

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

215 North "D" Street, Suite 204, San Bernardino, CA 92415-0490
(909) 388-0480 • Fax (909) 885-8170
E-mail: lafco@lafco.sbcounty.gov
www.sbclafco.org

DATE: JANUARY 20, 2016



**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
SAMUEL MARTINEZ, Assistant Executive Officer
ROBERT ALDRICH, Consultant
MICHAEL TUERPE, Project Manager**

TO: LOCAL AGENCY FORMATION COMMISSION

**SUBJECT: AGENDA ITEM #7 - LAFCO 3198 – Reorganization to include
Annexation of the City of San Bernardino to the San Bernardino
County Fire Protection District, its Valley Service Zone and Service
Zone FP-5**

INITIATED BY:

City Council of the City of San Bernardino and the Board of Directors for the San Bernardino County Fire Protection District

RECOMMENDATION:

Staff recommends that the Commission take the following actions:

1. Certify that LAFCO 3198 is statutorily exempt from environmental review, and direct the Executive Officer to file a Notice of Exemption within five (5) days;
2. Approve LAFCO 3198 with the following conditions:
 - Standard conditions for a change of organization.
 - The effective date of this reorganization shall be no earlier than July 1, 2016, subject to completion of the terms and conditions outlined in this resolution for approval as authorized by Government Code Sections 56886(p) and 57202.
 - Upon the effective date of the reorganization, the San Bernardino County Fire Protection District (SBCFPD) Valley Service Zone, as the Successor District to the fire and emergency medical response

obligations of the City of San Bernardino, shall succeed and/or be assigned all rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permit and approvals of the City of San Bernardino Fire Department (City Fire). All property tax revenues attributable to the City of San Bernardino not designated in Condition No. 13 below, prior to calculations required by Section 96.1 of the Revenue and Taxation Code, including delinquent taxes and any and all other collections or assets of City of San Bernardino, shall accrue and be transferred to the Successor Districts pursuant to 56886(I). Said Successor Districts shall be subject to the terms and conditions contained herein.

- Upon the effective date of the reorganization including annexation, pursuant to the terms specified in the Plan for Service, attached as Exhibit "B" and the updated Transition Action Plan, attached as Exhibit "C", all current City Fire Department employees, suppression, prevention, and administrative, shall transfer to the San Bernardino County Fire Protection District Valley Service Zone with comparable position classifications, rates of pay, accrued vacation and sick leave, vacation and sick leave accrual rates, seniority rights, and shall become subject to the terms and conditions set forth in said Plan for Service. All transferred employees shall be subject to the terms and conditions of the respective San Bernardino County Fire Protection District Memorandum of Understanding in place as of the effective date of the reorganization including annexation for their successor classification.
- Upon the effective date of the reorganization including annexation, pursuant to the terms specified in the Plan for Service and updated Transition Action Plan, all current City Fire Dispatch employees shall transfer to the joint powers authority known as Consolidated Fire Agencies (hereafter shown as "CONFIRE") with comparable position classifications, rates of pay, accrued vacation and sick leave, vacation and sick leave accrual rates, seniority rights and shall become subject to the terms and conditions set forth in said Plan for Service. All transferred employees shall be subject to the terms and conditions of the respective Memorandum of Understanding in place as of the effective date of the reorganization including annexation for their successor classification.
- Prior to the issuance of the Certificate of Completion, the City of San Bernardino shall provide to the Executive Officer of LAFCO documentation that it has obtained a workers compensation tailing insurance policy covering all worker compensation claims of all City fire suppression personnel and other City employees transitioning to County Fire and/or CONFIRE.

- Upon the effective date of the reorganization including annexation, the City of San Bernardino shall retain the obligations for unfunded retirement obligations, any contractual benefit following retirement such as health insurance maintenance or payment, or other contractual obligation approved by the City for all suppression, prevention, dispatch, and other City employees transitioning to County Fire and/or CONFIRE.
- Upon the effective date of the reorganization including annexation, the Successor District shall accept all facilities transferred from the City of San Bernardino in “as is” condition (pursuant to Government Code Section 56886(h)). All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.) rolling stock, tools, office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the City of San Bernardino for the purpose of providing fire protection and emergency medical response shall be transferred to the Successor District, the Valley Service Zone of SBCFPD. All quitclaim deeds to effectuate the transfer of land and/or buildings and the title transfer documents for vehicles shall be prepared by the City of San Bernardino City Manager’s office to be filed upon the effective date of the change with a copy provided to LAFCO.
- All equipment and fixtures, office furniture, real and personal property held by the City of San Bernardino for the purpose of providing fire and emergency medical response dispatching shall be transferred to CONFIRE, a joint powers authority providing for a centralized public safety communications system and a cooperative program of fire-related functions such as emergency operations. Upon the effective date of the reorganization including annexation, CONFIRE shall accept all equipment transferred from the City of San Bernardino in “as is” condition (pursuant to Government Code Section 56886(h)).
- Pursuant to the provisions of Government Code Section 56886(e), the SBCFPD Board of Directors shall be required to create a new sub-service zone under FP-5 to reflect the City of San Bernardino territory. After conclusion of the protest hearing pursuant to Government Code Section 57000 et seq., but prior to the issuance of the Certificate of Completion, as authorized by Government Code Section 56886(o), the Board of Directors of the SBCFPD shall provide the LAFCO Executive Officer with documentation identifying how the provisions contained in Health and Safety Code Section 13950 to form the new Service Zone of FP-5 to isolate the special tax revenue contributed by the territory within the City of San Bernardino will be implemented by the District. All actions required by the SBCFPD to implement the special tax shall be completed prior to the August 8, 2016 due date for placement of the special tax on the tax rolls by the San Bernardino County Treasurer/Tax Collector.

- Upon the effective date of the reorganization including annexation, the Successor District shall accept the administration of Community Facilities District #1033 (hereafter CFD 1033) from the City of San Bernardino terminating in Fiscal Year commencing July 1, 2033. The special tax levy for this entity shall be limited to the commercial, retail, office and industrial properties currently assessed or which will be developed in the future pursuant to the terms specified in City of San Bernardino Resolution No. 2004-210. All residential properties previously assessed will be exempted from future assessments by Valley Service Zone administration of CFD 1033. All cash on hand or fund balance in the accounts of CFD 1033 within the City of San Bernardino upon the effective date of LAFCO 3198 shall transfer to the administration of this CFD under the Successor District. All delinquent taxes and any and all other collections or assets of CFD 1033 that may accrue shall be transferred to the Successor District pursuant to Government Code Section 56886(I). The revenues to be received by the Successor District administering CFD 1033 are impressed with the public trust, use or purpose as defined by City of San Bernardino Resolution No. 2004-210 and all transactions utilizing these funds shall be accounted for and described in the annual audit and/or comprehensive financial reports recognizing CFD 1033 by the Successor District.

The future administration of CFD 1033 under the Successor District shall require that the Valley Service Zone, Successor District, participate in the development review process of the City of San Bernardino for any properties within the defined Verdernont Service Area, shown on Exhibit "D", for commercial, industrial retail or office uses. The City of San Bernardino shall be required to annex any commercial, industrial, retail or office parcels into CFD 1033 as a condition of development approval to be completed prior to the issuance of the certificate of occupancy for said projects.

- Prior to the issuance of the Certificate of Completion for the reorganization to include annexation, pursuant to the provisions outlined in Government Code Section 56886 (l), (o) and (s), the Commission requires that the City of San Bernardino, County of San Bernardino, and San Bernardino County Fire Protection District enter into a contract which directs the Auditor/Controller/Treasurer/Tax Collector for San Bernardino County to provide for the calculation of property tax revenues to be transferred from the City's proceeds under the property tax in lieu of Motor Vehicle License Fees to the Valley Service Zone of SBCFPD, successor agency, as a replacement for the exclusion of the Inland Valley Development Authority (IVDA) territory within the City of San Bernardino from the property tax transfer process in the manner presented below. This term and condition shall assure that there is no impairment of the Inland Valley Development Agency Tax Allocation Refunding Bonds Service 2014A and successor Agency to the Inland

Valley Development Agency Tax Allocation Refunding Bonds Service
2014B bond obligations:

- The calculation shall use the following amounts to determine the transfer from proceeds of property tax swap in lieu of Motor Vehicle License Fees: (a) base property tax within the affected Tax Rate Areas (TRAs) within IVDA a part of the corporate limits of the City of San Bernardino; (b) pass through payments, negotiated or statutory within the defined TRAs; (c) residual distribution as a result of redevelopment dissolution within the defined TRAs; and (d) any other property tax proceeds that would have come to the Valley Service Zone except for the exclusion of the IVDA area of the City of San Bernardino; and,
- The methodology outlined above shall be permanent and may only be amended after the conclusion of the revenue bond pledge on or after June 30, 2035 or if said revenue bond pledges are refunded or refinanced by mutual agreement between the County of San Bernardino, the San Bernardino County Fire Protection District and the City of San Bernardino.
- Prior to the issuance of the Certificate of Completion for the reorganization to include annexation, pursuant to the provisions outlined in Government Code Section 56886 (l), the Commission requires that the City of San Bernardino, County of San Bernardino, and San Bernardino County Fire Protection District enter into a contract which directs the Auditor/Controller/Treasurer/Tax Collector for San Bernardino County to direct that 35% of the City's total property taxes in lieu of Vehicle License Fees be transferred to the Valley Service Zone of SBCFPD, Successor District, to fund the provision of fire protection and emergency medical response services. This contract shall be perpetual and address the needs for allocation of funds to replace the property tax in-lieu of Motor Vehicle License fees should the State of California make changes to this revenue stream legislatively. This amount is in addition to the amounts determined pursuant to the provisions of Revenue and Taxation Code Section 99 for LAFCO 3198.
- The remaining payments, all rights and interests held or claimed by the City of San Bernardino Fire Department under all agreements and/or memoranda of understanding with any public agency or private entity, shall transfer to the Successor District, Valley Service Zone of the SBCFPD, excluding those contracts shown on Exhibit "E" for termination. The Successor District, Valley Service Zone, shall also assume all joint use, maintenance, automatic aid or mutual aid agreements held by the City of San Bernardino Fire Department [(Government Code Section 56886(r)]. Amendments of existing agreements required for successful transfer shall be completed and

submitted to the Local Agency Formation Commission prior to the issuance of the Certificate of Completion to address any changes [Government Code Section 56886(r)(v)].

- The debt obligations of the transferring City of San Bernardino Fire Department shall be either be paid in full prior to the issuance of the Certificate of Completion or assigned to the Successor District, the Valley Service Zone of SBCFPD. The debt obligations to be paid relate to the City's leaseback financing with the California Infrastructure and Economic Development Bank and the lease through WESTNET.
- Upon the effective date of this reorganization, the appropriation limit of San Bernardino County Fire Protection District, Valley Service Zone, Successor District, shall be increased by \$21,596,954 for Fiscal Year 2016-17 to recognize the anticipated first year proceeds of taxes for the provision of fire protection and emergency medical response.
- Upon the effective date of this reorganization, any funds currently deposited for the benefit of the City of San Bernardino Fire Department which have been impressed with a public trust, use or purpose shall be transferred to the Successor District, and said District shall separately maintain such funds in accordance with the provisions of Government Code Section 57462.
- Upon the effective date of this reorganization, any funds currently deposited for the benefit of the City of San Bernardino Fire Department Community Facilities District 1033 which have been impressed with a public trust, use or purpose shall be transferred to the Successor District for its administration of Community Facilities District 1033, and said Successor District shall separately maintain such funds in accordance with the provisions of Government Code Section 57462.
- As of the date of approval of the reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the City Council of the City of San Bernardino shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5, and it is supported by the San Bernardino County Fire Protection District:
 - a. **No Increase in Compensation or Benefits:** No increase in calculation for payment of benefits or compensation for employees of the City Fire Department shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2015-16.

- What would be the timeline and review required by LAFCO for annexation of City Fire operations to the San Bernardino County Fire Protection District?

Ultimately, it was identified that annexation was the best option for the City and the San Bernardino County Fire Protection District (hereafter referred to as “County Fire” or “SBCFPD”) to pursue. On August 24, 2015, the City Council of the City of San Bernardino initiated the annexation of its corporate territory to County Fire. This action was directly related to the City’s Plan of Adjustment which identified the need to outsource some of the City’s services in order to redirect revenues to other core operations to address its service insolvency issue.

