use in the potable water supply system. Maximum perennial yield for the Bear Valley groundwater basin has been established at 3,400 afy with 3,100 afy of that volume being available to the DWP.

Bear Valley lies in the northeastern portion of the Santa Ana River Watershed. The Bear Valley groundwater basin (Basin) is primarily composed of alluvium and the main tributaries include Grout Creek, Van Dusen Canyon, Sawmill Canyon, Sand Canyon, Knickerbocker Creek, Metcalf Creek, and North Creek. Based on the drainage system, Bear Valley is divided into 16 hydrologic subunits.

None of the groundwater basins in the DWP service area are adjudicated. At present, no subunit within the Bear Valley groundwater basin is in overdraft. The DWP uses 62 wells to extract water from the Basin. Annual use of the groundwater is identified on the table below:

Table 3.2 Amount of Groundwater Pumped by DWP					
	Historical Groundwater Pumped from Basin (afy)				
Basin Name	**2006**	**2007**	**2008**	**2009**	**2010**
Big Bear Valley Basin	2,473	2,672	2,452	2,316	2,152
% of Total Water Supply	**98%**	**98%**	**98%**	**98%**	**98%**

Projections of groundwater to be pumped from the Basin are shown on the table below. Demand projections are based on the assumption that groundwater will be used to meet all of the DWP's water supply in the Valley, and it is anticipated that the amount of groundwater pumped will gradually increase through year 2035. Groundwater wells will be added to the water systems as needed.

Table 3.3 Amount of Groundwater to be Pumped						
	Projected Annual Groundwater Pumped from Basin (afy)					
Basin Name	**2010**	**2015**	**2020**	**2025**	**2030**	**2035**
Big Bear Valley Basin	2,152	2,228	2,307	2,389	2,474	2,562
Total	**2,160**	**2,228**	**2,307**	**2,389**	**2,474**	**2,562**

Notes:
(1) Based on total demand in 2010 using population projections from Table 2.1

Imported water is only used to meet demands in the Rimforest community. This area is geographically separate from Bear Valley, located in the Lake Arrowhead community, and receives water from CLAWA. Typically, Rimforest's annual demand is approximately 60 afy. Because Rim Forest is essentially fully developed, demand volumes are projected to only slightly increase between 2015 and 2035, as shown on the table below.

Table 3.4 Projected CLAWA Purchases for Rimforest						
	Annual Supply (afy)					
Supply Source	**2010**	**2015**	**2020**	**2025**	**2030**	**2035**
CLAWA	53	55	57	59	61	63
Total	**53**	**55**	**57**	**59**	**61**	**63**

Notes:
As with both population and demand projections, imported supply purchases for Rimforest are anticipated to grow at a rate of 0.7% annually

Rimforest's potable water demand will be supplied entirely through imported water from CLAWA as no groundwater wells exist in the area.

- *Recycled Water*

The DWP does not have a recycled water system. The Big Bear Area Regional Wastewater Agency ("BBARWA") provides wastewater treatment within its service area. BBARWA discharges the secondary wastewater treatment plant effluent to a 480 acre site in Lucerne Valley where it is used to irrigate feed crops, which currently operates at approximately 2.5 million gallons per day (mgd). The sludge is collected, dewatered, and hauled to disposal facilities. BBARWA is permitted to discharge treated wastewater for irrigation, construction compaction, dust control, and wildland firefighting in the Valley. Therefore, recycled water is not available and is not currently utilized in the DWP's service area.

In the DWP's 2006 Water Master Plan, it was speculated that recycled water would best be utilized by the DWP if put towards groundwater replenishment. These findings were echoed in the DWP's own *Reconnaissance Analysis of Alternative Water Sources* document from March 2010, listed below.

Table 4.2 Potential Future Recycled Water Use

User Type	Treatment Level	Potential Recycled Water Demand (afy)
Groundwater/Bear Creek/Bear Lake Recharge	Advanced Water Purification[1]	500 - 2,000
Snow Making	Advanced Water Purification[1]	1,100
Golf Course Irrigation	Advanced Water Purification[1,2]	120

Notes:
(1) Secondary wastewater treatment, microfiltration, reverse osmosis, ultraviolet disinfection, and advanced oxidation.
(2) Due to public concern regarding possible contamination of the small Rathbone groundwater subunit, advanced purification may be necessary

Thus, groundwater or surface water replenishment is the primary projected uses of recycled water in the DWP's service area. It was estimated that recycled water could potentially enhance the DWP's water supply by up to 1,000 afy.

Similarly, recycled water could be used enhance Bear Creek. Another application for recycled water is snowmaking, which currently requires water to be taken from Big Bear Lake. Finally, recycled water could be used to irrigate the Bear Mountain Golf Course, which currently irrigates with groundwater. This would allow the DWP to increase its pumping from the Rathbone Subunit.

- *Demand*

As of 2010, the DWP maintains 15,738 water meters, in which 14,904 (95 percent) are residential while the rest were commercial and others types of connections. The historical water use is shown on the table below.

Table 5.1 Historical Water Use

Year	Average Annual Population[1]	Water Demand (afy)	Per Capita Consumption (gpcd)
1995	23,754	2,624	99
1996	23,922	2,658	99
1997	24,090	2,719	101
1998	24,260	2,766	102
1999	24,431	2,828	103
2000	24,604	2,999	109
2001	24,777	3,044	110
2002	25,290	2,948	104
2003	25,667	2,655	92
2004	24,946	2,667	95
2005	25,220	2,514	89
2006	25,307	2,547	90
2007	25,529	2,736	96
2008	25,397	2,483	87
2009	25,426	2,374	83
2010	25,462	2,205	77
Average	**24,880**	**2,673**	**96**

Notes:

(1) Since annual population estimates for the DWP service area were not available, historic population estimates were calculated from the number of service connections for each year between 2001 and 2010. A benchmark of the year 2010 was used based on census data (USCB, 2010). Average annual population includes an adjustment for seasonal population as discussed in Chapter 2.

The historical water use ranged from 110 to 77 gpcd during this span. Water demand began dropping in 2002, most likely due to water conservation efforts by the DWP. Per capita consumption continues to decrease gradually from its peak in 2001.

Based on the projected trends in population and historical consumption rates, DWP's projected future water demand is shown on the table below. The demand projection is based on a 0.7% growth rate beginning in 2010.

Table 5.2 Demand Projections			
Year	Average Annual Population[1]	Per Capita Consumption (gpcd)	Demand (afy)
2010	25,462	77	2,205
2015	26,366	77	2,283
2020	27,302	77	2,364
2025	28,271	77	2,448
2030	29,274	77	2,535
2035	30,313	77	2,625

Notes:
1. Population projections from Table 2.2

Projected per capita water use for 2020 meets the requirements established in SB-7x7 for a 20 percent reduction in water use.

- *Water Conservation*

The Water Conservation Act of 2009 (SBx7-7) requires that all water suppliers increase water use efficiency with the overall goal to decrease per capita consumption within the state by 20 percent by year 2020. The California Department of Water Resources ("DWR") provided different methods to establish water conservation targets.

The water conservation targets per method as developed with data provided by the DWP are shown below:

Table 6.4 Conservation Method Overview				
Conservation Calculation	Conservation Target (gpcd)		Reduction by 2020	
	Year 2015	Year 2020	From Baseline[1]	From 2010 Usage[2]
Method 1	91	81	-20%	+5%
Method 2	n/a	n/a	n/a	n/a
Method 3	157	142	+41%	+84%
Method 4	n/a	n/a	n/a	n/a

Notes:
1) Baseline consumption is 101 gpcd
2) 2010 consumption is 77 gpcd

The DWP decided to use Method 3, identified as the Hydrologic Region Method. This method identifies specific urban water use targets for each of the ten hydrologic regions. The DWP falls in Hydrologic Region 4 (South Coast) which has a target use of 142 gpcd for year 2020. Therefore, Method 3 will provide the DWP with the optimal conservation goal.

Capital Improvement

In FY 2010-11 the DWP completed $7 million in infrastructure improvements, split roughly two-thirds for system rehabilitation and one third for capital projects related to meeting peak demands and future growth. The focus of this capital investment program was to continue to improve fire flow throughout the system, replace aging wells, and increase overall pumping capacity to meet peak demands. It included three pipeline replacement projects; equipping two previously drilled wells; drilling two new wells; and evaluating additional sites for future wells. Additionally, the DWP developed an augmented inventory and database of the DWP's facilities. This database will provide the foundation for future long term infrastructure planning.

For FY 2011-12, the DWP planned to replace aging and inadequate infrastructure systems – specifically pipeline replacement, well drilling and equipping, and seeking new well sites. This investment is made possible primarily through funding that is currently in process from the USDA and supplemented by revenues expected from the DWP's nine percent rate increase effective July 2011. As of June 30, 2011, DWP has drawn $2,166,698 in proceeds from the 2010 USDA Bond for the construction and replacement of wells and pipelines within the DWP's water systems. The balance of the 2010 USDA Bond is expected to be drawn in Fiscal Year 2012/13. When finalized, the additional funding will help to equip three wells and replace 13,300 linear feet of aging pipeline. With these projects completed the DWP will have replaced nearly 22,000 linear feet of pipe, and brought two new wells and three replacement wells on line. This addresses nearly all of the "Priority 1" projects identified in the 2005 Master Plan.

Other minor projects to be funded from operating revenues include replacing pressure regulating valves, replacing hydrants, meters and meter boxes, and providing general professional services.

Since acquiring the water systems in 1989, the DWP has invested substantial resources to reducing the number of water main leaks:

Number of Water Main Leaks Repaired by Area				
Fiscal Year Ending June 30	1993	2000	2005	2010
Big Bear Lake	436	41	13	13
Moonridge	0	49	16	10
Fawnskin	24	28	5	1
Sugarloaf	154	4	0	2
Erwin Lake	0	4	0	1
Lake William	2	0	0	1
Rimforest	48	0	0	0
Total System Main Leaks	664	126	34	28

Fire flow requirements are not met in all segments of the water system partially due to the age of the system and partially because fire flow requirements have changed. The 2006 Water Master Plan identified $110 million worth of needed system upgrades, most for fire flow. The DWP estimates that it will take 20 to 30 years to address all of the fire flow issues.

Recommended improvements have been grouped into three priorities. Priority 1, concentrates on replacing a limited number of pipelines in the most fire flow deficient areas, developing new wells to augment supply, adding storage in the Fawnskin system and completing the facilities required to convey water from Barton to the future La Crescenta reservoir. According to the DWP, by the end of FY 2011-12 essentially all of the Priority 1 pipeline projects are estimated to be complete and will begin to address Priority 2 projects. Priority 2 focuses on replacing additional pipelines to augment fire flow capacity in all systems and augmenting capacity from local sources. Finally, Other Replacement Pipelines facilities include replacing all pipelines less than six inches in diameter that have not been considered under any of the two initial priorities. The total capital cost (2006 dollars) of the proposed improvements is summarized as follows:

Priority 1	$ 11,950,000
Priority 2	$ 60,000,000
Other Replacement Pipelines	$ 37,000,000

DWP customers can get a $100 rebate for replacing an old, high-flow toilet with a new, low-flow toilet that uses 1.6 gallons per flush or less. All DWP customers are eligible for free low-flow showerheads and aerators. The DWP will pay its customers $0.50 for each square foot of turf removed over 500 square feet.

According to the DWP, it is still operating under a Stage 1 water shortage emergency pursuant to California Water Code 350 (for all service areas except Lake Williams, which is operating under a stage 2). The DWP limits new connections to 160 equivalent dwelling units (EDU) per year. The average home is equivalent to one EDU but larger homes can be equivalent to more than one. If there are unused EDU's at the end of the fiscal year, then they are carried over to the next year. As of July 1, 2012, there are 575 EDU's available to the public. According to the DWP, it has been selling an average of 25 EDU's per year over the last few years and the most it has sold in a year is 300 EDU's.

Water Rates

The residential retail water rates of the two retail water providers in the Bear Valley are identified in the chart below.