Annexation of the City to County Fire will allow the City to take advantage of substantial economies of scale available from the District as well as existing fire stations and personnel located close to the City. Annexation also includes the inclusion of the City territory into one of County Fire’s service zones (“Service Zone FP-5”) with a pre-existing special tax that will be spread to City property owners to address service delivery costs. This strategy will allow the City to reduce the level of revenue currently allocated to fire service delivery and enable scarce revenue to be redirected to address other critical service needs in the community.

At the heart of this discussion is the need to preserve the adequate delivery of fire protection and emergency medical response to the citizens of the City of San Bernardino, a health and safety issue whose need has been laid out for all the world to see in the tragic events of December 2. It is a philosophically simple approach - provide the most efficient and effective means to continue the service through annexation to County Fire. However, as staff has often outlined for the Commission, the “devil is in the details,” and this proposal has some of the most unique details yet to be encountered by LAFCO.

The narrative which follows provides a discussion of the mandatory factors of consideration as required by Government Code Section 56000 et al. The narrative provides for a detailed analysis and discussion of the various aspects of the reorganization and its transition of City fire service to County fire service as a snapshot in time. This snapshot is represented by the revised Plan for Service submitted December 16, 2015. As with all applications for change of organization, the Commission’s review will center on making the required determinations in four areas:

1. **BOUNDARIES:** Do the boundaries presented for the reorganization represent a division which makes sense from a service delivery perspective for current and future growth? Are the boundaries definite, certain and easily recognizable? Do the boundaries promote efficient and effective service delivery?
2. **LAND USE:** Will approval of the proposal affect the land use authority or the decisions upon land use options?
3. **FINANCIAL AND SERVICE CONSIDERATIONS:** Does the reorganization represent the best available service option for the affected community? Does it provide for a more efficient and effective form of government? Can the annexing or successor district continue

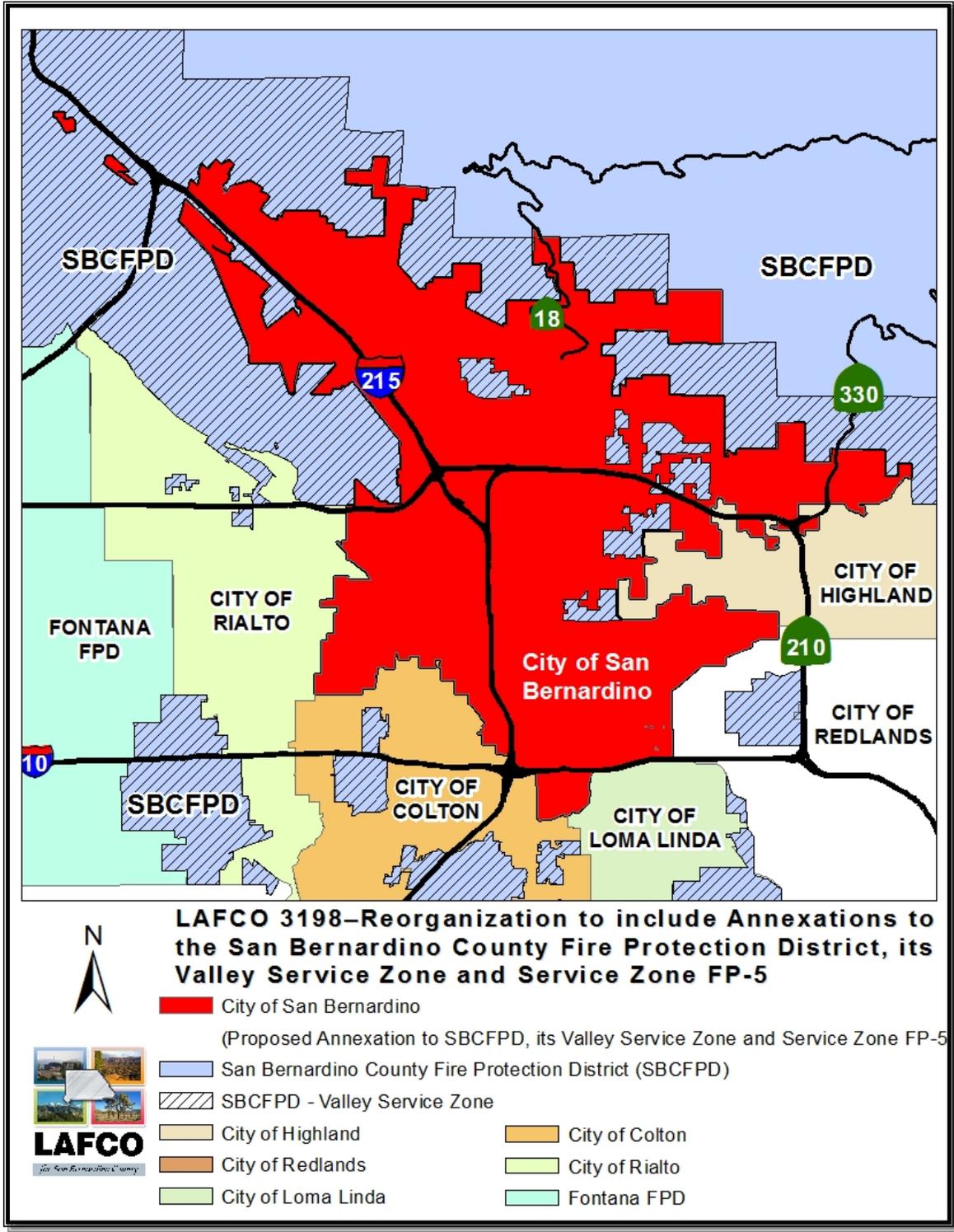
to provide the level of services which existed prior to the change? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?

4. ENVIRONMENTAL: Will the proposed reorganization have an adverse environmental effect that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

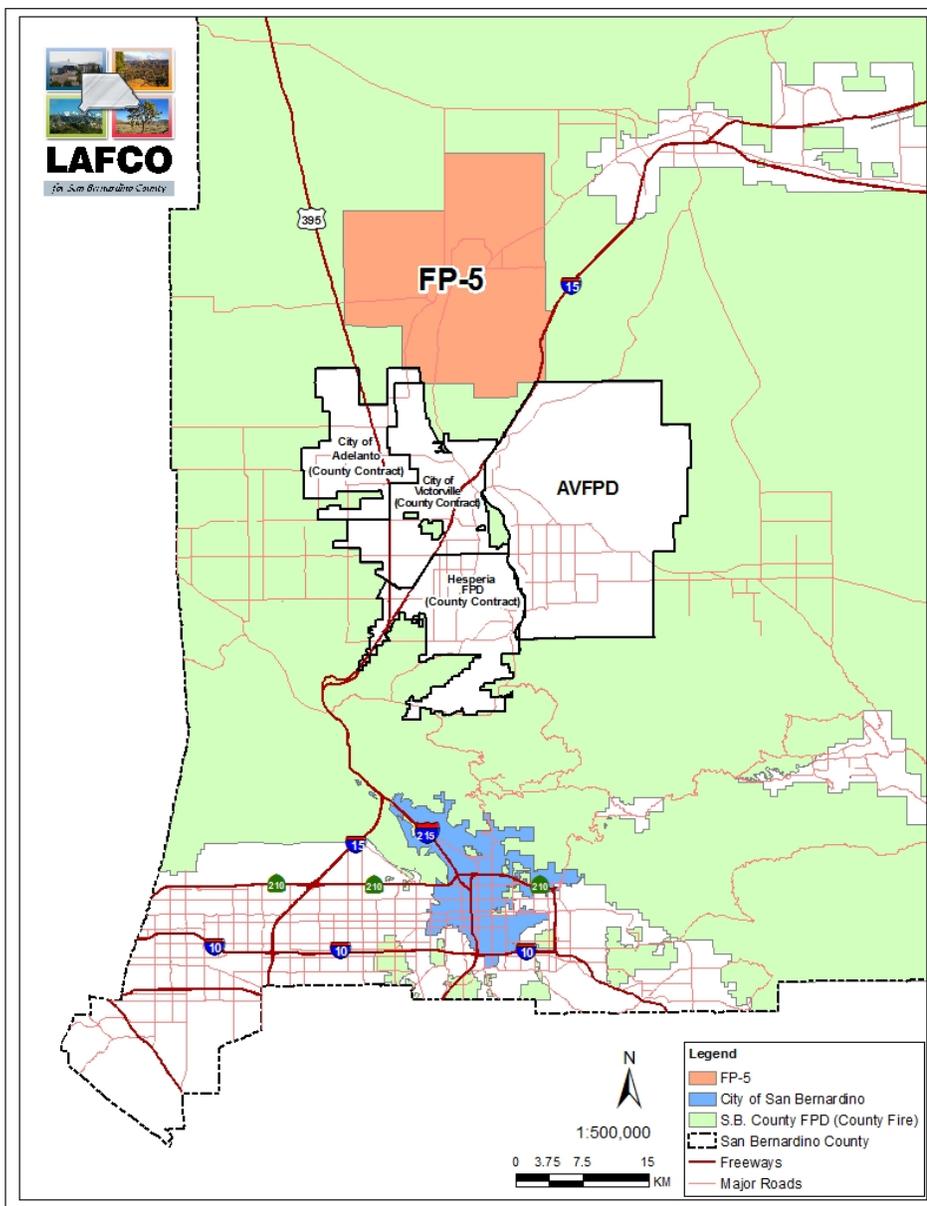
BOUNDARY DISCUSSION:

BOUNDARIES: Do the boundaries presented for the reorganization represent a division which makes sense from a service delivery perspective for current and future growth? Are the boundaries definite, certain and easily recognizable? Do the boundaries promote efficient and effective service delivery?

The proposal, as submitted by the City and County Fire, anticipates the annexation of the entirety of the City of San Bernardino to the San Bernardino County Fire District Protection District and its Valley Service Zone (see Exhibit below) for the direct provision of fire protection and emergency medical response. The County Fire Valley Service Zone is the defined successor agency to receive the assets and liabilities, responsibilities and obligations of the City Fire Department, while administrative functions will be provided by the parent district, SBCFPD.



The proposal also provides for annexation of the study area (i.e., the City of San Bernardino corporate boundaries) into County Fire's Service Zone FP-5, which collects a special tax from property owners to fund ongoing fire protection and fire paramedic services. The current rate for Service Zone FP-5 is \$143.92 per parcel for Fiscal Year 2015-16. Annual increases cannot be increased more than 3% per year. If the maximum increase is approved for Fiscal Year 2016-2017, the first year of County operations, the per parcel fee would be \$148.23.



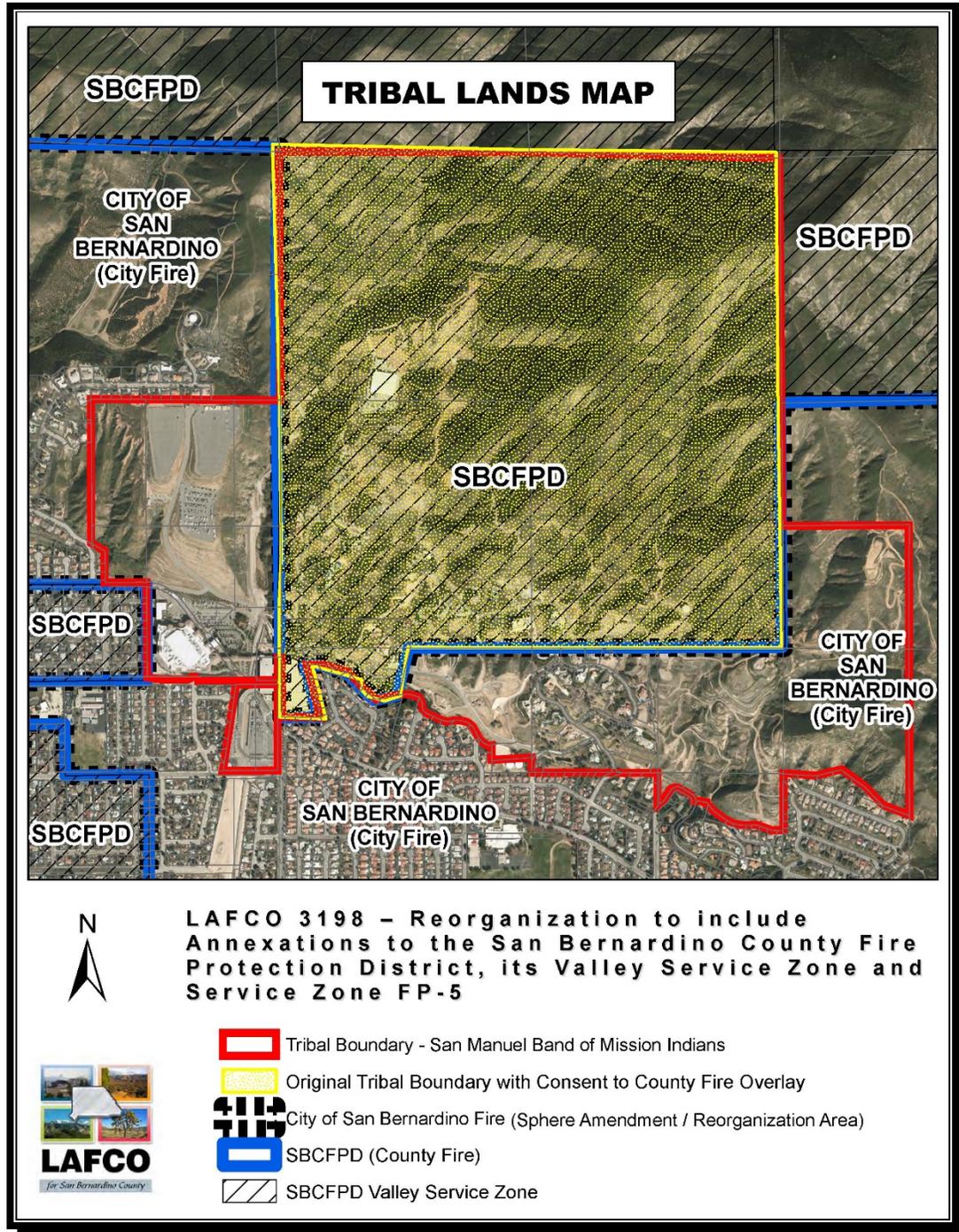
During the staff review process, one of the concerns identified was the need for transparency in the collection and use of the Service Zone FP-5 special tax applied to

individual parcels within the City. In order to identify a means to isolate the revenues received within the City of San Bernardino territory, staff is proposing the inclusion of a condition of approval that will require the SBCFPD to create a subzone of FP-5 to address the area of the City of San Bernardino, LAFCO 3198 prior to placement of the special tax on the tax rolls. Staff is recommending that the Commission include a condition of approval outlining the process and requiring signed statements from SBCFPD (including the designation and map and legal of the subzone) be provided prior to the issuance of the Certificate of Completion for the reorganization. The language is:

- Pursuant to the provisions of Government Code Section 56886(e), the SBCFPD Board of Directors shall be required to create a new sub-service zone under FP-5 to reflect the City of San Bernardino territory. After conclusion of the protest hearing pursuant to Government Code Section 57000 et seq., but prior to the issuance of the Certificate of Completion as authorized by Government Code Section 56886(o), the SBCFPD Board of Directors shall provide the LAFCO Executive Officer with documentation identifying how the provisions contained in Health and Safety Code Section 13950 to form a new Service Zone of FP-5 to isolate the special tax revenue contributed by the territory within the City of San Bernardino will be implemented by the District. All actions required by the SBCFPD to implement the special tax shall be completed prior to the August 8, 2016 due date for placement of the special tax on the tax rolls by the San Bernardino County Treasurer/Tax Collector.

Tribal Lands:

The San Manuel Band of Mission Indians has its tribal lands located in the foothills of the San Bernardino Mountains. The majority of these lands is unincorporated and were included in the San Bernardino County Fire Protection District during its reorganization in 2008. However, there are portions of the tribal lands currently within the boundaries of the City of San Bernardino which are shown on the map below:



LAFCO staff has contacted the Tribal Council to request that it review the proposed annexation and, if it does not object, provide a resolution to allow for the overlay of the San Bernardino County Fire Protection District within its tribal lands. On December 2, 2015, by Resolution No. 2015-024, the Tribal Council consented to the inclusion of its tribal area within County Fire. A copy of this resolution is included as a part of Attachment #2 to this report.

Based upon the review of the proposal, it is staff's position that LAFCO 3198 provides for a definite and certain boundary as required by LAFCO law for all the affected agencies, both Successor and continuing service providers.

LAND USE:

LAND USE: Will approval of the proposal affect the land use authority or the decisions upon land use options?

The review and approval of LAFCO 3198 will have no direct effect on the land use designations assigned by the City of San Bernardino through its General Plan. The City of San Bernardino is an entirely urbanized City that has a diverse mix of land uses, and the need for the continuation of fire protection and emergency medical response are a health and safety issue of great importance to the City, the community and its surrounding service providers. The acreage and percentage of land uses within the City are listed in the table below:

City of San Bernardino - Land Use	Acres	Percent of Total
Residential	15,107	39.1%
Business Related Uses (commercial, industrial)	9,198	23.8%
Public/Quasi-Public Related Uses	12,542	32.5%
Open Space	1,733	4.5%
TOTAL	38,580	100.0%

Source: City of San Bernardino Final EIR, Redevelopment Mergers and Amendments (2010)

According to the State Department of Finance/Demographic Research Unit, the current population for the City of San Bernardino is 213,933 (1/1/2015). The Southern California Association of Governments (SCAG), in its most recently adopted regional growth forecast, projects the City's population will increase to 261,400 (a 18 percent increase) by year 2035. At build-out, the City projects a total population of 276,264 residents.

The Southern California Association of Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5 and approval of LAFCO 3198 will have no direct impact on those determinations. However, the Sustainable Community Strategy is required to assess the ability of an area to receive its required services in order to maintain its viability and a mitigation measure is anticipated in the 2016 RTP/SCS document to attempt to achieve appropriate funding for this service. Therefore, approval of LAFCO 3198 will assist in the implementation of the 2016 RTP/SCS.

The consideration and approval of LAFCO 3198 will have no direct impact upon land use decisions within the City of San Bernardino.

SERVICE CONSIDERATIONS AND FINANCIAL EFFECTS:

SERVICE AND FINANCIAL CONSIDERATIONS: Does the reorganization represent the best available service option for the affected community? Does it provide for a more efficient and effective form of government? Can the annexing or successor district continue to provide the level of services which existed prior to the change? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?

SERVICE CONSIDERATIONS:

Since the filing of the request for bankruptcy protection by the City of San Bernardino in 2012, discussions regarding the continuation of fire protection and emergency response services have remained at the forefront. The filing of the mandatory Plan of Adjustment by the City detailed the need to restructure through outsourcing the City's fire operations. This was met with much concern from the Firefighters Union and the Department itself. The City's initial effort was to issue a Request for Proposal (RFP) to outsource the service to a contract provider. Two responses were received - Gateway and County Fire, along with a plan submitted by City Fire itself. Through ensuing negotiations, County Fire indicated that it would not be interested in a contractual service arrangement due to concerns regarding long-term funding and the potential for future actions which could change the contractual relationship to the detriment of County Fire, a board-governed special district.

On August 24, 2015, the City Council adopted a resolution initiating the annexation process for the City's territory along with the pursuit of an interim contract for transitioning the service to County Fire immediately. On September 15, 2015, the County Board of Supervisors adopted a resolution initiating the annexation process, but made no direct reference to the contracting process. On September 21, 2015, LAFCO circulated its Notice of Filing commencing the review process.

The proposal is to annex the corporate area of the City to SBCFPD, its Valley Service Zone, and its Service Zone FP-5. The SBCFPD is the parent district and the administrative arm of the Board-governed fire protection district. The regional structure underlying SBCFPD provides for the tailoring of service delivery needs to the unique population, land use and geographic composition of each region:

- The Valley Region includes the County's more densely developed areas;
- The Mountain Region includes urban forested areas with year-round populations; and,
- The two Desert Regions within SBCFPD serve two vastly different population needs: The North Desert region with the I-15/I-40 transportation corridors

composed of largely of truck and rail traffic, and the South Desert region comprised of Colorado River recreational activities and other isolated desert areas.

Transferring the responsibility of the City's territory to the Valley Service Zone will allow for the allocation of resources within the Valley to accommodate service need rather than by jurisdictional boundary. Conditions have been included in the staff recommendation to designate the successor agency and to address the assignment of these responsibilities.

Key Commission Considerations

In evaluating the proposed reorganization, the most important considerations for the Commission are to ensure that: (1) the service levels will, at a minimum, be maintained; (2) staffing from the City fire operations (including its dispatch operation) to County Fire and the Joint Powers Authority Consolidated Fire Agencies (known as CONFIRE) will transition seamlessly; and, (3) all active station locations will be accurately identified. The Plan for Service and the updated Transition "Action Plan" outline the process for this transition and acknowledge that all active duty City Fire suppression personnel will transfer (with rank not to exceed Captain) with comparable County base salary and step except when the City salary exceeds the County Fire top step in a comparable position.

All administrative office, training, fleet and prevention staff will transfer to County operations. Upon the effective date of the reorganization, the City will pay to County Fire the cash value of up to 96 hours of vacation and sick leave per employee to the extent owed each individual employee through the "post-petition" values, which will be transferred to County Fire with the fiduciary responsibility to hold for payment the compensated absences. "Post-petition" are those hours accumulated after the filing of the bankruptcy petition, or August 2012. Dispatch personnel will be transferred to CONFIRE, the joint powers authority which provides for a regional dispatch response.

Questions were reviewed by LAFCO, City and County staff related to retirement considerations, vacation balances and existing work compensation claims during the transition process. Retirement obligations for unfunded liabilities will remain with the City as its safety and/or general contracts with the California Public Employees Retirement System (PERS) will continue, and the City will retain liability for any other pension benefit liabilities (OPEBs) such as health insurance maintenance, or other payments currently considered a contractual obligation. The information presented in the Plan for Service and Fiscal Impact Analysis (FIA) outlines this ongoing obligation to be \$2,367,442 per year for the City. All employees will be transferred to the San Bernardino County Employees Retirement System (SBCERA), a separate 1937 Act retirement system, with reciprocity.

City and Fire Union Litigation

Throughout this review process for annexation, the bankruptcy proceedings, and the RFP process, the Firefighters Union has been represented in discussions. The updated Action Plan outlines the process by which the matters related to transfer will be reviewed with employees, the obligations for transition, and the timeline for the matters to occur to

secure an estimated July 1, 2016 transition date. However, on January 4, 2016, staff received a letter from the City Attorney outlining existing and continuing litigation between the City and the Fire Union related to the “contracting” or outsourcing of fire responsibilities.

The LAFCO proposal currently under consideration is not a contract but a jurisdictional change transferring permanently, without contractual right of termination, the responsibilities for fire protection and emergency medical response along with the employees for suppression, prevention, administrative and dispatch. While the City has undertaken and participated in a “meet and confer” process as directed by the Bankruptcy Court related to its contracting process, LAFCO staff and Legal Counsel view the current process as being outside that realm but offering direct input into the review process including, but not limited to, the terms and conditions which can be addressed in the jurisdictional change process and which are agreed to by the Board of Directors of the San Bernardino County Fire Protection District. Government Code Section 56886 (l) provides the legal authority for the Commission to address the transfer of employees and reads as follows:

(l) The employment, transfer, or discharge of employees, the continuation, modification, or termination of existing employment contracts, civil service rights, seniority rights, retirement rights, and other employee benefits and rights.

LAFCO staff along with representatives from the City, County, and County Fire have reviewed the transition plan to provide for the transfer of existing employees from the City Fire Department for both suppression and dispatch. The existing employment contracts will end upon the effective date of the reorganization as the employees will become part of the San Bernardino County Fire Protection District with its current Memorandum of Understanding, terms, and benefits.