Residential Water Rate Comparison (July 2012)
(rates measured in units, or one hundred cubic feet)

Agency	Water Use Rate				Monthly Meter Charge (5/8" Meter)	Monthly Avg. Cost (20 units of water)
	Tier One	Tier Two	Tier Three	Tier Four		
City of Big Bear Lake – Department of Water & Power	$2.45	$3.40	$5.07	$8.36	$81.32	$110.72
Big Bear City CSD	$1.48	$1.86	$2.21	--	$40.04	$69.64

Rates rounded to the nearest hundredth
[1] Service Charge base rate includes 8 units

Sewer

The Big Bear Area Regional Wastewater Agency ("BBARWA") is a joint powers authority formed for the purposes of planning and constructing sewer improvements to serve the member entities' service areas, obtaining State and Federal Clean Water grants, financing the local share of project costs, and operating the regional facilities. The member agencies are the CSD, the City of Big Bear Lake, and the County of San Bernardino on behalf of CSA 53 Zone B.

Each member agency maintains and operates its own wastewater collection system and delivers wastewater to BBARWA's interceptor system for transport to the wastewater treatment plant. The purpose of the plant is to treat sewage flows from the member agencies and to accept septic waste from residents and businesses, which are not served by a collection system. The treatment plant currently operates at about 2.5 million gallons per day. The effluent is discharged to farm lands in Lucerne Valley and the sludge is collected, dewatered, and hauled to disposal facilities off the mountain.

The Public Works Sanitation Division services about 10,680 properties (13,270 equivalent dwelling units). The City's sewer system consists of over 250 miles of sewer lines, 13 lift stations with 29 pumps (from a 2.5 horsepower to a 47 horsepower), and over 6,000 manholes. Pipeline materials include a combination of concrete irrigation pipe, vitrified clay pipe, cast iron pipe, asbestos cement pipe, and polyvinyl chloride pipe. Pipe sizes range from 4-inches to 24-inches in diameter, with over 90 percent of the system comprised of 6-inch and 8-inch diameter pipes.

The system is divided into Assessment Districts and Tracts (there are 20 Assessment Districts and 15 Tracts within the City of Big Bear Lake). In Assessment Districts 1 through 8, the City is responsible for the main line and wye connections at the main. In Assessment Districts 9 through 20, the City is responsible for the main line and the lateral to the property line. In Assessment Districts 14 through 20 and in the tracts, the laterals have a locating device on the end of the lateral.

The City has developed a Sewer System Management Plan (SSMP) pursuant to the State Water Resources Control Board Order 2006-0003. The SSMP describes the management, planning, design, operation and maintenance of the City's sewer sanitary sewer system. The goal of the SSMP is to minimize the frequency and severity of sanitary sewer overflows.

The sewer system averages 13,500 GPM per month on out bound flows on larger stations, which more than doubles during the peak seasons. Collected flows are transported from the City to BBARWA for treatment with ultimate distribution to an alfalfa farm in Lucerne Valley. The sewer fee collected on the tax roll of $373.14 includes a component unit for BBARWA and a component unit for the City's collection system.

Sewer Rates for Fiscal Year 2012-13:

AGENCY	SEWER SERVICE FEE
Bear Valley Community	
City of Big Bear Lake	$31.10 monthly service charge; plus $373.14 per served parcel on tax roll for BBARWA charges and other City sewer related charges $62.20 is the monthly charge
Big Bear City CSD	$119.29 annual system maintenance charge* $173.76 annual BBARWA treatment charge* $24.42 is the monthly charge
CSA 53B	$55.82 monthly service charge
Other Mountain Providers	
Lake Arrowhead CSD	$45.50 monthly service charge
CSA 79	$63.24 monthly service charge
Arrowbear Park County Water District Running Springs Water District*	$30.00 monthly service charge $27.45 plus 15% of water usage $3.00 wastewater pollution control plant loan repayment
*Place on individual property tax bill annually	

Law Enforcement

The City of Big Bear Lake also contracts with the San Bernardino County Sheriff's Department for criminal law and traffic enforcement. The Sheriff also provides all required administration, dispatch and clerical service. Specialized services such as homicide, narcotics, child crimes, aviation, crime lab, and crime prevention are provided as part of the contract. The Sheriff's Department maintains volunteer forces including Line Reserves, Search and Rescue, Horse Posse and Citizens on Patrol. The Big Bear Lake station is located at 477 Summit Boulevard. The contracted cost with the Sheriff since FY 2009-10 is as follows: 2009-10 ($2.29 million); 2010-11 ($2.42 million); 2011-12 projected year-end ($2.62 million); and 2012-13 proposed budget ($2.73 million).

Streetlighting

The City provides streetlights within its corporate limits. Bear Valley Electric owns the streetlights and responds to problems, and the City provides for payment of the utility costs associated with the individual lights. Since the data for streetlights within the City was not readily available, verification of streetlight location and/or totals was not performed by LAFCO.

Solid Waste

Big Bear Disposal provides curbside garbage and recycling service to the residents and businesses within the City of Big Bear Lake. In partnership with San Bernardino County and Big Bear Disposal, the City of Big Bear Lake supports a hazardous waste collection facility and several other programs to address household hazardous waste. The City also maintains two public trash and recycling sites, which serve both visitors and residents year round.

The annual cost for this service are identified as follows:

AGENCY	SOLID WASTE/REFUSE FEE
City of Big Bear Lake	$264.49
Big Bear City CSD	$116.58
Unincorporated County (not in BBCCSD)	$85.15

Roads

The City of Big Bear Lake is the responsible entity to provide road maintenance services within its boundaries. Exceptions include State Highways 18 which is maintained by Caltrans. The City manages and maintains approximately 90 miles of roadway within City limits and assures use of proper traffic control methods, proper signage, flow-lines, tree trimming, drainage, pothole repair, striping, snowplowing, and cindering. Snow removal is an expense which needs a substantial reserve to address fluctuations in the annual winter conditions.

Animal Control

The City of Big Bear Lake contracts with the County of San Bernardino for animal control and regulation through the County's Animal Care & Control Program.

Park and Recreation

The City of Big Bear has a number of park facilities that it maintains:

1. Rotary Pine Knot Park (40798 Big Bear Boulevard) – a park facility with a 598 sq. ft. building (restrooms and storage area) and a 20,000 sq. ft. lawn area, a number of benches and picnic tables, and beach area (lake access).

2. Chamber Park (630 Bartlett Road) – a 2,785 sq. ft. park with a picnic table.

3. Veterans Park (40870 Big Bear Boulevard) – a park facility that includes a gazebo, picnic tables, lawn area, restrooms, and available parking

4. Boulder Bay Park (39080 Big Bear Boulevard) – Approximately 4-acre park facility that includes a fishing dock, gazebo, picnic tables, restrooms and parking area with 40 at least 40 stalls.

In addition, the Big Bear Valley Park and Recreation District, which is the park and recreation service provider for the overall Bear Valley community, including the City, has a number of park and recreation facilities within the City itself:

1. Meadow Park (41220 Park Ave, Big Bear Lake)
2. Moonridge Animal Park (43285 Moonridge Road, Big Bear Lake)
3. Big Bear Senior Center (42651 Big Bear Boulevard, Big Bear Lake)
4. Youth Center Skate Park – leased (40946 Big Bear Boulevard, Big Bear Lake)
5. Rainbow Kids Club – Child Care Program (Big Bear Elementary, 40940 Pennsylvania Avenue, Big Bear Lake)

4. Financial ability of agencies to provide services:

General Operations and Accounting

Services provided by the City that are reported as governmental-type activities include general administration, police, fire protection, public works, and community development. These services are supported by property tax, sales tax, transient occupancy tax, use fees, interest income, franchise fees, state and federal grants, and other sources. The City's water utility (Department of Water and Power) is supported directly through user fees and charges and is reported as a business-type activity.

Component Units

The reporting entity "City of Big Bear Lake" includes the accounts of the City, the Improvement Agency of the City of Big Bear Lake (Improvement Agency), the Big Bear Lake FPD, the Big Bear Lake Public Financing Authority (Financing Authority) and the Big Bear Lake Performing Arts Center Foundation.

The Big Bear Lake Improvement Agency was a redevelopment agency of the City of Big Bear Lake that was formed in 1982. The purpose of the Improvement Agency was to eliminate deteriorating conditions and conserve, rehabilitate and revitalize project areas in accordance with the community development plan and annual work programs. In 1983, the Improvement Agency established two improvement areas – the Big Bear Lake Improvement Project Area and the Moonridge Improvement Project Area. Separate financial statements for the Improvement Agency are available at City Hall and on-file at the LAFCO office.

Dissolution of Redevelopment Agencies

All redevelopment agencies in the State of California were dissolved as of February 1, 2012. As provided for under the new law, each former redevelopment agency is to be governed by a "Successor Agency" and an "Oversight Board". On January 9, 2012, the Big Bear Lake City Council voted to assume the responsibilities of the Successor Agency for the former Big Bear Lake Improvement Agency.

In general, all of the assets, properties, contracts, leases and records of the former Improvement Agency are to be transferred to the City Council. The City Council will in turn, be responsible for overseeing and winding down the remaining legal and contractual obligations of the agency. Essentially that obligation amounts to ensuring: the implementation of all existing contracts and agreements; payment of all existing indebtedness and financial obligations; and performing any required asset transfers or liquidations. Additionally, the City Council will be responsible for preparing an annual administrative budget and paying any unencumbered fund balances to the County Auditor-Controller for distribution to the local taxing districts.

The Big Bear Lake FPD was formed on September 6, 1927, to provide fire protection and prevention in the Big Bear Lake area. As a part of the incorporation of the City, the District was established as a subsidiary district of the new City. Separate financial statements for the Big Bear Lake FPD are available at City Hall and on-file at the LAFCO office.

The Big Bear Lake Public Financing Authority is a joint powers authority organized pursuant to a Joint Exercise of Powers Agreement dated as of November 28, 1990, by

and between the City and the Improvement Agency. The Financing Authority is a separate entity constituting and was formed for the public purpose of assisting the City and Improvement Agency in financing and refinancing their projects and activities. The Financing Authority is governed by a board of directors consisting of members of the Improvement Agency Board and the City Council. Separate financial statements for the Financing Authority are not issued. The future of the Financing Authority is not clear at this time since the City's Improvement Agency has been dissolved. One possibility is for the Big Bear Lake FPD to be placed as the successor to the Improvement Agency in the joint exercise of powers agreement.

The Big Bear Lake Performing Arts Center Foundation, formed on July 12, 2004, is organized as a not-for-profit corporation and as a tax-exempt organization. The purpose of the Foundation is to promote professional events at the Performing Arts Center and reduce the amount of public funding used for these events. For financial statement purposes, the Foundation is reported within the General Fund. Separate financial statements for the Foundation are not issued.

Long-Term Debt

As of June 30, 2011, the City's long term debt totaled $44.0 million, comprised of compensated absences, bond issuances, certificates of participation and loans. The table below, taken from the FY 2010-11 financial statements, is broken down by governmental and business-type activities.

Long-Term Debt
As of June 30, 2011

	Total Activities		
	Governmental Activities	Business-type Activities	Total
Compensated absences	$ 703,318	$ 228,048	$ 931,366
Refunding revenue bonds	---	26,143,755	26,143,755
Tax allocation bonds	7,160,000	--	7,160,000
Housing set-aside revenue bonds	3,375,000	--	3,375,000
Certificates of participation	1,885,000	--	1,885,000
Special Assessment District Obligations	980,243	--	980,243
Loans & Notes Payable	---	3,528,068	3,528,068
Total	$ 14,103,561	$ 29,899,871	$ 44,003,432

The City issued bonds totaling $35,200,000 in 1989 to purchase the water systems from Southern California Water Company. In April 1992, the City issued the revenue Refunding Bonds for $45,220,000 to refund the 1989 bonds. In 1996, the City again issued Refunding Revenue Bonds for $37,585,000 to refund the 1992 bonds. The 1996 Revenue Refunding Bonds are scheduled to mature in 2022 and cannot be refinanced by the terms of the loan. The balance as of June 30, 2011 was $26,855,000.

On June 21, 1993, the DWP entered into a contract with the State of California Department of Water Resources to borrow an amount not to exceed $4,993,857 to replace water pipelines in the communities serviced by DWP. The total amount advanced was $4,885,814 and the project was completed during the fiscal year ended June 30, 1996. Principal and interest payments of $162,649 are due April 1 and October 1 of each year for 20 years,

scheduled to mature in 2016 and are taken from rates charged to those receiving service. The interest rate on the loan is 2.955%.

On September 8, 2010, the City of Big Bear Lake Department of Water and Power (DWP) entered into a loan agreement in the amount $3,628,000 with the United States Department of Agriculture Rural Utility Services for the proceeds of its 2010 USDA Bond. The 2010 USDA bond loan has a term of 40 years and the interest rate is 2.375%. As of June 30, 2011, DWP has drawn $2,166,698 in proceeds from the 2010 USDA Bond for the construction and replacement of wells and pipelines within the DWP's water systems. The balance of the 2010 USDA Bond is expected to be drawn in Fiscal Year 2012/13. The annual requirements to amortize the outstanding debt service requirements as of June 30, 2011, including interest, are as follows:

	2010 USDA Bond	
Fiscal Year	Principal	Interest
2010-2011	$ -	$ 12,709
2011-2012	58,000	67,908
2012-2013	59,000	82,000
2013-2014	60,000	80,500
2014-2015	62,000	79,000
2015-2016	402,000	442,000
2021-2049	2,987,000	1,082,250
Totals	$ 3,628,000	$ 1,846,367

Post-Employment Benefits

Pension:

The City contributes to the San Bernardino County Employees' Retirement Association (SBCERA), a 1937 Act Retirement system, as a cost-sharing multiple-employer public employee defined benefit pension plan. According to the FY 2010-11 financial statements, the City has a zero net pension obligation.

Other Post-Employment Benefits:

The City has no obligation to provide post-employment health care benefits for retirees.

Net Assets

In reviewing the City's financial documents, Total Net Assets have increased by 20% since FY 2006-07 as shown on the chart below. As of June 30, 2011, the City had $84.9 million in net assets (of that amount $6.9 million is attributed to the water fund and $8.1 million to the Big Bear Lake FPD). Of Total Net Assets, approximately $3.0 million is unrestricted.

NET ASSETS						
	2006-07	2007-08	2008-09	2009-10	2010-11	4-yr var.
Assets:						
Capital assets, net of depreciation	75,698,186	76,359,570	76,372,900	78,840,111	77,656,686	3%
Current assets	52,280,298	54,883,359	55,286,782	54,034,410	56,394,810	8%
Total Assets	127,978,484	131,242,929	131,659,682	132,874,521	134,051,496	5%
Liabilities:						
Current liabilities	4,953,105	4,847,690	4,316,837	4,876,252	5,100,327	3%
Long-term liabilities	52,233,484	49,882,953	47,152,028	44,565,888	44,036,501	-16%
Total Liabilities	57,186,589	54,730,643	51,468,865	49,442,140	49,136,828	-14%
Total Net Assets	$70,791,895	$76,512,286	$80,190,817	$ 83,432,381	$84,914,668	20%
Net Assets:						
Invested in capital assets, net of related debt	36,123,640	36,139,337	38,671,323	43,875,369	50,509,475	40%
Restricted	25,705,658	29,959,601	32,055,057	31,692,698	31,417,145	22%
Unrestricted	8,962,597	10,413,348	9,464,437	7,864,314	2,988,048	-67%
Total Net Assets	$70,791,895	$76,512,286	$80,190,817	$ 83,432,381	$84,914,668	20%
Net assets attributed to:						
Water activity	*1,638,259*	*2,660,798*	*2,895,223*	*5,600,992*	*6,946,198*	324%
Big Bear Lake FPD	*8,150,183*	*8,564,772*	*8,838,810*	*8,788,333*	*8,068,222*	-1%

Fund Balances and Cash

Considering net assets does not indicate if an agency has enough fund balance to operate short and long-term operations. The chart below shows fund balances for the City's governmental funds and cash for its business-type fund (water) for the past five fiscal years. For the governmental funds, fund balances have increased each year until FY 2009-10. Of all the individual funds that comprise Governmental activities, the General Fund and Sanitation Fund have significantly decreased in fund balance since FY 2006-07.

Conversely, the cash balance of the Water Fund has decreased each year until FY 2009-10, with a sharp increase in FY 2010-11. The reason for this activity is due to the City's investment and capital projects for the water system during the past five years. Additionally, for FY 2010-11, the water activity's revenues exceeded expenses by $1.4 million.

Governmental Funds - Fund Balance						
	2006-07	2007-08	2008-09	2009-10	2010-11	4-yr var.
General	13,189,432	11,872,664	11,280,235	9,427,423	10,606,308	-20%
Fire District	3,615,980	4,240,785	4,516,898	4,274,958	3,674,531	2%
Sanitation	3,305,294	2,821,009	1,877,526	2,137,634	2,224,228	-33%
Other	9,617,785	12,678,996	15,868,100	15,413,458	14,326,321	49%
TOTAL	$29,728,491	$31,613,454	$33,542,759	$ 31,253,473	$30,831,388	4%
Water Utility - Cash & cash equivalents						
Water Utility	$ 5,011,913	$ 4,783,827	$ 4,668,486	$ 4,670,199	$ 8,970,518	79%

General Fund:

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. At the end of the previous fiscal year, unassigned fund balance of the General Fund was $2.0 million, while total fund balance reached $10.6 million. Unassigned fund balance represents 18 percent of total general fund expenditures, while total fund balance represents 98 percent of that same amount. In general, it desirable for total general fund balances to be above 100% of general fund expenditures and healthy when over 125%.

General Fund (GF)	2006-07	2007-08	2008-09	2009-10	2010-11
Total GF expenditures	$10,267,711	$11,989,218	$11,436,699	$11,992,465	$10,792,619
Unassigned GF fund balance (as a % of total GF expend.)	2,964,149 (29%)	2,280,517 (19%)	1,625,030 (14%)	1,003,981 (8%)	1,967,053 (18%)
Total fund GF balance (as a % of total GF expend.)	13,189,462 (128%)	11,872,664 (99%)	11,280,235 (99%)	9,427,423 (79%)	10,606,308 (98%)

Revenues and Expenditures

According to the City's financial statements, the primary economic engines are tourism and building construction. When combined, property tax (21%), sales and use tax (11%), and transient occupancy tax (16%), comprise roughly 48% of the City's annual budget. Although the economic downturn has resulted in a decrease in tourism statewide, the City's proximity to the populated centers of southern California makes the area an alternative destination – offsetting the decline seen in other locations. As for building construction, the primary industry is custom homes as opposed to large-scale housing tracts. Although construction has declined, the decline has been less than that of other San Bernardino County areas.

According to the Management Discussion and Analysis from the financial statements, many of the properties located within the City are high-end custom homes and second homes. This has limited the City's exposure to foreclosures when comparing the City to other municipalities in the county. Nonetheless, the decline in assessed valuations has impacted the City, including the Big Bear Lake FPD and Improvement Agency. A review of the County Assessor's "Assessment Roll Re-cap Totals" for the past six years identifies the City's percentage change in assessed values as follows: 2007- increase 10.6%, 2008 – increase 6.7%, 2009 – decrease 0.6%, 2010 – decrease 2.1%, 2011 – decrease 1.5%, 2012 – no change.

The following table, compiled from the three most recent financial statements, shows program revenues for the governmental-type of activities compared to the costs for providing the services. The net cost shows the financial burden (subsidy) that was placed on the City's taxpayers by each of these functions.

Net Cost of Governmental Activities

	2008-09		2009-10		2010-11	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
General gov.	4,357,399	(3,313,495)	6,097,324	(4,994,723)	4,279,540	(2,949,676)
Public Safety	6,463,702	(5,736,558)	7,530,668	(6,104,190)	7,627,438	(7,112,536)
Comm. Devel.	2,760,282	(2,114,075)	4,566,255	(3,926,415)	5,835,247	(5,213,721)
Culture	668,518	(420,406)	791,096	(661,689)	697,602	(156,990)
Public Works	4,290,634	(1,521,546)	4,772,882	(915,780)	4,121,465	(320,170)
Health & san.	6,202,929	(2,218,247)	6,119,809	(1,940,878)	6,406,281	(2,004,434)
TOTAL	$24,743,464	$ (15,324,327)	$ 29,878,034	$ (18,543,675)	$ 28,967,573	$ (17,757,527)

Appropriation Limit (Gann Limit):

Under Article XIIIB of the California Constitution, the Gann Spending Limitation Initiative (in 1979, the voters amended the California Constitution by passing Proposition 4, the Gann Initiative, requiring each local Government to set an annual appropriations limit), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIIIB allows the City to designate a portion of fund balance of general contingencies to be used in future years without limitation. The City's appropriation limit for FY 2012-13 was set by Resolution No. 2012-25 at $29,090,488.

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. A review of the financial statements for the past five fiscal years identifies that proceeds of taxes did not exceed appropriations.

Department of Water and Power:

The DWP's primary source of revenue is from water user fees charged to residential and commercial customers throughout the water systems. However, in FY 2009-10, the DWP faced substantial increases in operating costs due to two approved rate increases for Bear Valley Electric. Additionally, effective January 1, 2010, a new law became effective in California establishing new lead-free standards for piping, which affects many components of the DWP's water system, including valves and meters. Based on this requirement, the cost of these components has increased by 30-35%. As a result, the DWP conducted a water rate study that indicates the need to continue funding capital projects through the rates. In turn, these funding shortfalls required increasing rates or drawing from reserves to resolve this situation and maintain prudent reserve levels.

In the summer and fall of 2010, in accordance Proposition 218 guidelines, the City adopted a general water rate increase for both residential and commercial customers. The rate structure was also modified to more appropriately account for low water usage customers. The rate modification was designed to generate an overall nine percent increase in expected water service revenues to be effective on January 1, 2010, and a second nine percent increase to be effective on July 1, 2011. The purpose of this rate increase was to eliminate an $800,000 budget deficit (the total of the capital improvements funded through rates), so DWP could operate and maintain the water system in a manner that met all state and federal government water quality standards.

Other Information:

In reviewing the budgets submitted for this review for the City as well as the separately published budget for the City's DWP, the budgets include at least one year's worth of actual financial data, as recommended by the *Best Practices* of the Government Finance Officers Association. However, the City's budgets do not contain a qualitative analysis upfront or for each budget section which would assist the user to understand the year-to-year financial status of the city. Conversely, the DWP budget contains both an upfront and sectional qualitative analysis to accompany the qualitative data.

5. Status of, and opportunities for, shared facilities:

The City has identified that is does not currently share any structural facilities with other agencies. However, the City's DWP has facilities within the boundaries of the Big Bear City Community Services District ("CSD"), and the Park District has parks located within the City.

In addition to intertie connections between both water systems for emergency purposes, the City's DWP and the CSD were also working on a project that would allow the CSD to bring a high-volume well online and would return water plus a surplus to the DWP to use for blending. However, due to lower water demand, the need for a wheeling and blending of water between the two agencies has been placed on hold at this time.

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

Local Government Structure and Community Service Needs

The City is a charter city and operates under the council-manager form of government. Five council members are elected at-large to four-year overlapping terms with the mayor chosen annually from within the members of city council. For the November 2010 general election, there were 2,977 registered voters within the City with a 71% voter turnout for that election.

The City Council also serves as the Board of Directors of the Big Bear Lake FPD, its subsidiary district. The City Council meets on the second and fourth Mondays of the month at 6:30pm at the City Civic Center. The City Council convenes joint or separate meetings as the Council or the respective board of directors as necessary. The public is invited to all open session meetings. The budget is approved by the City Council at a public hearing, and

financial reports are presented quarterly to the City Council by the Finance Director. Below is the composition of the current council, their positions, and terms of office:

Council Member	Title	Term
Bill Jahn	Mayor	2012
Jay Obernolte	Mayor Pro Tem	2014
David Caretto	Council Member	2014
Liz Harris	Council Member	2012
Rick Herrick	Council Member	2014

City of Big Bear Lake Department of Water and Power

Since 1989, the City of Big Bear Lake has provided retail water within and outside of the City limits through its DWP. The City Council appoints the five-member DWP Board of Commissioners to four-year terms, for a maximum of two consecutive terms. The current composition of the Board of Commissioners is as follows:

Board of Commissioner	Title	Term
Stephen Foulkes	Chair	6/30/2015
William Giamarino	Vice Chair	6/30/2015
Robert Tarras	Treasurer	6/30/2015
Fred Miller	Commissioner	6/30/2013
Don Smith	Commissioner	6/30/2013

Of the five commissioners, only Mr. Smith is eligible for reappointment for an additional term. The rest will have to sit out a term before they are eligible for reappointment. The DWP conducts its own public hearings on the third Tuesday of each month at 9:00 a.m. at the DWP office located at 41972 Garstin Drive in Big Bear Lake.