In order to memorialize those actions necessary to move forward with this process, staff is recommending that the Commission include the following conditions in its approval:

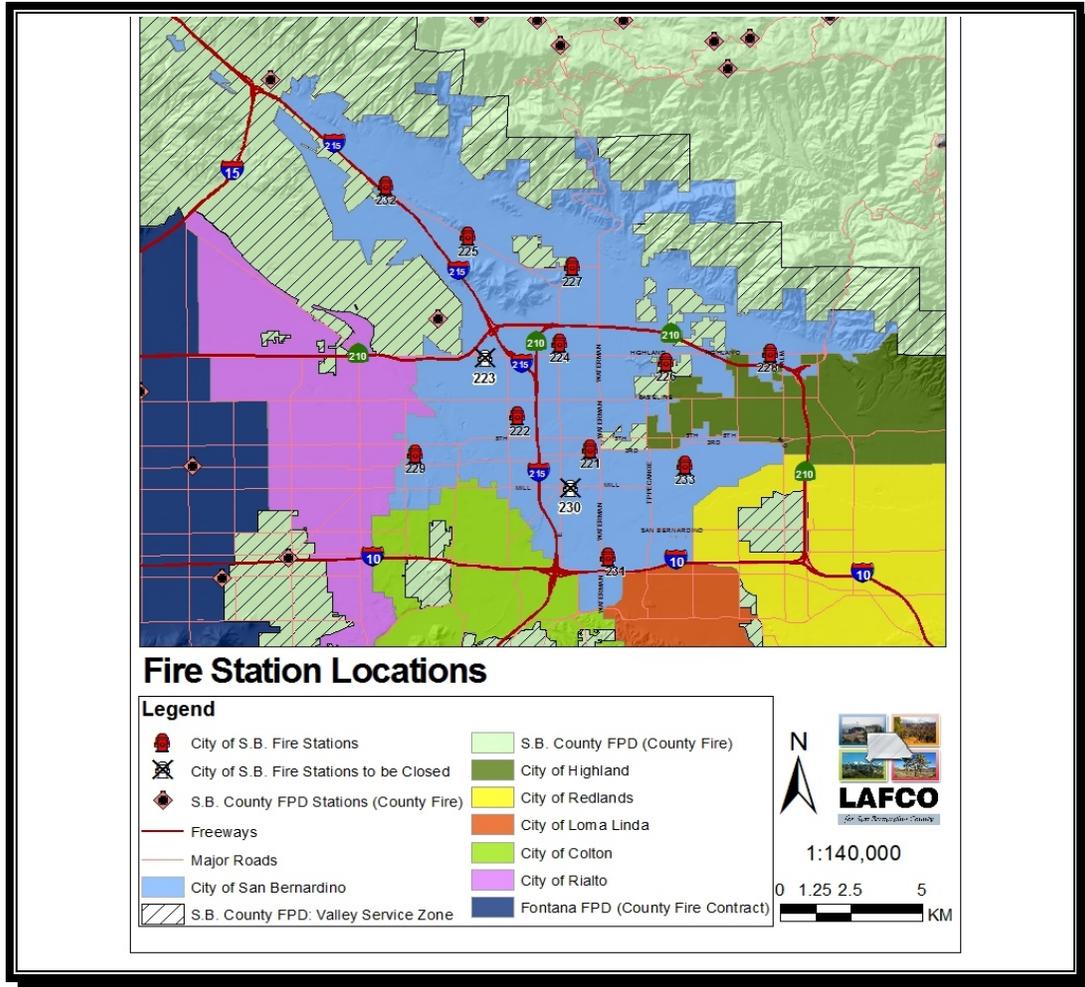
- Upon the effective date of the reorganization including annexation, pursuant to the terms specified in the Plan for Service, attached as Exhibit “B”, and the updated Transition Action Plan, attached as Exhibit “C”, all current City Fire Department employees, suppression, prevention, and administrative, shall transfer to the San Bernardino County Fire Protection District Valley Service Zone with comparable position classifications, rates of pay, accrued vacation and sick leave, vacation and sick leave accrual rates, seniority rights, and shall become subject to the terms and conditions set forth in said Plan for Service. All transferred employees shall be subject to the terms and conditions of the respective San Bernardino County Fire Protection District Memorandum of Understanding in place as of the effective date of the reorganization including annexation for their successor classification.
- Upon the effective date of the reorganization including annexation, pursuant to the terms specified in the Plan for Service and updated Transition Action Plan,

all current City Fire Dispatch employees shall transfer to the joint powers authority known as CONFIRE with comparable position classifications, rates of pay, accrued vacation and sick leave, vacation and sick leave accrual rates, seniority rights and shall become subject to the terms and conditions set forth in said Plan for Service. All transferred employees shall be subject to the terms and conditions of the respective Memorandum of Understanding in place as of the effective date of the reorganization including annexation for their successor classification.

- Prior to the issuance of the Certificate of Completion, the City of San Bernardino shall provide to the Executive Officer of LAFCO documentation that it has obtained a workers compensation tailing insurance policy covering all worker compensation claims of all City fire suppression personnel and other City employees transitioning to County Fire and/or CONFIRE.
- Upon the effective date of the reorganization including annexation, the City of San Bernardino shall retain the obligations for unfunded retirement obligations, any contractual benefit following retirement such as health insurance maintenance or payment, for all suppression and other City employees transitioning to County Fire and/or CONFIRE.

Facilities Transfer

In addition to concerns related to service delivery through the successful transition of employees is the transfer of facilities to support the operations. The Plan for Service identifies that the City will transfer ten fire stations, its fleet facility, its fire vehicles (excluding the 1948 Seagrave parade engine) and all appurtenant equipment to those facilities to County Fire Valley Service Zone. The City will not transfer Station 223 (located at 2121 Medical Center Drive) and Station 230 (502 South Arrowhead), both of which are currently shuttered and not operating as a fire station. The fire station facilities are shown on the map below and in Attachment #1 to the staff report:



In addition, the Verdemont Station is currently financed with leaseback financing through the California Infrastructure and Economic Development Bank (I-bank). The terms of this contract allow for transfer of the obligation for its term (five more years), but the discussions with City administrative and fire personnel have identified that their preference is to pay off the obligation prior to the effective date of the reorganization so that the required funding for this obligation is not an amount transferred to County Fire.

The ten stations are proposed to be manned daily with 38 full time employees as outlined in the Plan for Service and shown below:

Service and Staffing Plan

Daily Staff configuration:

- Station 221 - 200 E. 3rd Street (APN 0135-181-63)
Engine, Truck (CAP, ENG, FF/PM + CAP, ENG, FF/PM)
- Station 222 - 1201 W. 9th Street (APN 0139-241-07)
Engine (CAP, ENG, FF/PM)
- Station 224 - 2641 N. E Street (APN 0149-161-17)
Engine, Truck (CAP, ENG, FF/PM + CAP, ENG, FF/PM)
- Station 225 - 1640 W. Kendall Drive (APN 0266-601-03)
Engine (CAP, ENG, FF/PM)
- Station 226 - 1920 N. Del Rosa Avenue (APN 0273-011-22)
Engine, Squad (CAP, ENG, FF/PM + FF/PM, FF)
- Station 227 - 282 W 40th Street (APN 0154-211-17)
Engine (CAP, ENG, and FF/PM)
- Station 228 - 3398 E. Highland Avenue (APN 0285-191-05)
Engine (CAP, ENG, and FF/PM)
- Station 229 - 202 N. Meridian Avenue APN 0142-051-13)
Engine (CAP, RNG, and FF/PM)
- Station 231 - 450 E. Vanderbilt Drive (APN 0281-341-09)
Engine (CAP, ENG, FF/PM)
- Station 232 - 6065 Palm Avenue (APN 0261-191-06)
Engine (CAP, ENG, FF/PM)

All dispatch equipment and all appurtenant equipment used by City Fire dispatch personnel are proposed to be transferred to CONFIRE to continue the provision of service. LAFCO staff and representatives from County Fire and CONFIRE are addressing questions related to the necessary actions of the CONFIRE Board of Directors agreeing to the transfer, the definition of costs for the continuation of the services, and the acceptance of all equipment from the City Fire Department in "as is" condition. The Plan for Service outlines the transfer of personnel but shows the costs as an expense item. CONFIRE is proposed to take the necessary actions to address the transfer, costs, and equipment at its Administrative Committee meeting scheduled for January 26, 2016. An update will be provided at the hearing. Regardless of the need for a supplemental action from CONFIRE, a condition of approval is proposed which addresses this transfer of responsibility.

To effect these changes, staff proposes the following conditions of approval:

- Upon the effective date of the reorganization including annexation, the Successor District shall accept all facilities transferred from the City of San Bernardino in “as is” condition (pursuant to Government Code Section 56886(h)). All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.) rolling stock, tools, office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the City of San Bernardino as outlined in the Plan for Service for the purpose of providing fire protection and emergency medical response shall be transferred to the Successor District, the Valley Service Zone of SBCFPD. All quitclaim deeds to effectuate the transfer of land and/or buildings and the title transfer documents for vehicles shall be prepared by the City of San Bernardino City Manager’s office to be filed upon the effective date of the change with a copy provided to LAFCO.
- All equipment and fixtures, office furniture, real and personal property held by the City of San Bernardino as outlined in the Plan for Service for the purpose of providing fire and emergency medical response dispatching shall be transferred to CONFIRE, a joint powers authority providing for a centralized public safety communications system and a cooperative program of fire-related functions such as emergency operations. Upon the effective date of the reorganization including annexation, CONFIRE shall accept all equipment transferred from the City of San Bernardino in “as is” condition (pursuant to Government Code Section 56886(h)).

FINANCIAL EFFECTS:

SBCFPD, working in conjunction with the City of San Bernardino, has submitted a Plan for Service, a Fiscal Impact Analysis (FIA) and updates to the Plan and FIA identifying the expenditures and revenues for transferring its service responsibility to the Valley Service Zone of SBCFPD. The original Plan for Service has been revised to address issues arising from the LAFCO review of this application. The following narrative will address the revised Plan for Service.

As a starting point, it is important to understand the financial position of the City’s fire operation which resulted in the Plan of Adjustment’s determination to outsource this function. Staff requested that the City provide this information in an unaudited format as its last two audits have not yet been accepted by the City. This information was received from the City as unaudited year-end totals from Urban Futures, the City’s financial consultant for the past several years. The City Fire’s historical expenditure data for 2011 through 2015 are shown below:

City of San Bernardino Fire Dept Historical Data - 2011 - 2015

	2011	2012	2013	2014	2015
GENERAL FUND					
REVENUES					
Property Taxes and Assessments	-	-	-	-	-
Charges for Services	1,985,659	1,830,679	1,582,978	1,559,461	1,537,035
Intergovernmental	1,315,155	830,580	910,108	1,175,408	1,231,563
Contributions	-	-	-	832	-
Other	97,852	154,258	53,602	62,513	62,956
Total Revenue	3,398,666	2,815,517	2,546,688	2,798,214	2,831,553
EXPENSES					
Salaries and Benefits	30,850,786	31,583,593	28,112,048	22,735,612	24,882,806
Services and Supplies	1,130,737	1,403,838	632,519	3,497,919	2,895,837
Debt Service	2,016,437	1,305,996	88,521	88,521	88,521
Capital Outlay	-	-	-	-	-
Total Expenses	33,997,960	34,293,427	28,833,088	26,322,053	27,867,164
Revenues over (under) Expenses	(30,599,294)	(31,477,910)	(26,286,400)	(23,523,838)	(25,035,611)
OTHER FUNDS					
REVENUES					
Property Taxes and Assessments	-	-	-	-	-
Charges for Services	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Contributions	-	-	-	-	-
Federal Grants (recoverable)	1,202,532	2,201,492	2,083,348	2,771,823	913,067
Other	42,473	(456)	2,947	397	(64)
Total Revenue	1,245,005	2,201,036	2,086,296	2,772,220	913,003
EXPENSES					
Salaries and Benefits	1,323,036	1,539,483	2,627,163	3,373,558	884,907
Services and Supplies	432,666	503,796	16,691	22,463	9,923
Debt Service	154,763	696,791	696,495	669,482	642,461
Capital Outlay	-	-	-	-	-
Total Expenses	1,910,465	2,740,070	3,340,349	4,065,504	1,537,291
Revenues over (under) Expenses	(665,460)	(539,034)	(1,254,054)	(1,293,283)	(624,288)
Grand Totals					
EXPENSE TOTALS	35,908,425	37,033,497	32,173,438	30,387,556	29,404,456
REVENUE TOTALS	4,643,670	5,016,553	4,632,984	5,570,435	3,744,557
CITY OBLIGATION TO FIRE FUNDS	31,264,754	32,016,944	27,540,454	24,817,121	25,659,899

source: City of San Bernardino

The historic finance materials received on December 15, 2015 from the City present a picture of continuing cuts to City Fire Department operations and the need for use of the entire proceeds of general ad valorem property tax (the general levy on the tax bill) and all of the proceeds of the Motor Vehicle License Fee swap for property tax revenues (these are described in more detail below).