In essence, the City and its charter consider the DWP as a subsidiary or component entity, even though the DWP is not a separate legal entity. However, the DWP is a department of the City and not a component unit of the City. This is evidenced by the DWP not being required to have its own independent financial statements and water rate increases are first adopted by resolution of the DWP and then approved as an ordinance of the City to implement the rates.

The Commission does not have issue with this arrangement; however, it feels that additional measures can be undertaken to improve the transparency of the DWP, its structure, and its operations. First, the City and the DWP each adopts its own budget at its respective public hearing. Again, there is no issue with the DWP having its own budget, but as a department of the City, the DWP figures should be included in the City's budget or at least referred to as a separate document. Additionally, absent from the organization charts that are in City budget and the DWP budget is the identification that the appointing body of the DWP Board of Commissioners is the City Council.

Second, unlike the structure of the budget, as a department of the City the DWP water activity is included in City's audit and is identified as a Business-type Fund. Conversely, the DWP does not issue its own financial statements that are independently audited. This operation is in contrast to the financial presentation of the City's subsidiary fire protection

district which is a component unit of the City. As a subsidiary district, the Big Bear Lake FPD is a separate legal entity and is required to conduct an independent financial audit.

In looking at the both the City's and the DWP's documents, the Commission recommends that the City and the DWP clarify the roles and activities of each entity in its respective documents. Doing so would allow the public to understand, for instance, that the DWP is a department of the City, its Board of Commissioners are appointed by the City Council, its budgetary information is included only in the DWP budget document, and that it's independently verified annual financial information is included in the City's audit.

In 2001, the DWP and the City operated under a memorandum of understanding (MOU) which outlined the separation of funds and procedures between the City and the DWP. However, both entities have terminated that MOU effective April 30, 2011. Doing so transferred full administrative services from the City to the DWP and further removes direct City involvement in the operation of retail water delivery, except for the City Council appointment of the DWP Board of Commissioners and final approval of rate increases. According to the DWP, the transfer was completed in July 2011. In the opinion of the Commission, this removal of responsibility underscores the issues identified above for an entity which is a part of the City government.

Another concern originally identified by LAFCO is that those residents who reside within the DWP service area but outside of the City limits (making up approximately 40 percent of DWP's customers) could not serve on the DWP Board of Commissioners – even though they receive direct service from the DWP. At the November 2010 election, 73% of the City's electorate approved Measure W (71% turnout). The measure amended the City charter to make any elector of the area serviced by the DWP eligible for appointment to the DWP Board of Commissioners. Additionally, the measure prohibits City employees and commissioners and elected or appointed board members of any governmental agency having jurisdiction over any area served by the DWP from becoming or remaining members of the Board of Commissioners.

To this date, none of the current board member is a resident from within the unincorporated portion of the DWP's service area. The next opportunity for a resident to be appointed by the City Council to serve as a member of the board, who resides within the unincorporated portion of the DWP's service area, will be in 2013. The new charter amendment does not require there to be representation from any certain areas. The board members will still be appointed based on who is best qualified for the position regardless of where they reside within the entire service area of the DWP. Therefore, the DWP could end up with five board members who all reside from the unincorporated service area, or they could all still be from the City, or a mixture of all the service areas, including Rimforest.

Operational Efficiencies

Operational efficiencies are realized through several joint agency practices, for example:

- The incorporation of the City utilized the boundaries of the Big Bear Lake Sanitation District ("Sanitation District"). The Sanitation District was governed by the County Board of Supervisors; therefore, its employees were members of the San Bernardino County Employees' Retirement Association ("SBCERA"). As a function of the incorporation, the retirement benefits of existing employees were to be maintained and SBCERA allowed the new city employees to remain within the system. The City continues to participate in SBCERA. SBCERA is a cost-sharing multiple-employer defined benefit pension plan

operating under the California Employees Retirement Act of 1937. A review of the most recently available audit identifies a zero net pension obligation.

- The City is a member of the Mojave Desert Mountain Integrated Waste Joint Powers Authority. The JPA plans and implements recycling and waste reduction programs.

- The City of Big Bear Lake is a member of the California Joint Powers Insurance Authority. The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other coverage.

- Big Bear Lake Nutrient TMDL Task Force - This is one of several Task Forces established through the Santa Ana Regional Water Quality Control Board to address specific watershed (in this case, Big Bear Lake) Total Maximum Daily Load (TMDL) development and issues related to the Basin Plan. The Task Force has used federal, state and local resources to collect and analyze the data needed to develop a formal TMDL. TMDL Task Force meetings are held at the San Bernardino Flood Control or Big Bear Municipal Water District offices approximately bimonthly. At these TMDL meetings, the Big Bear Lake stakeholders and Regional Water Quality Control Board staff are provided with an update of TMDL-related data collection and analyses efforts. The TMDL Task Force stakeholders consist of the following entities:

    - Big Bear Area Regional Wastewater Authority
    - Big Bear Mountain Resorts
    - Big Bear Municipal Water District
    - Caltrans
    - City of Big Bear Lake
    - Regional Board Staff
    - San Bernardino County Flood Control District
    - United States Forest Service

<u>Government Structure Options</u>

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;

2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements

Government Code Section 56133 sets the parameters for extension of service by a public agency outside its boundaries. The DWP, as a department of the City, is constrained by these provisions and limited in its ability to serve outside the City's assigned sphere of influence. LAFCO staff has worked with members of the DWP staff and Board of Commissioners to define the DWP service area as of January 1, 2001 to grandfather future service connections within these areas. There are two other areas which require further review:

1. Camp Oakes Parcels

   The City's DWP has identified that it has been negotiating with the property owners of Camp Oakes (Long Beach YMCA), owners of Assessor Parcel Number (APN) 0315-291-02, 03, 14, and 15 (shown as orange on the Outside City Service Area - Erwin Lake and Lake Williams System detail map, which is part of Exhibit "B", regarding a mutually beneficial project in the community of Lake Williams. As mentioned earlier, the DWP is interested in drilling a well within the camp property to serve the community. Likewise, the Camp Oakes people have voiced their interest in being served by the DWP since they do not want to be in the water business and would like to turn off their private wells and avoid the maintenance of their private facilities. The Commission understands that an agreement is being developed at this time.

   Therefore, as part of the service review process, the City, through its DWP, would like to include the Camp Oakes parcels (APNs 0315-291-02, 03, 14, and 15) within its water service area and request that the Commission declare this future agreement as exempt from the provision of Government Code Section 56133. Because of the benefit of having a new well for the community of Lake Williams that is anticipated to remove the current building moratorium imposed on the community, and the property owner's desire to do away with their obligation to maintain its own private water system, both of which are valid health and safety reasons, the Commission supports this request.

2. High Timber Ranch Project

   The City's DWP has also identified that it would like to serve the proposed High Timber Ranch project, APN 2350-021-10 (shown as pink on the Outside City Service Area – Moonridge, Sugarloaf, and Portions of the Big Bear Lake System detail map, which is a part of Exhibit "B". The Commission understands that the project is not being developed at this time nor is it anticipated to be developed anytime soon. Although the parcel is adjacent to the DWP's existing facilities, it is within the Big Bear City Community Services District (CSD) boundaries. In reviewing this potential service extension request, LAFCO identified to the DWP that if the Big Bear City CSD determines that it will not extend water service to the High Timber Ranch parcel and consents to the City's DWP serving the project, then LAFCO will support the DWP serving the project. The City will then, at some point in the future, need to request that the Commission declare this project as exempt from the provision of Government Code Section 56133(e), on the basis that the contract/agreement is between two agencies, "...where the public service to be provided is an alternative to, or substitute for, public services already being provided by an existing public service provider and where the level of service to be provided is consistent with the level of service contemplated by the existing service provider."

Other Government Structure Options

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review ("Local Agency Formation Commission Municipal Service Review Guidelines", State of California Governor's Office of Planning and Research, August 2003) and the Commission has adopted these guidelines for its use in preparing its Service Reviews. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

The following scenarios are not being presented as options for the Commission to consider for action as a part of this service review. Rather, a service review should address possible options, and the following are theoretical scenarios for the community to consider for the future.

1. Jurisdictional Issue Along the Lakeshore

   As identified earlier, there are multiple structures and marinas that exist along the lakeshore that have caused disagreement as to which agency has jurisdictional authority to approve or regulate the structures built on these lands – that can sometimes straddle between the County and the City. As mentioned earlier, there are two options that the agencies involved can take in order to remove or minimize such problem. One option is to annex the City's existing sphere of influence within the lake. This places all of the south shore within the City's jurisdiction. In doing so, there will be no confusion as to who has jurisdiction since land use authority and service provision along the south shore will entirely be with the City. Another option that can address some of the issues would be through a Memorandum of Understanding ("MOU") between the agencies involved. Although an MOU already exists between the County, the City and MWD, it only addressed plan checking, permitting, and inspection responsibilities between the County, the City, and the MWD. Therefore, it the Commission's position that if annexation is not pursued that the agencies consider a more comprehensive agreement that would also address CEQA review requirements, service provision, and development standards along the lakeshore.

2. Department of Water and Power Service Area

   Again, as mentioned earlier, the City of Big Bear Lake took over the Big Bear Water Systems of the Southern California Water Company ("SCWC") in 1989. In 1994, LAFCO granted the City of Big Bear Lake an exemption from the provisions of Government Code Section 56133 for the provision of water service within the State Public Utilities Commission assigned certificated service area for the former SCWC. SCWC's Big Bear service area included five licensed water systems: Lake Williams, Erwin Lake-Sugarloaf, Big Bear Lake-Moonridge, Fawnskin, and Rimforest. This has resulted in approximately 40% of the DWP customers being outside the city's boundary and/or sphere of influence. This has produced two unique situations.

   A. *Connections to new development outside City's boundary*. In 1994, San Bernardino LAFCO adopted an operating policy relating to the acquisition of a private water system by a public jurisdiction. The acquisition would require the city or district to continue the service and allow additional connections within the previously defined certificated service area without regard to an agency's sphere of influence. However, amendments in 1999 to the statute allowing for out-of-agency service contracts (Gov Code §56133) specified specific instances when service could be authorized outside an agency's sphere of influence; which are to address health and safety concerns for developed areas only. In the opinion of the Commission, the following scenarios are presented to address this service issue:

      - LAFCO could expand the City's sphere of influence to encompass the entirety of the DWP service area. However, this would expand the City's sphere over portions of the Fawnskin Community and other areas with historical opposition to ultimate inclusion into the City. In addition, this would also expand the City's sphere over portions of the Big Bear City CSD area which would create an overlap of service providers and the potential for duplication of other services.

- For Fawnskin -- County Service Area ("CSA") 53 (through its Zone C) is authorized by LAFCO a water function/service, although it does not actively provide the service. One option would be for CSA 53 Zone C (as the responsible agency overlaying the service areas) to contract with the City to provide service to new development. Such a contract would be exempt from LAFCO approval and allow for the continuation of development related service extensions.

  The DWP and the developers of the "Moon Camp" project within the larger Fawnskin community, which is a proposed 50-lot residential development, have been working with the County on a 3-way Interconnection Agreement between the DWP, Moon Camp, and CSA 53 Zone C. A draft Memorandum of Understanding ("MOU") has been developed; however, it has not been finalized by either of the parties involved since the project is not expected to take place anytime soon.

- For Sugarloaf, Lake Williams and Erwin Lake – The Big Bear City CSD could assume the responsibility for the provision of retail water service for the areas within its boundary that are currently provided by the City.

- The MWD overlays the entirety of the DWP service area within the Big Bear community and is authorized by LAFCO a water function. Although the MWD does not actively provide retail water, it does engage in other water activities. In this scenario, the MWD could assume the entire service responsibility of the DWP and provide retail water.

  At the request of the DWP, on April 25, 2011, a joint workshop took place between the DWP and MWD regarding potential assumption of the DWP retail service by the MWD. Potential benefits cited at the joint workshop include administrative economies of scale with a single agency managing surface water and groundwater. Additionally, this would allow for elected representation to determine rates and service criteria.

  Assumption of the DWP retail service by the MWD does not require an application to LAFCO since there would be no organizational change or change in boundaries for either the City (the DWP is a department of the City) or the MWD (currently authorized the water function). However, at the July 21, 2011 meeting of the MWD Board of Directors, it decided to abandon its potential acquisition of the City's DWP. Nonetheless, it should be noted that the Commission continues to support having a single entity responsible for surface and groundwater in the valley, which is still a viable option that should be reconsidered again in the future.

B. *Assumption of Rim Forest system by Lake Arrowhead Community Services District*. As a condition of the City's acquisition through condemnation, it was required to assume service responsibility for all of SCWC's water service area in the mountains – which included the Rimforest system in the Lake Arrowhead community. In 2004, the Commission authorized the expansion of the Rimforest Service area to include the Mountain Pioneer Mutual Water Company due to the devastating effects of the Old Fire on the system, pursuant to Gov't Code §56133(c). LAFCO broached the question of transferring this service obligation to the Lake Arrowhead Community Services District ("LACSD") due to its proximity (the DWP is more than 30 miles away) during the Lake Arrowhead service review. The transfer of service would include the responsibility for service provision and the assets and debt obligations of

the Rim Forest system. The LACSD indicated its interest in assuming service responsibility for this area as well as succeeding to the system's assets.

Both the DWP and LACSD had been working on the logistics of transferring the Rimforest system. Two issues that were being worked on related to the upgrade of the water meters and the handing of the outstanding balance of the DWP's bond. A community meeting was even held on January 17, 2012. However, due to the sudden departure of LACSD's general manager in April 2012, the DWP and LACSD are now 'back to square one' on negotiating the transfer of the Rimforest system.

C. Another alternative that could address the issues surrounding the DWP would be to form an independent county water district. The DWP already operates with a separate board of directors, appoints its own staff, adopts its own budget, and prepares its own plans. In this scenario, the DWP could serve without jurisdictional issue within its boundaries and its board of directors would be elected by the voters within its boundaries. Formation of a new independent district would require an approval by LAFCO with an application submitted by the City, residents, or registered voters and an election for formation and selection of the Board of Directors.

3. Annexation of City Non-contiguous Properties

The City owns a number of parcels in the unincorporated area that contain some of its facilities (i.e. DWP's tank sites, wells, etc.). These non-contiguous parcels could be annexed into the City for as long as they are used for municipal purposes. As a cost savings measure, the City could benefit from tax exempt status for these parcels and would not be subject to paying the ad valorem property tax, currently estimated to be $82,283 for FY 2011/12. It is the understanding of the Commission that the DWP, on behalf of the City, is interested in annexing the parcels that would qualify as City non-contiguous annexations. Other parcels owned by the City may also qualify under this provision.

The Commission does not identify any potential governmental structure changes at this time for further discussion with the City and/or its constituents.

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

1. Present and Planned Uses:

Overall, the City's boundaries and sphere include the full range of land uses. The City's General Plan designates approximately 6.6% as Rural Residential (5% of which is within the City's unincorporated sphere area designated by the County as Rural Living, 40 acres minimum), 1.6% Equestrian Estates, 35.3% Single-Family Residential, 6.1% Multiple Family Residential, 10.3% Commercial and/or Industrial, 2.8% Village Specific Plan, 2.2% Public Facilities, 4.8% Open Space, 9.3% roads, and 21% as Big Bear Lake (within the City's unincorporated sphere area designated by the County as Floodway). Within its entire sphere, roughly 99% of the land is privately owned and the remainder, 1%, is public, which is devoted primarily to resource protection and recreational use.

The entire 720 acres being added to the City's sphere of influence currently has limited development potential. 75% of the area is forest land owned by the Federal government. The remaining 25%, which is the lake portion of the sphere expansion area, is designation as

Floodway. It should be noted that the 160-acre forest land westerly of the City's boundaries is an area with multiple government land leased residential units and/or cabins, shown as possessory interests on assessment documents. The area receives fire protection from the Big Bear Lake Fire Protection District, which is already within the district's boundaries. However, these dwelling units do not have access to sewer service and/or a domestic water supply.

2. Present and Probable Need for Public Facilities and Services:

The City directly provides water and sewer collection within its boundaries. The Big Bear Lake FPD, a subsidiary district of the city, provides fire protection and emergency medical response. As a municipality, the City is responsible for law enforcement within its boundaries and has chosen to contract with the County for law enforcement services tailored to its needs and financial resources. In addition, the City provides streetlighting, solid waste, road maintenance, and animal control services within its boundaries. The City also provides park and recreation services although the Big Bear Valley Recreation and Park District overlays the City and has facilities within the City.

Water

The City operates its water system through its Department of Water and Power ("DWP"). As of 2010, the DWP provides water service to almost 16,000 customers from four separate water systems: Big Four (which is a combination of the Big Bear, Moonridge, Sugarloaf and Erwin Lake systems), Lake Williams, Fawnskin, and Rimforest. The "Big Four" system is the largest of the water systems with 13 pressure zones and approximately 14,320 active connections that serve the City, portions of Big Bear City, the unincorporated Moonridge area, and the unincorporated areas of Sugarloaf and Erwin Lake. The Lake Williams system, which serves the Lake Williams area has approximately 120 active connections and is supplied by three active groundwater wells that pump into a reservoir. The Fawnskin system, which serves the north shore area with approximately 710 connections, is served by two pressure zones with six groundwater wells that pump directly into the system or into its existing reservoirs. The DWP provides water to its Bear Valley customers by pumping ground water from local aquifers. Currently, no outside water source is available to augment the local supply. The Rim Forest system, which serves the unincorporated area of Rim Forest located in the Lake Arrowhead community, has approximately 300 connections. Water used in this system is purchased from the Crestline-Lake Arrowhead Water Agency ("CLAWA") the state water project contractor for the area. The Big Bear Shores RV Resort system, although technically not considered a part of the DWP's main water systems, serves a small RV Park along the north shore with a single connection that is served by two groundwater wells that pump into a small on-site reservoir.

In FY 2010-11, the DWP completed $7 million in infrastructure improvements, split roughly two-thirds for system rehabilitation and one third for capital projects related to meeting peak demands and future growth. The focus of this capital investment program was to continue to improve fire flow throughout the system, replace aging wells, and increase overall pumping capacity to meet peak demands. It included three pipeline replacement projects; equipping two previously drilled wells; drilling two new wells; and evaluating additional sites for future wells. Additionally, the DWP developed an augmented inventory and database of the DWP's facilities. This database will provide the foundation for future long term infrastructure planning.

For FY 2011-12, the DWP planned to replace aging and inadequate infrastructure systems – specifically pipeline replacement, well drilling and equipping, and seeking new well sites. Other minor projects to be funded from operating revenues include replacing pressure regulating valves, replacing hydrants, meters and meter boxes, and providing general professional services.

Sewer

The City's Public Works Sanitation Division services about 10,680 properties (13,270 equivalent dwelling units). The City's sewer system consists of over 250 miles of sewer lines, 13 lift stations with 29 pumps (from a 2.5 horsepower to a 47 horsepower), and over 6,000 manholes. Pipeline materials include a combination of concrete irrigation pipe, vitrified clay pipe, cast iron pipe, asbestos cement pipe, and polyvinyl chloride pipe. Pipe sizes range from 4-inches to 24-inches in diameter, with over 90 percent of the system comprised of 6-inch and 8-inch diameter pipes.

The system is divided into Assessment Districts and Tracts (there are 20 Assessment Districts and 15 Tracts within the City of Big Bear Lake). In Assessment Districts 1 through 8, the City is responsible for the main line and wye connections at the main. In Assessment Districts 9 through 20, the City is responsible for the main line and the lateral to the property line. In Assessment Districts 14 through 20 and in the tracts, the laterals have a locating device on the end of the lateral.

The sewer system averages 13,500 GPM per month on out bound flows on larger stations, which more than doubles during the peak seasons. Collected flows are transported from the City to the Big Bear Area Regional Wastewater Agency ("BBARWA"), a joint powers authority, for wastewater treatment.

Park and Recreation

The City of Big Bear Lake has a number of park facilities that it maintains: 1) Rotary Pine Knot Park, a park facility with a 598 sq. ft. building (restrooms and storage area) and a 20,000 sq. ft. lawn area, a number of benches and picnic tables, and has a beach area (lake access); 2) Chamber Park, a 2,785 sq. ft. park with a picnic table; 3) Veterans Park, a park facility that includes a gazebo, picnic tables, lawn area, restrooms, and available parking; and 4) Boulder Bay Park, a 4-acre park facility that includes a fishing dock, gazebo, picnic tables, restrooms and parking area.

In addition, the Big Bear Valley Park and Recreation District, which is the park and recreation service provider for the overall Bear Valley community, has a number of park and recreation facilities also within the City: 1) Meadow Park, 2) Moonridge Animal Park, 3) Big Bear Senior Center, 4) Youth Center Skate Park – leased; and 5) Rainbow Kids Club – Child Care Program.

3. Present Capacity of Public Facilities and Adequacy of Public Services

The City provides or contracts for most municipal-level services within its jurisdiction, with the exception of fire service provided by the Big Bear Lake FPD, a subsidiary of the City. Overall, current facilities and services delivered are adequate.

Water

The City's DWP primarily produces potable water from groundwater wells. These wells produce water from the subunits of the Bear Valley groundwater basin, through pumping or by gravity. Groundwater underlying the DWP's service area is of good quality and requires little treatment before use in the potable water supply system. It is anticipated that the amount of groundwater pumped will gradually increase through year 2035. Groundwater wells will be added to the water systems as needed.

According to the DWP, it is still operating under a Stage 1 water shortage emergency pursuant to California Water Code 350 (for all service areas except Lake Williams, which is operating under a stage 2). The DWP limits new connections to 160 equivalent dwelling units (EDU) per year. The average home is equivalent to one EDU but larger homes can be equivalent to more than one. If there are unused EDU's at the end of the fiscal year, then they are carried over to the next year. As of July 1, 2012, there are 575 EDU's available to the public. According to the DWP, it has been selling an average of 25 EDU's per year over the last few years and the most it has sold in a year is 300 EDU's.

In addition, fire flow requirements are not met in all segments of the water system partially due to the age of the system and partially because fire flow requirements have changed. The 2006 Water Master Plan identified $110 million worth of needed system upgrades, most for fire flow. The DWP estimates that it will take 20 to 30 years to address all of the fire flow issues.

Recommended improvements have been grouped into three priorities. Priority 1, concentrates on replacing a limited number of pipelines in the most fire flow deficient areas, developing new wells to augment supply, adding storage in the Fawnskin system and completing the facilities required to convey water from Barton to the future La Crescenta reservoir. According to the DWP, by the end of FY 2011-12 essentially all of the Priority 1 pipeline projects are estimated to be complete and will begin to address Priority 2 projects. Priority 2 focuses on replacing additional pipelines to augment fire flow capacity in all systems and augmenting capacity from local sources. Finally, Other Replacement Pipelines facilities include replacing all pipelines less than six inches in diameter that have not been considered under any of the two initial priorities.

Sewer

The City has developed a Sewer System Management Plan (SSMP). The SSMP describes the management, planning, design, operation and maintenance of the City's sewer sanitary sewer system. The goal of the SSMP is to minimize the frequency and severity of sanitary sewer overflows.

4. Social and Economic Communities of Interest:

The bulk of the commercial/retail activity for the Bear Valley community is located within the City, resulting in the City as the core of the social and economic community of interest for the overall Bear Valley community. In addition, the City is within the Bear Valley Unified School District, which is a regional entity servicing the Bear Valley community providing for a larger social unit for the eastern Mountain region.