The City Historic Fire Financial data outlined in the chart under "Other Funds" shows a significant debt obligation for the City's fire operations. It is related to the Verdemont leaseback financing through the California Infrastructure and Economic Development Bank. Through negotiations with City and County Fire personnel and administration, this debt obligation will be paid prior to the issuance of the Certificate of Completion. In addition, the City shall be responsible for payment of the amount owed to WESTNET for the Station Alert system through the expiration of the lease contract in July 2017. This, too, will be required to be completed prior to the issuance of the Certificate of Completion.

- The debt obligations of the transferring City of San Bernardino Fire Department shall be either be paid in full prior to the issuance of the Certificate of Completion or assigned to the Successor District, the Valley Service Zone of SBCFPD. The debt obligations to be paid relate to the City's leaseback financing with the California Infrastructure and Economic Development Bank and the lease through WESTNET.

The materials submitted by County Fire, as the amended Plan for Service and Fiscal Impact Analysis, identify that the annexation will provide for the continuation of service at current levels. It is also estimated that the transition to County Fire will result in a reduction in response times through a consolidation of dispatch operations with CONFIRE, a Joint Powers Authority which currently provides multi-agency fire, rescue and emergency medical services dispatch services for the SBCFPD and the cities of Colton, Loma Linda, Redlands and Rialto, which is an increase in service provided to the residents of the City.

Based upon the determination that the transition of service from City Fire to County Fire provides for an efficient and effective form of government to continue the range and level of service currently provided and that it will not impair the ability of any other agency to be provide its range and level of service, the Commission must now turn its attention to the financial consideration of the proposal.

LAFCO staff has reviewed the financial materials submitted by representatives from the City and those submitted and signed by the Fire Chief for the San Bernardino County Fire Protection District, the County Administrative Office, CONFIRE, along with the several revisions processed for the FIA. The spreadsheet which follows outlines the Commission required five-year financial projection as presented on January 19, 2016:

AGENDA ITEM #7 - LAFCO 3198 -- CITY OF
SAN BERNARDINO FIRE REORGANIZATION
JANUARY 20, 2016

	Number of Positions	FY 2015/16 City Budget	2016/17 Forecast Per Position	FY 2016/17 Forecast	FY 2017/18 Forecast	FY 2018/19 Forecast	FY 2019/20 Forecast	FY 2020/21 Forecast
Expenditures:								
<i>Inflation Rate</i>				5.0%	2.0%	2.0%	3.0%	3.0%
Staffing:								
Suppression								
Division Chief	0.93		298,880	277,958	283,517	289,187	297,863	306,799
Battalion Chief	2.79		269,726	752,536	767,587	782,939	806,427	830,620
Captain	36		214,386	7,717,896	7,872,254	8,029,699	8,270,590	8,518,708
Engineer	36		186,495	6,713,820	6,848,096	6,985,058	7,194,610	7,410,448
Firefighter / Paramedic	39		164,714	6,423,846	6,552,323	6,683,369	6,883,870	7,090,386
Firefighter	3		151,007	453,021	462,081	471,323	485,463	500,027
Fire Prevention								
Deputy Fire Marshal	1		231,659	231,659	236,292	241,018	248,249	255,696
Fire Prevention Supervisor	1		144,546	144,546	147,437	150,386	154,898	159,545
Fire Prevention Specialist	2		122,549	245,098	250,000	255,000	262,650	270,530
Fire Prevention Officer / Arson	1		191,805	191,805	195,641	199,554	205,541	211,707
Fire Prevention Officer	3		105,608	316,824	323,160	329,623	339,512	349,697
Fire Prevention Office Assistant II	1		60,440	60,440	61,649	62,882	64,768	66,711
Non-Suppression								
Staff Analyst I	0.93		93,329	86,796	88,532	90,303	93,012	95,802
Office Assistant III	0.93		60,645	56,400	57,528	58,679	60,439	62,252
TOTAL SALARIES AND BENEFIT	128.58	26,319,709		23,672,645	24,146,097	24,629,020	25,367,892	26,128,928
<i>Inflation Rate</i>				2.0%	2.0%	2.0%	2.0%	2.0%
Operating Expenses								
Services and Supplies / Dispatch / MIS		3,058,063		2,534,749	2,585,444	2,637,153	2,689,896	2,743,694
Station Expenses		825,752		2,143,275	2,186,141	2,229,863	2,274,461	2,319,950
Overhead and Support (1)		1,108,018		1,221,667	1,246,100	1,271,022	1,296,443	1,322,372
TOTAL OPERATING EXPENSES		4,991,833		5,899,691	6,017,685	6,138,039	6,260,799	6,386,015
CAPITAL IMPROVEMENT FUND (2)		18,221		1,839,330	1,876,117	1,913,639	1,951,912	1,990,950
City Debt Services		527,364						
TOTAL EXPENDITURES		31,857,127		31,411,666	32,039,898	32,680,697	33,580,603	34,505,893
Revenues:								
Grants				0	0	0	0	0
Ambulance Fees (3)		429,310		349,854	356,851	363,988	371,268	378,693
Charges for Service - General (4)		1,169,495		23,737	24,212	24,696	25,190	25,694
Charges for Service - Govt. (5)		1,089,624		642,867	655,724	668,839	682,216	695,860
CFD (6)		720,625		835,323	852,029	869,070	886,451	904,180
Fire Prevention Fees (7)		0		1,190,372	1,214,179	1,238,463	1,263,232	1,288,497
FP-5 (8)		0		7,409,899	7,632,196	7,861,162	8,096,997	8,339,907
Revenue Before Property Tax		3,409,054		10,452,052	10,735,192	11,026,218	11,325,354	11,632,831
Property Tax Required		28,448,073		20,959,614	21,304,706	21,654,479	22,255,249	22,873,062
100% of City's Ad Valorem Property Tax Excluding IVDA Area				8,151,865	8,314,902	8,481,200	8,650,824	8,823,841
Other Property Tax Revenue				2,389,155	2,397,177	2,405,359	2,413,705	2,422,217
Total Property Tax				10,541,020	10,712,079	10,886,559	11,064,529	11,246,058
In Lieu of VLF								
Total City Property Taxes in lieu of VLF				18,743,853	19,118,730	19,501,105	19,891,127	20,288,949
Base Transfer % to County Fire of PT in lieu of VLF				35%	35%	35%	35%	35%
Base Property Taxes in lieu of VLF Transferred to County Fire				6,560,349	6,691,556	6,825,387	6,961,894	7,101,132
Additional VLF to Replace Value of IVDA Ad Valorem Area				2,318,202	2,364,567	2,411,858	2,460,095	2,509,297
IVDA Negotiated Pass Through / Replaced with VLF				2,177,383	2,177,383	2,177,383	2,177,383	2,177,383
TOTAL VLF TRANSFER TO COUNTRY FIRE				11,055,934	11,233,505	11,414,627	11,599,372	11,787,812
SBCFPD Total Transfer Revenue				21,596,954	21,945,584	22,301,186	22,663,901	23,033,870
Valley Service Zone (9)	94%			20,301,136	20,628,849	20,963,115	21,304,067	21,651,838
Administration FPD (9)	6%			1,295,817	1,316,735	1,338,071	1,359,834	1,382,032
Yearly Net				637,340	640,877	646,707	408,652	160,808
Fund Balance				637,340	1,278,217	1,924,924	2,333,575	2,494,383
City Retained Costs								
One Time County Fire Startup Costs (10)				311,471				
iBank Debt (11)				0	0	0	0	0
San Manual Contract (12)				86,333	0	0	0	0
Unfunded Pension Liability				2,367,442	2,367,442	2,367,442	2,367,442	2,367,442
Fleet Facility Lease / Purchase (13)				55,000	55,000	55,000	55,000	1,072,500
Westnet Final Purchase Payment				44,261				
Total City Retained Costs				2,864,507	2,422,442	2,422,442	2,422,442	3,439,942

The notes to this chart are needed to fully understand the references. They are shown below:

FOOTNOTES:

1	FPD Administration Amount			
2	Vehicle / Station Replacement and Major CIP Projects			
3	Fee for Providing Liscensed Health Care (Average last 5 years)			
4	Service Fees (Average last 7 years) (City # includes Prevention)			
5	Strike Team, Airport, and other Reimbursements (3 Year Average)			
6	Based on 2015/16 Assessed amount of 871,217 @ 94% collection + 2% for FY 2016/17			
7	Based on our analyses of current services and our fees			
8	Based on 53,180 taxable parcels @148.23 (Fy 2016/17 rate) with 94% collection			
9	All revenue shall be split 94% to Valley Service Zone and 6% to FPD Administration			
10	Costs to move dispatch, networks, equipment to County Fire, vehicles to meet County Standards, Inspect repair items noted in station inspections by First Safety			
11	City shall pay off prior to Reorganization			
12	Contract Expires 6/30/2017 (Final Payment will be made by City to County Fire)			
13	Final Payment of \$1,072,500 due in 2020 (City shall Lease facility to County Fire for \$1.00 untill paid off then Quit Claim to County)			
14	Final Payment of 44,260.70 shall be paid by City prior to Reorganization			

This material has several nuances to the identification of both expenditures and revenues which are more fully described below. However, the basic information outlines the expenses and revenues which are proposed for the Valley Service Zone, successor agency, for the boots on the ground operation of fire protection and emergency medical response within the City of San Bernardino.

Expenditures:

Salary and benefit expenditures identified in the County Fire FIA shows the costs for fire suppression, prevention and administrative personnel tied to those activities. They accommodate the transfer of 128.58 positions from City Fire (all the affected employees) but not the 12.42 dispatch personnel. Dispatch personnel are being transferred to CONFIRE, a joint powers authority providing regional dispatch services of which County Fire is a member. LAFCO staff has taken the information provided in the FIA and information provided by County Fire, County Administrative Office and City personnel to provide more information on these aspects of the FIA.

Staffing:

The FIA identifies the suppression, prevention and administrative personnel costs for the five years following transfer from City Fire. All employees within these categories are

included in this projection based upon the current County Fire Memorandum of Understanding in effect through July 2018. The Plan for Service identifies the transition plan for the employees including the requirement to pass a physical for all suppression and prevention employees. The terms of agreement with the City of San Bernardino is that the transfer of compensated absences (vacation, holiday time and sick leave) will be provided through a lump sum payment to County Fire for use by employees following transition. County Fire will be impressed with a public trust fiduciary responsibility to protect these funds for the purpose which they were intended through a condition of approval for LAFCO 3198.

Expenditures:	Number of Positions	FY 2015/16 City Budget	2016/17 Forecast Per Position	FY 2016/17 Forecast	FY 2017/18 Forecast	FY 2018/19 Forecast	FY 2019/20 Forecast	FY 2020/21 Forecast
Inflation Rate				5.0%	2.0%	2.0%	3.0%	3.0%
Staffing:								
Suppression								
Division Chief	0.93	298,880		277,958	283,517	289,187	297,863	306,799
Battalion Chief	2.79	269,726		752,536	767,587	782,939	806,427	830,620
Captain	36	214,386		7,717,896	7,872,254	8,029,699	8,270,590	8,518,708
Engineer	36	186,495		6,713,820	6,848,096	6,985,058	7,194,610	7,410,448
Firefighter / Paramedic	39	164,714		6,423,846	6,552,323	6,683,369	6,883,870	7,090,386
Firefighter	3	151,007		453,021	462,081	471,323	485,463	500,027
Fire Prevention								
Deputy Fire Marshal	1	231,659		231,659	236,292	241,018	248,249	255,696
Fire Prevention Supervisor	1	144,546		144,546	147,437	150,386	154,898	159,545
Fire Prevention Specialist	2	122,549		245,098	250,000	255,000	262,650	270,530
Fire Prevention Officer / Arson	1	191,805		191,805	195,641	199,554	205,541	211,707
Fire Prevention Officer	3	105,608		316,824	323,160	329,623	339,512	349,697
Fire Prevention Office Assistant II	1	60,440		60,440	61,649	62,882	64,768	66,711
Non-Suppression								
Staff Analyst I	0.93	93,329		86,796	88,532	90,303	93,012	95,802
Office Assistant III	0.93	60,645		56,400	57,528	58,679	60,439	62,252
TOTAL SALARIES AND BENEFITS	128.58	26,319,709		23,672,645	24,146,097	24,629,020	25,367,892	26,128,928

In addition, the draft staff report for the CONFIRE Board consideration, dated January 26, 2016, identifies the transfer of all dispatch personnel, the acceptance of all equipment, and outlines the actions necessary to accommodate this change, i.e., opening the High Desert Government Center Dispatch Center to free up space in the CONFIRE offices in Rialto. The materials address the staff's concerns that the JPA acknowledge and accept the terms of the transition of employees and equipment.