Economic communities of interest include the two ski resorts (Bear Mountain and Snow Summit), the Big Bear Lake itself and the recreational activities supported by the lake, as well as the commercial activities around the lake area, the Village, and along Big Bear Boulevard (State Highway 18).

5. **The Present and Probable Need for Public Facilities and Services of any Disadvantaged Unincorporated Communities Within the Existing Sphere of Influence for a City/Special District that Provides Public Facilities or Services Related to Sewers, Water, or Fire Protection.**

The disadvantaged unincorporated community within the City of Big Bear Lake's sphere of influence is located at the western portion of the City's unincorporated sphere, which is part of the proposed sphere expansion area, Area 1. The area is within the National Forest but has substantial residential development ranging from small cabins to large scale single family residences. No sewer service is available in the area. Currently, water service is provided by either connection to an existing mutual water company in the area or through individual wells. However, the area is already within the Big Bear Lake Fire Protection District's service area for fire protection service.

Since the area is proposed to be within the City's sphere, water and/or sewer service may be available from the City through an out-of-agency service agreement that would require authorization from LAFCO.

6. **Additional Determinations**

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *Big Bear Grizzly*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.

- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on April 4, 2012, LAFCO staff met with the agency and representatives to review the determinations and recommendations made within its draft report, to solicit comments on the determinations presented and to respond to any questions of the affected agencies.

- Comments from landowners/registered voters and any affected agency have been reviewed and considered by the Commission in making its determinations.

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to affirm the existing sphere of influence for the City of Big Bear Lake. In addition, the Commission determines to accept the City of Big Bear Lake Department of Water and Power's current water service area, shown on the maps attached as Exhibit "B", as existing prior to January 1, 2001 and therefore the City's DWP is authorized to connect any of the parcels within this water service area without further LAFCO review. However, for the High Timber Ranch project, Assessor Parcel Number 2350-021-10, the City of Big Bear Lake DWP shall only be allowed to extend its water service to the parcel if the Big Bear City Community Services District determines that it will not extend water service to the parcel and it consents to the City's DWP serving the project.

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider the territory shown on the map attached as Exhibit "A" as being within the sphere of influence of the City of Big Bear Lake; it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the City of Big Bear Lake shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's designation of the modified sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

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

AYES:	**COMMISSIONERS:**	**Bagley, Cox, Curatalo, McCallon, Mitzelfelt Rutherford, William**
NOES:	**COMMISSIONERS:**	**None**
ABSENT:	**COMMISSIONERS:**	**None**

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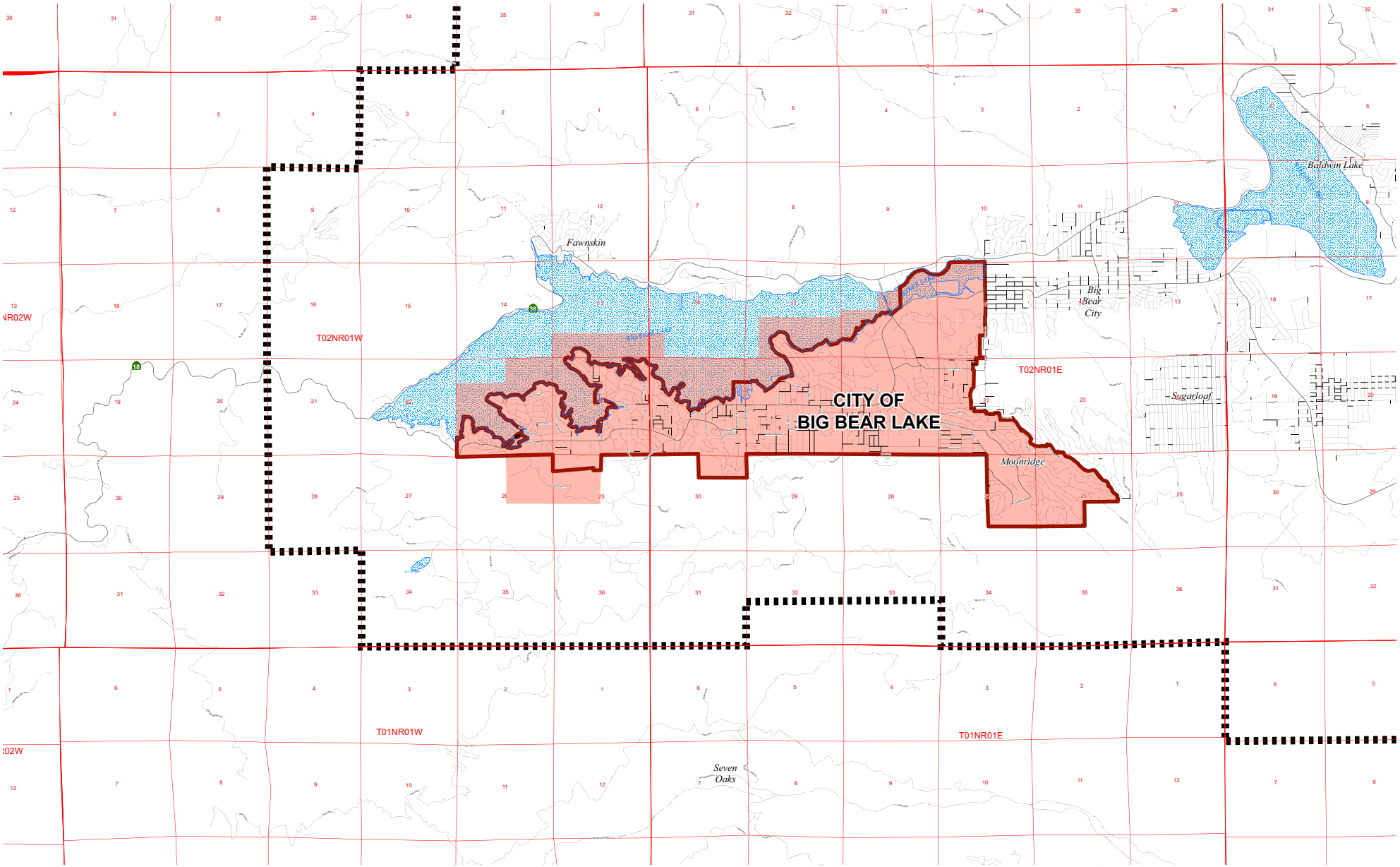
STATE OF CALIFORNIA)
) **ss.**
COUNTY OF SAN BERNARDINO)

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of August 15, 2012.

DATED: August 15, 2012

LOCAL AGENCY FORMATION COMMISSION CO. OF SAN BERNARDINO

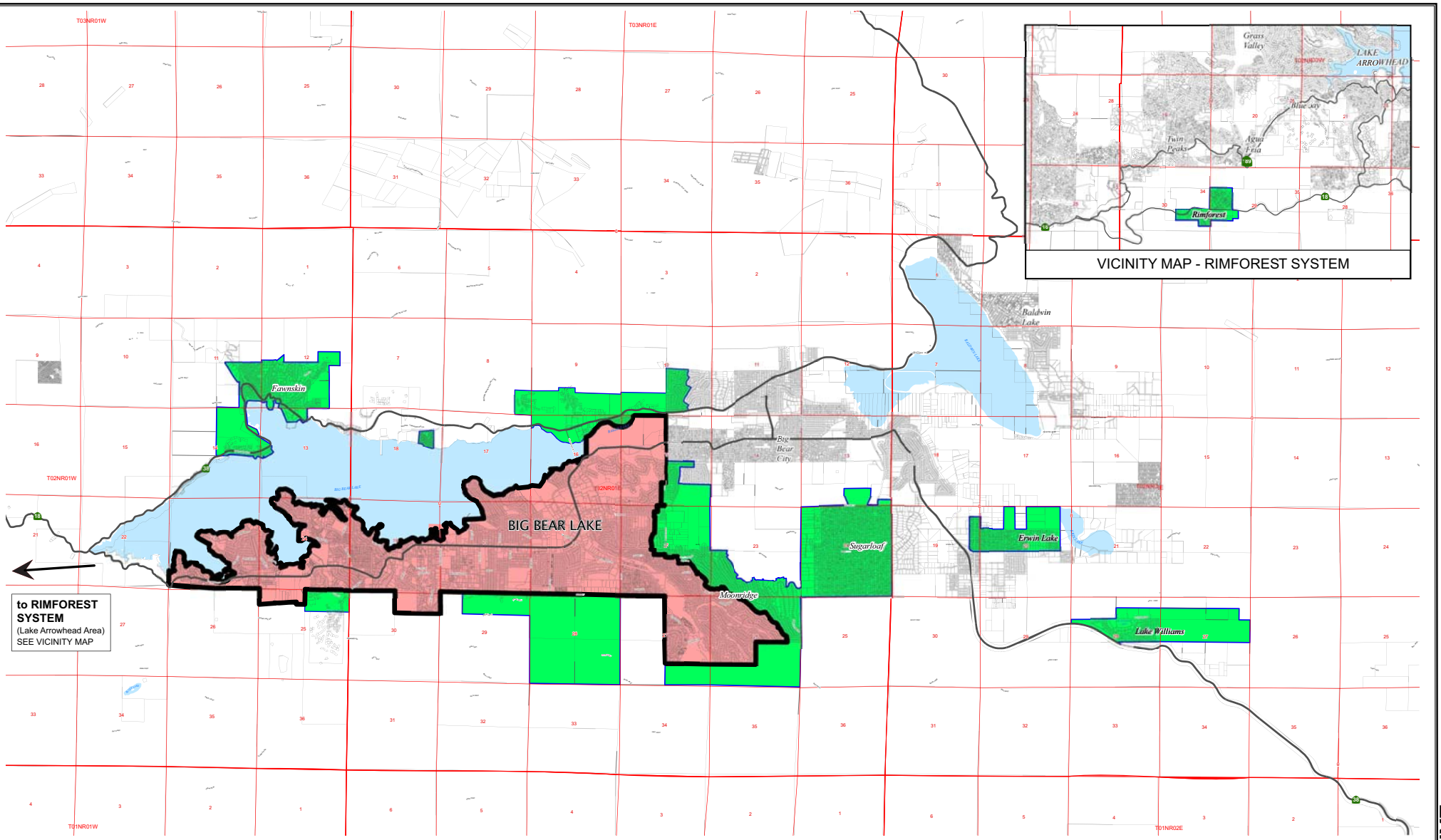
KATHLEEN ROLLINGS-McDONALD
Executive Officer



LAFCO 3125 – Sphere of Influence Update for City of Big Bear Lake
(Affirmation of Existing Sphere of Influence)

EXHIBIT A

EXHIBIT A


T03NR01W
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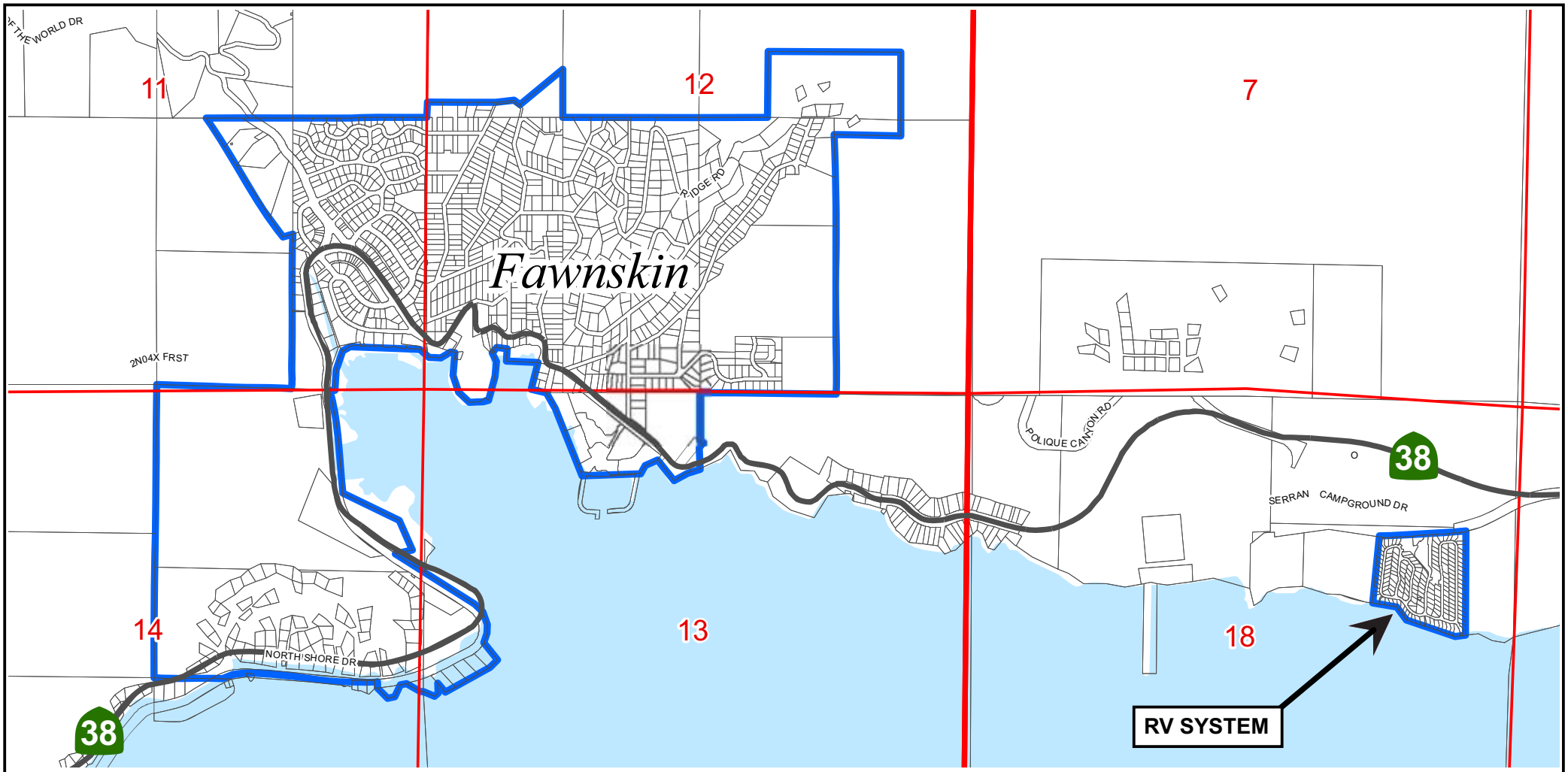
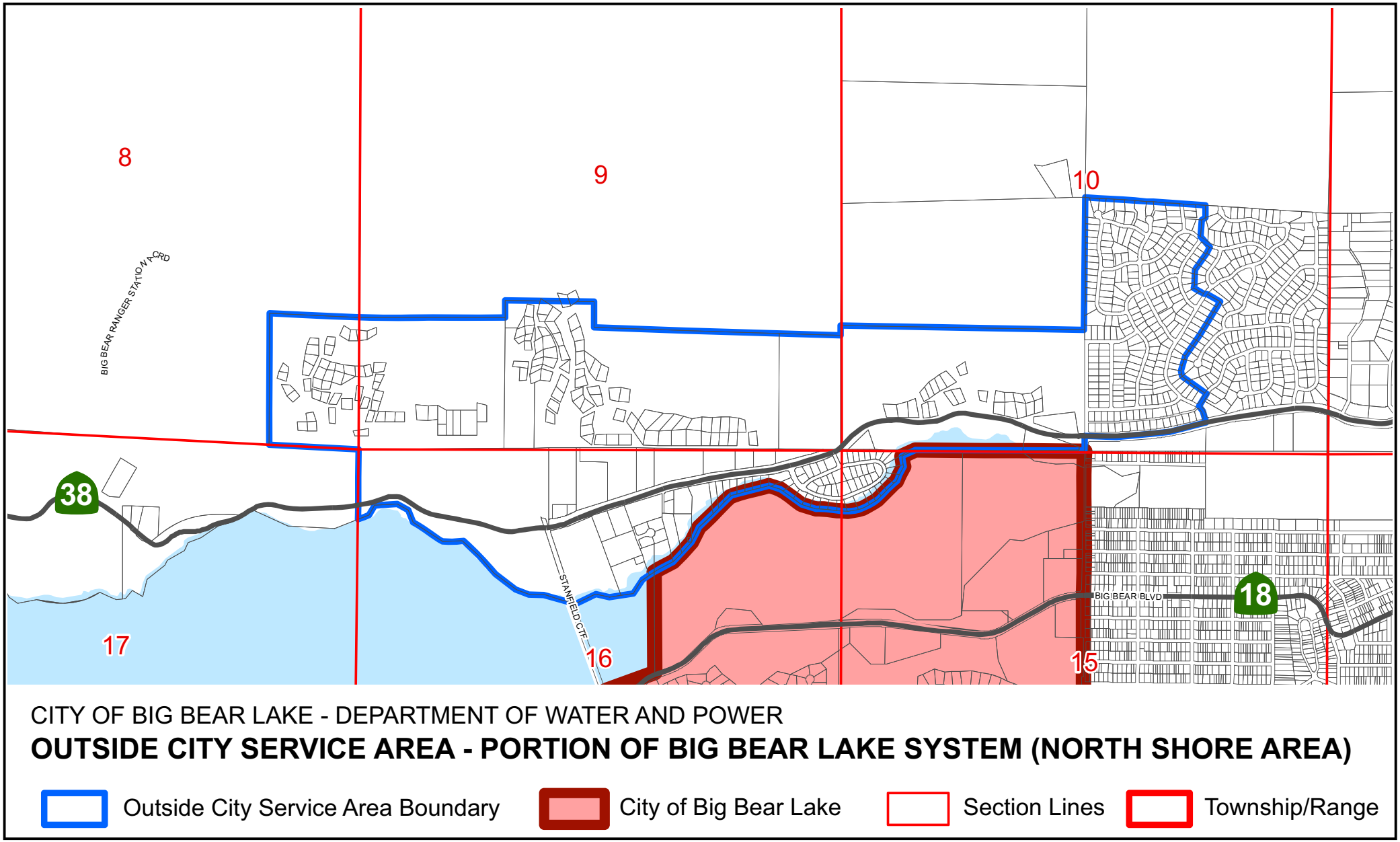
T01NR02E
Fawnskin
Baldwin Lake
Big Bear City
BIG BEAR LAKE
Sugarloaf
Erwin Lake
Moonridge
Lake Williams
to RIMFOREST SYSTEM
(Lake Arrowhead Area)
SEE VICINITY MAP
Grass Valley
LAKE ARROWHEAD
Blue Jay
Twin Peaks
Agua Fria
Rimforest
VICINITY MAP - RIMFOREST SYSTEM
N
W
E
S
CITY OF BIG BEAR LAKE - DEPARTMENT OF WATER AND POWER
WATER SERVICE AREA
DWP Service Area within City
DWP Service Area outside City
City of Big Bear Lake
Lakes
Township Boundary
Section Boundary
EXHIBIT B
EXHIBIT B



CITY OF BIG BEAR LAKE - DEPARTMENT OF WATER AND POWER

OUTSIDE CITY SERVICE AREA - FAWNSKIN SYSTEM & BIG BEAR SHORES RV RESORT SYSTEM

Outside City Service Area Boundary | City of Big Bear Lake | Section Lines | Township/Range

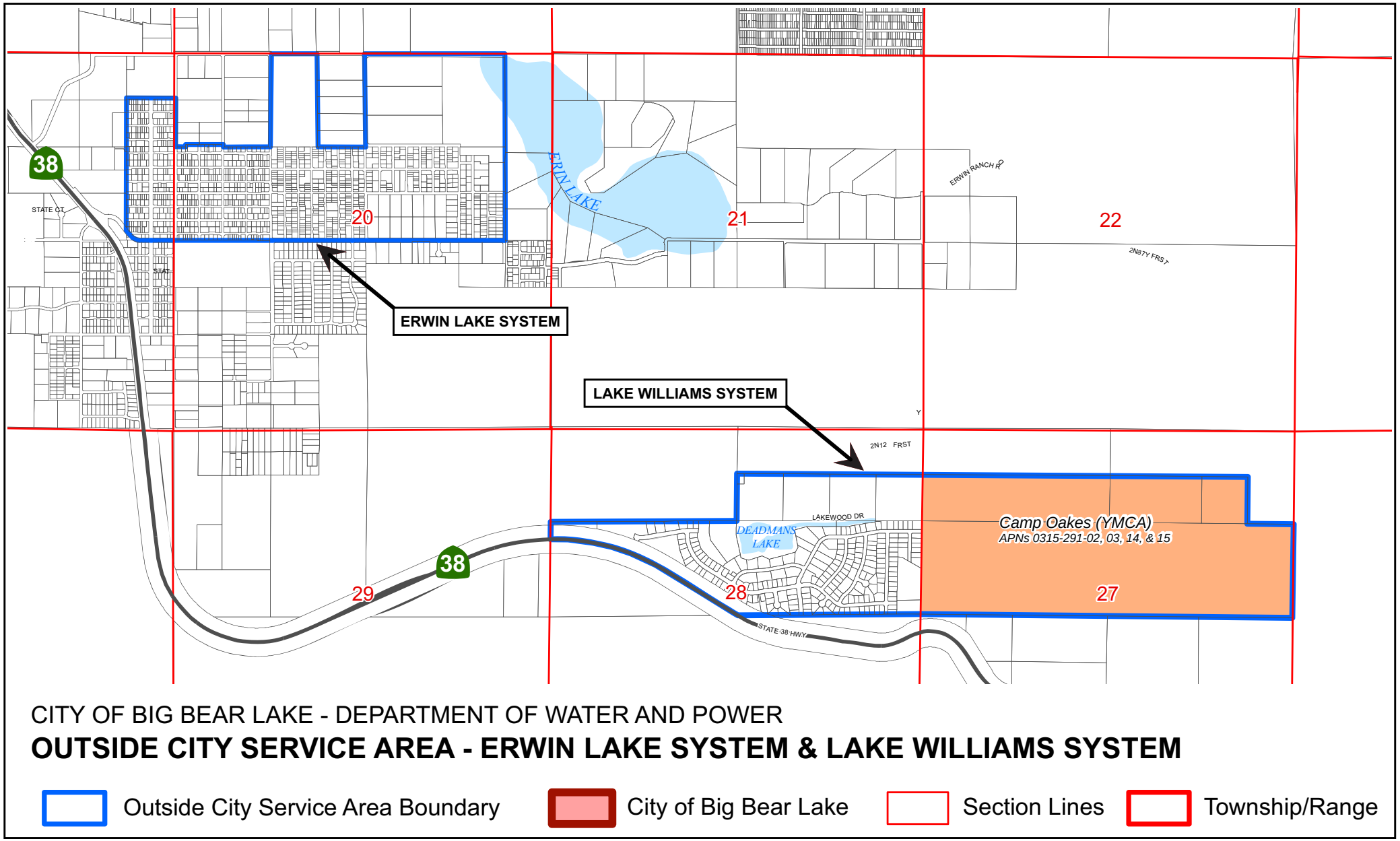


CITY OF BIG BEAR LAKE - DEPARTMENT OF WATER AND POWER

OUTSIDE CITY SERVICE AREA - PORTION OF BIG BEAR LAKE SYSTEM (NORTH SHORE AREA)

Outside City Service Area Boundary | City of Big Bear Lake | Section Lines | Township/Range