The materials provided in the FIA related to Operating Expenses were submitted with three line items only: Services and Supplies/Dispatch/MIS, Station Expenses and Overhead and Support. LAFCO staff requested additional information on the breakdown of the items which make up these expenditures totals and has updated the FIA chart to reflect them. The LAFCO staff update is shown below:

	Number of Positions	FY 2015/16 City Budget	2016/17 Forecast Per Position	FY 2016/17 Forecast	FY 2017/18 Forecast	FY 2018/19 Forecast	FY 2019/20 Forecast	FY 2020/21 Forecast
Expenditures:								
	<i>Inflation Rate</i>			2.0%	2.0%	2.0%	2.0%	2.0%
Operating Expenses								
	Services and Supplies / Dispatch / MIS	3,058,063		2,534,749	2,585,444	2,637,153	2,689,896	2,743,694
	Costs Allocation:							
	Dispatch/MIS			1,571,544	1,602,975	1,635,035	1,667,736	1,701,090
	County Overhead			506,950	517,089	527,431	537,979	548,739
	Equipment			177,432	180,981	184,601	188,293	192,059
	Vehicle Maintenance			101,390	103,418	105,486	107,596	109,748
	Other Management Expense			50,695	51,709	52,743	53,798	54,874
	Medical Expense			50,695	51,709	52,743	53,798	54,874
	Insurance			50,695	51,709	52,743	53,798	54,874
	Information Services			25,347	25,854	26,372	26,899	27,437
	Station Expenses	825,752		2,143,275	2,186,141	2,229,863	2,274,461	2,319,950
	Cost Allocation:							
	Vehicle Maintenance/Fuel			921,608	940,041	958,841	978,018	997,579
	Miscellaneous			364,357	371,644	379,077	386,658	394,392
	Utilities			171,462	174,891	178,389	181,957	185,596
	General Maintenance			171,462	174,891	178,389	181,957	185,596
	Insurance			171,462	174,891	178,389	181,957	185,596
	Equipment			150,029	153,030	156,090	159,212	162,397
	Medical supplies			107,164	109,307	111,493	113,723	115,998
	Information Services			64,298	65,584	66,896	68,234	69,599
	Clothing			21,433	21,861	22,299	22,745	23,200
	Overhead and Support (Footnote 1 on master table)	1,108,018		1,221,667	1,246,100	1,271,022	1,296,443	1,322,372
	Cost Allocation:							
	Administration			842,950	859,809	877,005	894,546	912,437
	Public Information Officer			61,083	62,305	63,551	64,822	66,119
	Human Resources			122,167	124,610	127,102	129,644	132,237
	Warehouse/Support Services			195,467	199,376	203,364	207,431	211,580
	TOTAL OPERATING EXPENSES	4,991,833		5,899,691	6,017,685	6,138,038	6,260,800	6,386,016
	CAPITAL IMPROVEMENT FUND (2)	18,221		1,839,330	1,876,117	1,913,639	1,951,912	1,990,950
	TOTAL OPERATING EXPENSE AND CAPITAL IMPROVEMENT FUND	5,010,054		7,739,021	7,893,802	8,051,677	8,212,712	8,376,966

The breakdown in the cost allocation categories identifies that the expenses for providing the services through County Fire are an increase in funding to provide for deferred maintenance which the City, due to its financial position, was unable to fund and to set aside revenues to accommodate needed capital improvements (new vehicles, equipment upgrades, etc.). This brings the anticipated expenditures for the first five years of operation to an increase of more than \$2,000,000 above the City cost for the preceding five year period.

It is the position of LAFCO staff that the expenditures identified in the FIA reflect the anticipated costs for the operation and the maintenance of the level of service previously provided by the City and, in those instances identified, increases the service.

REVENUES:

The FIA, as amended, identifies the revenue streams to support the provision of service. Throughout the analysis process, LAFCO staff has raised questions and responded to concerns to assure that the FIA accurately reflects the revenue streams for this service. The proposal presents unique circumstances for the distribution of City revenue to County Fire for the delivery of fire protection and emergency medical response.

Revenues:						
Grants		0	0	0	0	0
Ambulance Fees (3)	429,310	349,854	356,851	363,988	371,268	378,693
Charges for Service - General (4)	1,169,495	23,737	24,212	24,696	25,190	25,694
Charges for Service - Govt. (5)	1,089,624	642,867	655,724	668,839	682,216	695,860
CFD (6)	720,625	835,323	852,029	869,070	886,451	904,180
Fire Prevention Fees (7)	0	1,190,372	1,214,179	1,238,463	1,263,232	1,288,497
FP-5 (8)	0	7,409,899	7,632,196	7,861,162	8,096,997	8,339,907
Revenue Before Property Tax	3,409,054	10,452,052	10,735,192	11,026,218	11,325,354	11,632,831
Property Tax Required	28,448,073	20,959,614	21,304,706	21,654,479	22,255,249	22,873,062
100% of City's Ad Valorem Property Tax Excluding IVDA Area		8,151,865	8,314,902	8,481,200	8,650,824	8,823,841
Other Property Tax Revenue		2,389,155	2,397,177	2,405,359	2,413,705	2,422,217
Total Property Tax		10,541,020	10,712,079	10,886,559	11,064,529	11,246,058
In Lieu of VLF						
Total City Property Taxes in lieu of VLF		18,743,853	19,118,730	19,501,105	19,891,127	20,288,949
Base Transfer % to County Fire of PT in lieu of VLF		35%	35%	35%	35%	35%
Base Property Taxes in lieu of VLF Transferred to County Fire		6,560,349	6,691,556	6,825,387	6,961,894	7,101,132
Additional VLF to Replace Value of IVDA Ad Valorem Area		2,318,202	2,364,567	2,411,858	2,460,095	2,509,297
IVDA Negotiated Pass Through / Replaced with VLF		2,177,383	2,177,383	2,177,383	2,177,383	2,177,383
TOTAL VLF TRANSFER TO COUNTRY FIRE		11,055,934	11,233,505	11,414,627	11,599,372	11,787,812
SBCFPD Total Transfer Revenue		21,596,954	21,945,584	22,301,186	22,663,901	23,033,870
Valley Service Zone (9)	94%	20,301,136	20,628,849	20,963,115	21,304,067	21,651,838
Administration FPD (9)	6%	1,295,817	1,316,735	1,338,071	1,359,834	1,382,032
Yearly Net		637,340	640,877	646,707	408,652	160,808
Fund Balance		637,340	1,278,217	1,924,924	2,333,575	2,494,383

Those unique circumstances are described in more detail below:

Property Tax for Motor Vehicle In Lieu Transfer

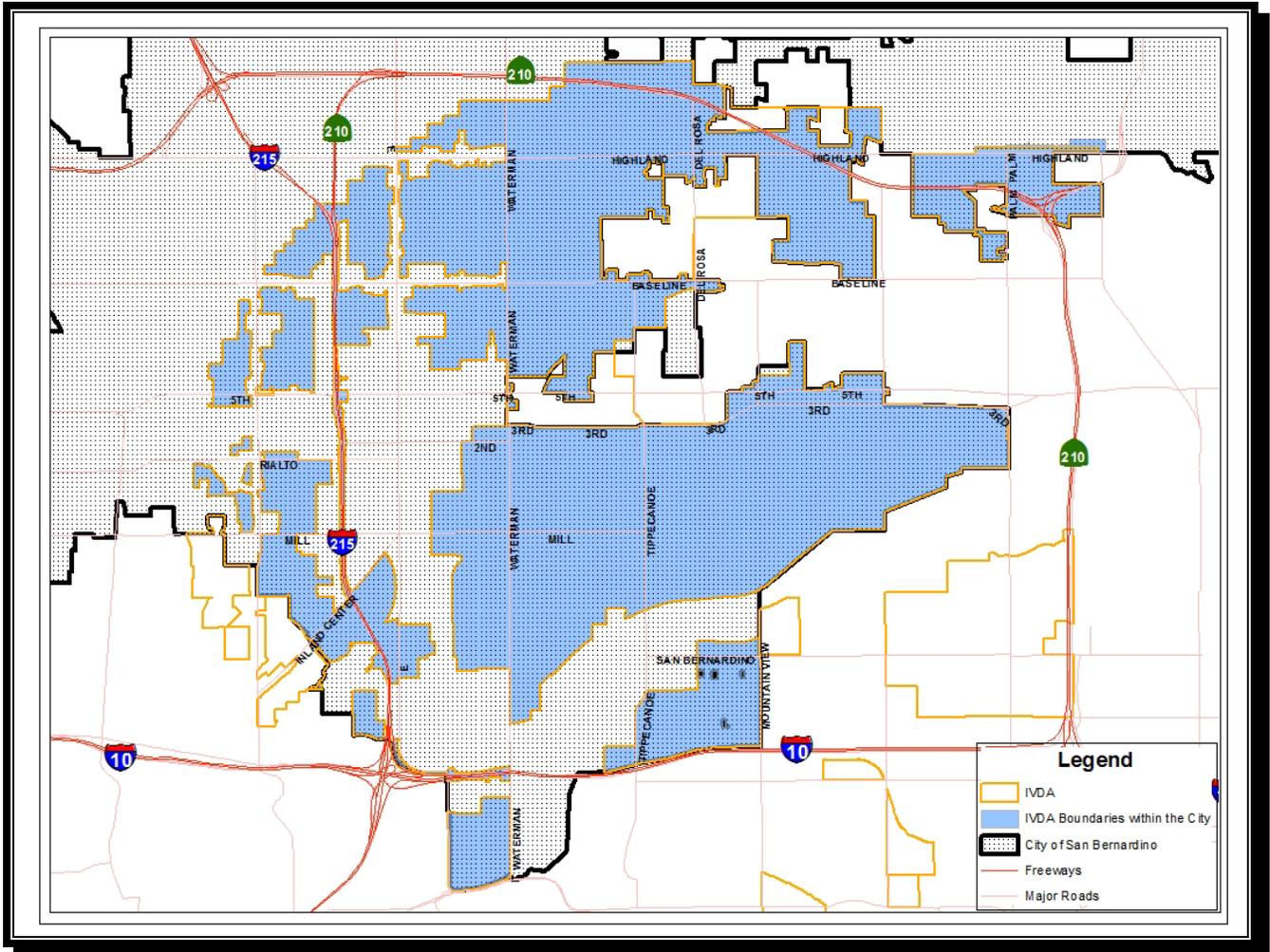
During the processing of the proposal through the mandatory Revenue and Taxation Code Section 99 negotiation process, it was determined that the property tax receipts for the City of San Bernardino are comprised of general ad valorem taxes, subject to R&T Section 99, and property tax in lieu of Motor Vehicle License Fees. The first is transferred as a function of the negotiation process; the latter, however, cannot be transferred directly to a special district. In order to provide for the level of funding necessary to sustain the operations being transferred to County Fire, a contractual agreement is required between the City of San Bernardino, the Valley Service Zone of SBCFPD, and the County Auditor-Controller specifying that 35% of the property tax proceeds from the swap of Motor Vehicle License Fees attributable for the City of San Bernardino will be directed to the Valley Service Zone for the fire operations delivered to the City. Staff has expressed its

concern that, as with so many things, what the State giveth it can take away. In response to that concern the proposed contract, currently in draft form, addresses that should there be a change in the method by which these revenues are calculated, the Valley Service Zone of SBCFPD shall receive an equivalent amount from the new calculation. The proposed condition of approval to memorialize this agreement is:

- Prior to the issuance of the Certificate of Completion for the reorganization to include annexation, pursuant to the provisions outlined in Government Code Section 56886 (i) the Commission requires that the City of San Bernardino, County of San Bernardino, and San Bernardino County Fire Protection District enter into a contract which requires the Auditor/Controller/Treasurer/Tax Collector for San Bernardino County to direct that 35% of the City's total property taxes in lieu of Vehicle License Fees be transferred to the Valley Service Zone of SBCFPD, Successor District, to fund the provision of fire protection and emergency medical response services. This contract shall be perpetual and address the needs for allocation of funds to replace the property tax in-lieu of Motor Vehicle License fees should the State of California make changes to this revenue stream legislatively. This amount is in addition to the amounts determined pursuant to the provisions of Revenue and Taxation Code Section 99 for LAFCO 3198.