EXHIBIT B

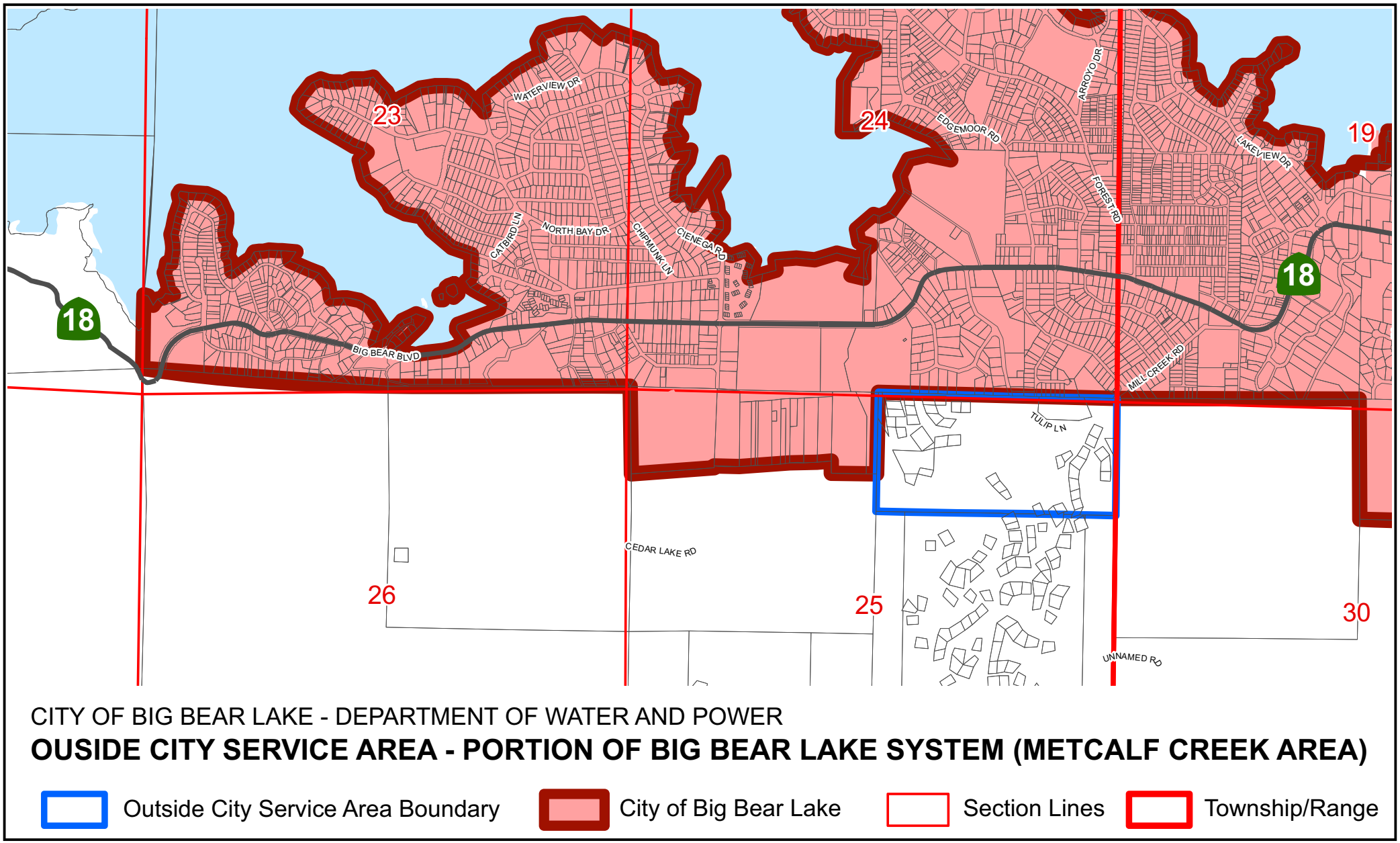


CITY OF BIG BEAR LAKE - DEPARTMENT OF WATER AND POWER

OUTSIDE CITY SERVICE AREA - ERWIN LAKE SYSTEM & LAKE WILLIAMS SYSTEM

Outside City Service Area Boundary | City of Big Bear Lake | Section Lines | Township/Range

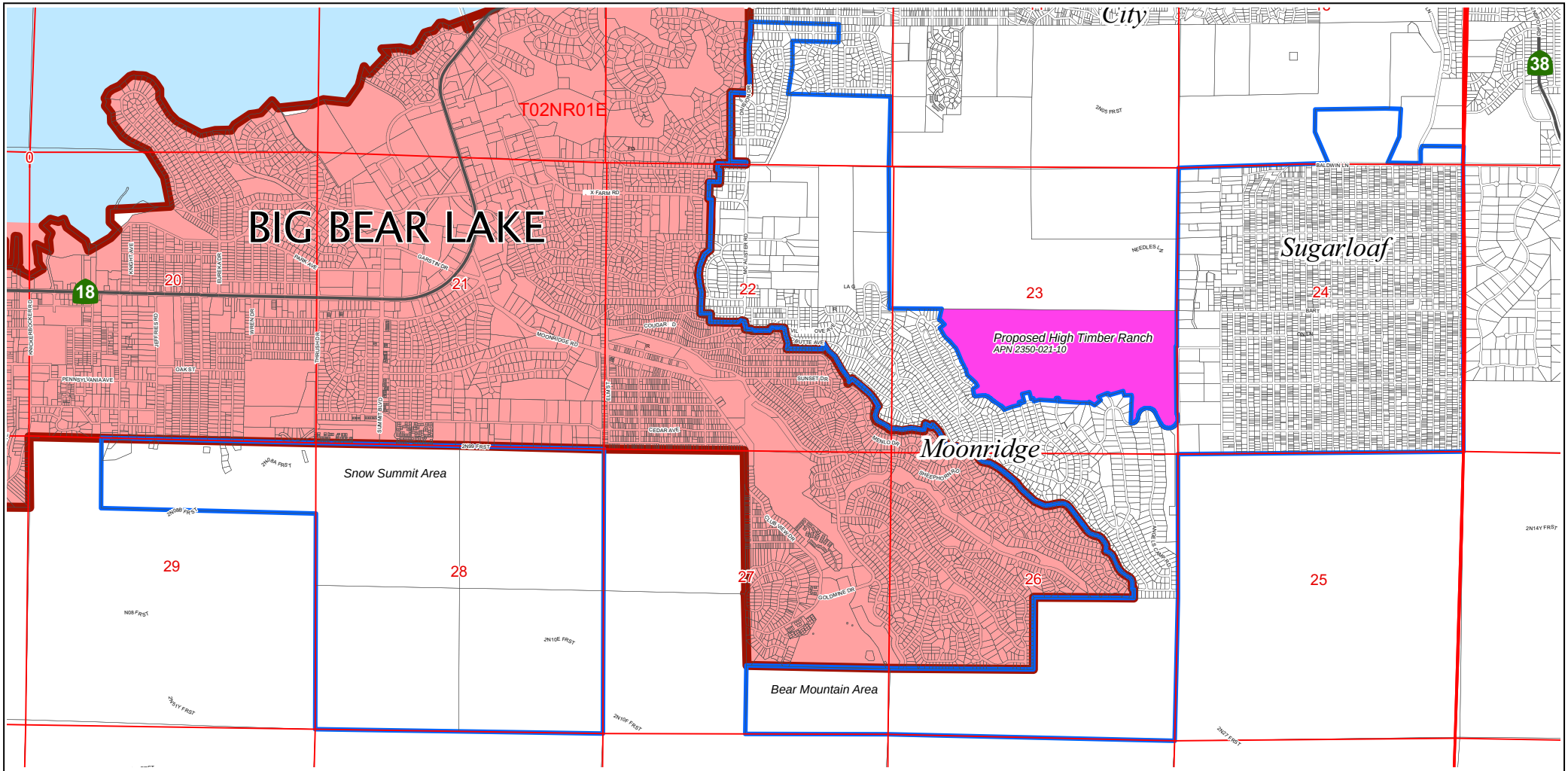
EXHIBIT B



CITY OF BIG BEAR LAKE - DEPARTMENT OF WATER AND POWER

OUSIDE CITY SERVICE AREA - PORTION OF BIG BEAR LAKE SYSTEM (METCALF CREEK AREA)

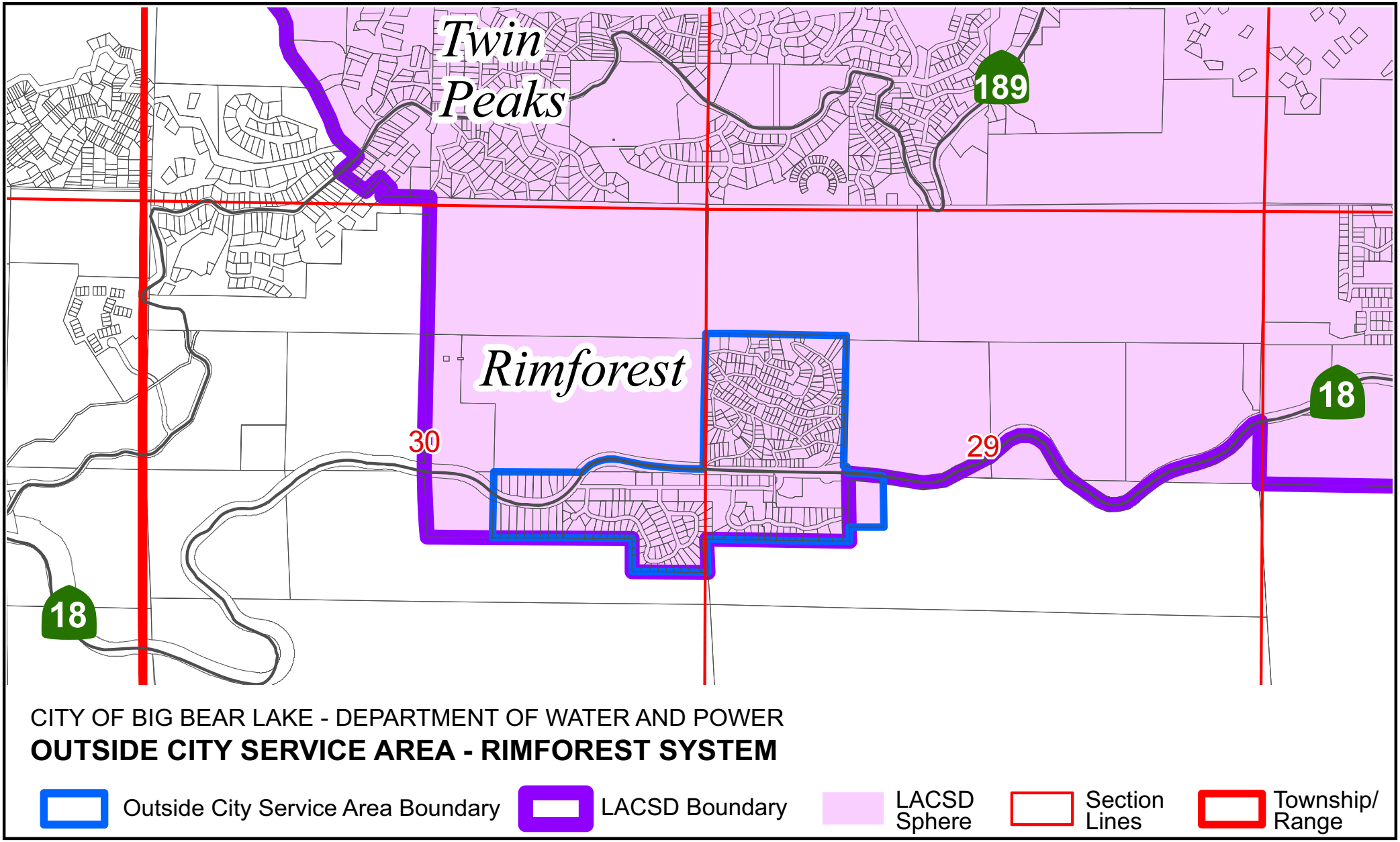
Outside City Service Area Boundary | City of Big Bear Lake | Section Lines | Township/Range



CITY OF BIG BEAR LAKE - DEPARTMENT OF WATER AND POWER

OUTSIDE CITY SERVICE AREA - MOONRIDGE SYSTEM, SUGARLOAF SYSTEM, & PORTIONS OF BIG BEAR LAKE SYSTEM (PINE KNOT, SNOW SUMMIT, & BEAR MOUNTAIN AREAS)

Outside City Service Area Boundary | City of Big Bear Lake | Section Lines | Township/Range



CITY OF BIG BEAR LAKE - DEPARTMENT OF WATER AND POWER

OUTSIDE CITY SERVICE AREA - RIMFOREST SYSTEM

Outside City Service Area Boundary | LACSD Boundary | LACSD Sphere | Section Lines | Township/ Range