IVDA Property Tax and Incremental Transfer

In addition, to the item identified above, staff also learned late in December that the provisions of the Joint Powers Agreement with the Inland Valley Development Authority (a redevelopment entity originally formed to address the transition of Norton Air Force Base) does not allow for the property tax base and increment portion of the ad valorem taxes allocation to the City of San Bernardino to be transferred to County Fire. The language of this agreement and the recent refinancing of the revenue bonds for the Authority require that for those areas within the IVDA the City must retain this funding and the direction of the revenue bonds that pledge the increment to repayment of the bonds. Government Code Sections 56121 and 56122 requires that the Commission make the determination that no bond or contractual obligation be impaired by an action before it. Therefore, after much negotiation, it has been determined that a contractual arrangement be entered into to provide the sum equivalent to the property tax, increment, and pass through funding that would have been transferred to County Fire. In order to move forward with the determination that the transfer of operations is sustainable, a mechanism for transfer of an equivalent sum from a different source must be determined by the Commission and the affected agencies. The map below delineates the area within the boundaries of the City of San Bernardino that is within IVDA.



Staff could find no precedent for determining a method to address this issue; however, through negotiations with IVDA, County Administrative Office, City of San Bernardino, and County Fire, a contractual basis for transfer has been proposed that addresses the provision of an equivalent sum from property taxes in exchange for Motor Vehicle License fees during the term of the revenue bond pledge (expiring in 2035) for the property taxes, increment and pass-through that would have been exchanged if the standard property tax transfer process for the reorganization were to have been completed. Therefore, staff is proposing a condition of approval that reflects the agreements of the County Administrative Office, County Fire, City of San Bernardino and IVDA for these contractual transfers within the IVDA area.

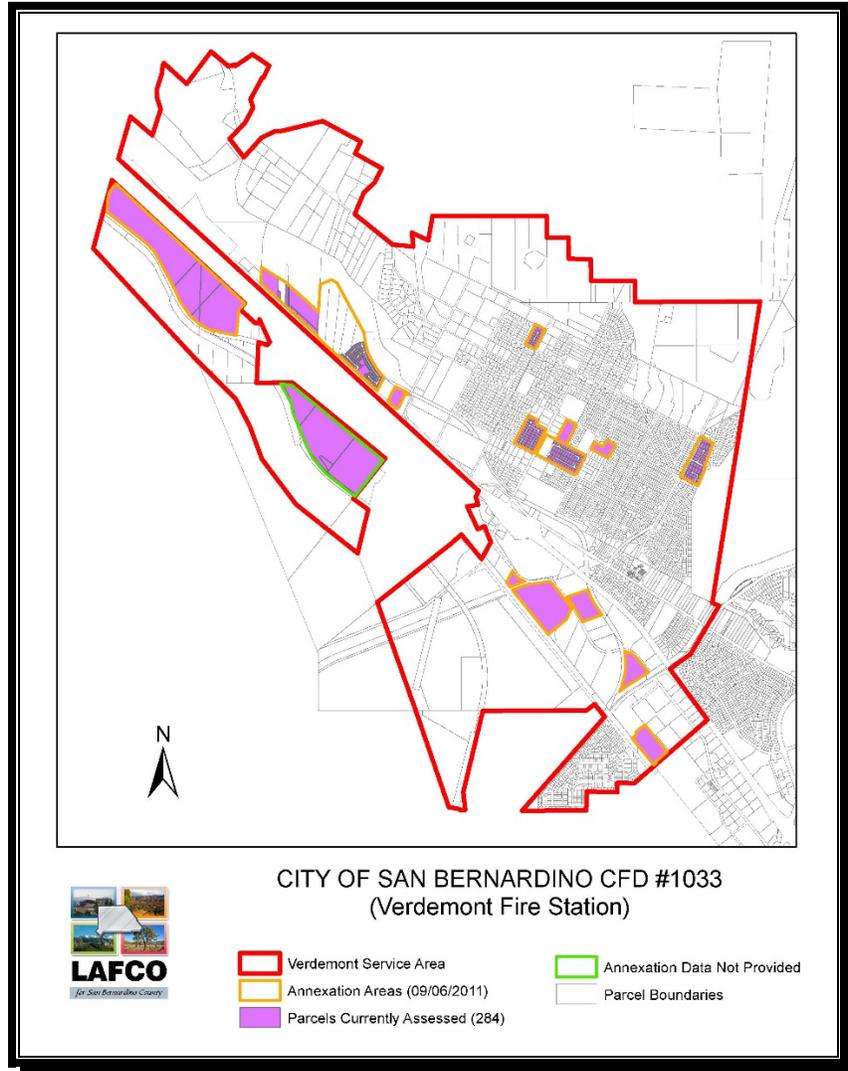
- Prior to the issuance of the Certificate of Completion for the reorganization to include annexation, pursuant to the provisions outlined in Government Code Section 56886 (l), (o) and (s), the Commission requires that the City of San Bernardino, County of San Bernardino, and San Bernardino County Fire Protection District enter into a contract which directs the Auditor/Controller/Treasurer/Tax Collector for San Bernardino County to provide

for the calculation of property tax revenues to be transferred from the City's proceeds under the property tax in lieu of Motor Vehicle License Fees to the Valley Service Zone of SBCFPD, successor agency, as a replacement for the exclusion of the Inland Valley Development Authority (IVDA) territory within the City of San Bernardino from the property tax transfer process in the manner presented below, This term and condition shall assure that there is no impairment of the Inland Valley Development Agency Tax Allocation Refunding Bonds Series 2014A and Successor Agency to the Inland Valley Development Agency Tax Allocation Refunding Bonds Series 2014B bond obligations::

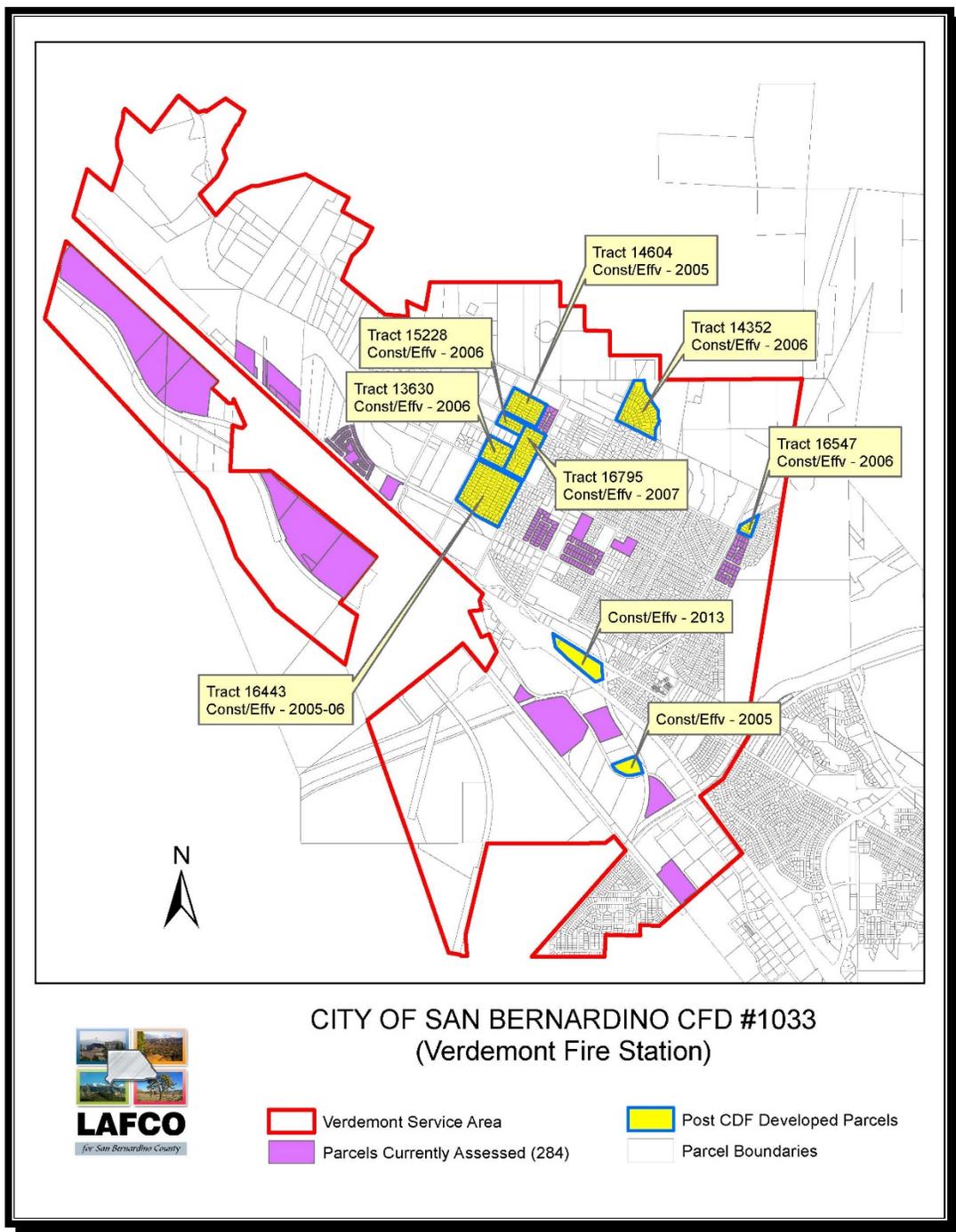
- o The calculation shall use the following amounts to determine the transfer from proceeds of property tax swap in lieu of Motor Vehicle License Fees amount: (a) base property tax within the affected Tax Rate Areas (TRAs) within IVDA a part of the corporate limits of the City of San Bernardino , (b) pass through payments, negotiated or statutory within the defined TRAs; (c) residual distribution as a result of redevelopment dissolution within the defined TRAs; and (d) any other property tax proceeds that would have come to the Valley Service Zone except for the exclusion of the IVDA area of the City of San Bernardino; and,
- o The methodology outlined above shall be permanent and may only be amended after the conclusion of the revenue bond pledge on or after June 30, 2035 or if said revenue bond pledge is refunded or refinanced by mutual agreement between the County of San Bernardino, the San Bernardino County Fire Protection District and the City of San Bernardino.

Transfer of CFD

Community Facilities District #1033 was formed by the City Council of the City of San Bernardino in 2004 under Resolution No. 2004-10. The engineering report included with that Resolution identifies the CFD special tax was to provide for funding to build, equip and man the Vermont Fire Station and defines the standards of service that were to be met. The map below identifies the Vermont service area and the actual parcels paying the annual special tax. As the map reflects, only a limited number of parcels within the service area pay the special tax and LAFCO staff requested that the City of San Bernardino provide documentation of the limitation of funding resources.



After months of discussions with City personnel, on January 15, 2016, LAFCO staff received a letter from the City Attorney stating that while the City believes that all appropriate residential and commercial development has been included in the CFD, it cannot provide an explanation of the number of tracts not currently paying. LAFCO staff had questioned the following tracts, but has no identification of individual residential units built during the period 2004 to 2015:



The City of San Bernardino is currently working to reconcile the parcels developed and assessed. However, staff has concerns for the means to transfer the administration of CFD 1033 to the Valley Service Zone of SBCFPD, as the successor, if these questions on administration remain. Government Code Section 56886(u) provides the statutory authority for the Commission to transfer this Mello-Roos District and it reads as follows:

(u) The transfer of authority and responsibility among any affected cities, affected counties, and affected districts for the administration of special tax and special assessment districts, including, but not limited to, the levying and collecting of special taxes and special assessments, including the determination of the annual special tax rate within authorized limits; the management of redemption, reserve, special reserve, and construction funds; the issuance of bonds which are authorized but not yet issued at the time of the transfer, including not yet issued portions or phases of bonds which are authorized; supervision of construction paid for with bond or special tax or assessment proceeds; administration of agreements to acquire public facilities and reimburse advances made to the district; and all other rights and responsibilities with respect to the levies, bonds, funds, and use of proceeds that would have applied to the local agency that created the special tax or special assessment district.

The language addresses the ability of the Commission to transfer this authority as well as to determine the *“levying and collecting of special taxes and special assessment, including the determination of the annual special tax rate within authorized limits”*. Due to the issues involved with the administration of CFD 1033 and the component of the reorganization proposal to include a per parcel charge for funding of fire protection, staff is proposing a condition of approval to transfer CFD 1033 for administration by the Valley Service Zone of SBCFPD but only for the commercial and industrial parcels currently assessed and those which will be developed in the future. This would remove the \$435 per parcel residential special tax which will be replaced with the \$144 FP-5 charge. The financial change for Fiscal Year 2015-16 is shown below:

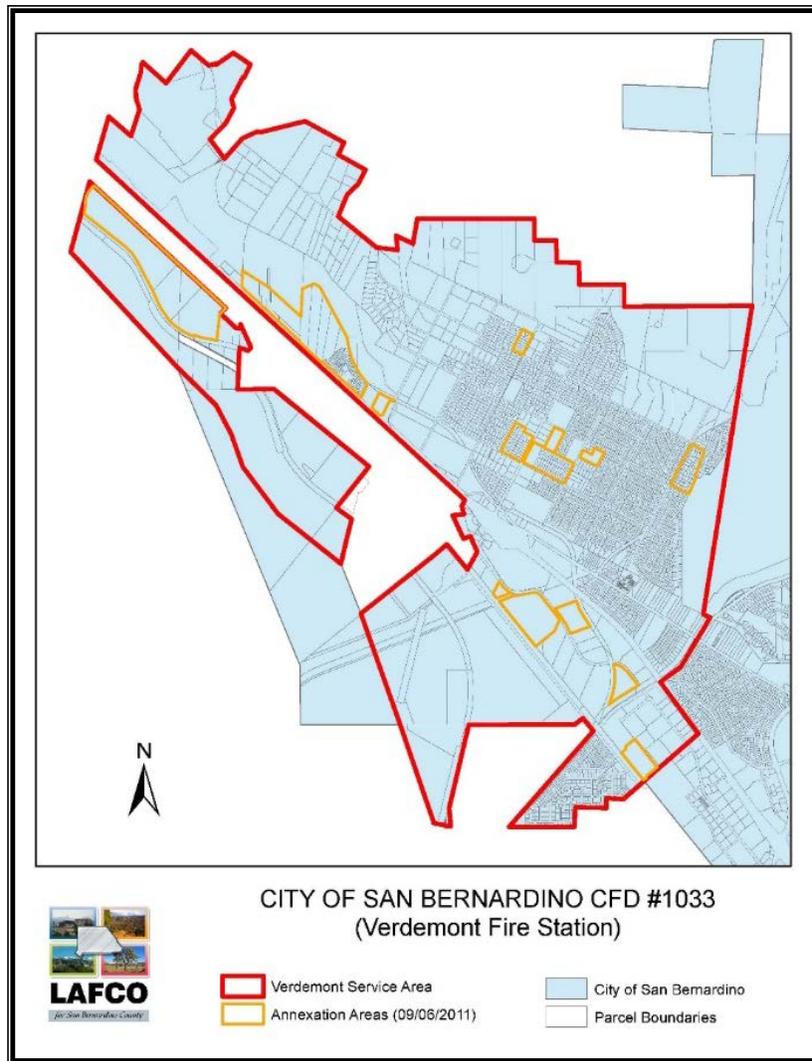
Number of Parcels	Per parcel charge	Total Revenue in 2015-16
Residential -- 127 parcels	\$435.18	\$55,310
Commercial/Retail/ Office/Industrial -- 11 parcels	Per acre charge in 2004-05 was \$2,445	\$815,949

The loss of \$55,310 is not considered to be substantial to the operations of the CFD and the Valley Service Zone as its successor, especially in light of the additional Valley Service Zone revenues available from the unincorporated islands for delivery of service outlined below. The staff is proposing the following condition to address this change:

Upon the effective date of the reorganization including annexation, the Successor District shall accept the administration of Community Facilities District #1033 (hereafter “CFD 1033”) from the City of San Bernardino terminating in Fiscal Year commencing July 1, 2033. The special tax levy for this entity shall be limited to the commercial, retail, office and industrial properties currently assessed or which will be developed in the future pursuant to the terms specified in City of San Bernardino Resolution No. 2004-210. All residential properties previously assessed will be exempted from future assessments by Valley Service Zone administration of CFD 1033. All cash on hand or fund balance in the accounts of CFD 1033 within the City of San Bernardino upon the effective date of LAFCO 3198 shall transfer to the

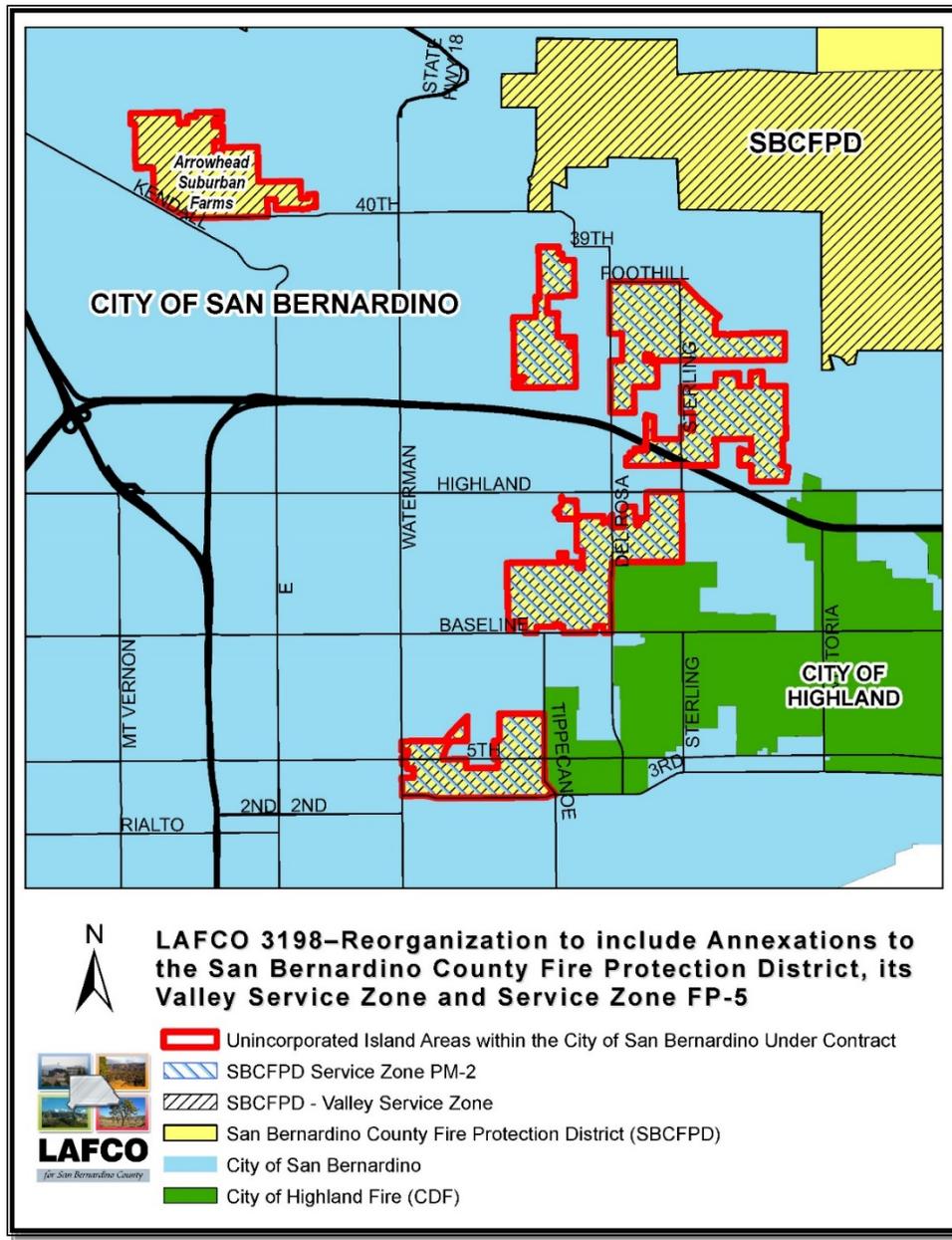
administration of this CFD under the Successor District. All delinquent taxes and any and all other collections or assets of CFD 1033 that may accrue shall be transferred to the Successor District pursuant to Government Code Section 56886(I). The revenues to be received by the Successor District administering CFD 1033 are impressed with the public trust, use or purpose as defined by City of San Bernardino Resolution No. 2004-210 and all transactions utilizing these funds shall be accounted for and described in the annual audit and/or comprehensive financial reports recognizing CFD 1033 by the Successor District.

The future administration of CFD 1033 under the Successor District shall require that the Valley Service Zone, Successor District, shall participate in the development review process of the City of San Bernardino for any properties within the defined Verdmont Service Area, shown below, for commercial, industrial retail or office uses. The City of San Bernardino shall be required to annex any commercial, industrial, retail or office parcels into CFD 1033 as a condition of development approval to be completed prior to the issuance of the certificate of occupancy for said projects.



Valley Service Zone Area:

SBCFPD and its Valley Service Zone are currently located within the unincorporated area which is defining the general area to receive service by annexation of the City of San Bernardino. Specifically on the map shown above, the peninsula of unincorporated area along Kendall Avenue is within the Valley Service Zone. In addition, the San Bernardino islands, the subject of a revenue contract with the City of San Bernardino to provide for the eastern islands and Arrowhead Suburban Farms, are also within the Valley Service Zone. Those island areas are shown on the map below:



The significance to the present discussion is that the revenues currently attributable to the SBCFPD parent district for administration are estimated at \$202,525 and the SBCFPD Valley Service Zone at \$916,813. Also to be included in service delivery mechanism is the special tax for County Fire Service Zone PM-2 (paramedic tax within the six islands). This is an annual receipt estimated at \$106,712. These funds, totaling \$1,226,050, will also be available for use in supporting the fire protection and emergency medical response within the overall San Bernardino community.

Transfer of Contracts

There are a number of contracts which have been entered into between the City of San Bernardino on behalf of its Fire Department for such matters as mutual aid, joint powers authorities, and the provision of a range of out-sourced services. As a part of the consideration, the Commission must make a determination regarding the transfer of the contracts (copies of the contracts proposed for termination are included as Attachment #7 to this report). The staff is proposing the inclusion of the following condition to reflect these determinations:

- The remaining payments, all rights and interests held or claimed by the City of San Bernardino Fire Department under all agreements and/or memoranda of understanding with any public agency or private entity, shall transfer to the Successor District, Valley Service Zone of the SBCFPD, excluding those contracts shown on Exhibit “E” for termination. The Successor District, Valley Service Zone, shall also assume all joint use, maintenance, automatic aid or mutual aid agreements held by the City of San Bernardino Fire Department [(Government Code Section 56886(r)]. Amendments of existing agreements required for successful transfer shall be completed and submitted to the Local Agency Formation Commission prior to the issuance of the Certificate of Completion to address any changes [Government Code Section 56886(r)(v)].

City of San Bernardino Fire Contracts		
Contract Description	Term	SBCFPD to Transfer or Terminate
City of San Bernardino and Wildan and CSG Consultants for plan review, inspection building official and counter services	Through 9/30/2017	Terminate 6/30/2016
Contract Emergency Services Director for City	6/30/2015 with two, one year extensions	Terminate 6/30/2016
City of San Bernardino and Rancho Santiago College District for fire personnel training/education	1/2008 until terminated	Terminate 6/30/2016
City of San Bernardino and Advance Data Processing – provides billing services for City Fire	Until 6/2013; unclear if three single year extensions were approved	Terminate 6/30/2016

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JANUARY 20, 2016

City of San Bernardino and Fire Recovery USA – provides billing services for traffic control and vehicle extraction services	7/1/2013 – 6/30/2014 with three, one year extensions	Contract expires 6/30/16 and will not transfer
City of San Bernardino and SBCFPD; County Fire District provides emergency management services within City boundaries	2/1/14-1/31/2017	Contract expires 6/30/2016; SBCFPD will assume this responsibility; contract will not transfer
City of San Bernardino and Westnet, Inc; provides warranty and maintenance of fire station alarm systems	7/1/2014 until terminated	City will fund final payment prior to issuance of Certificate of Completion /County to manage until 7/1/2017
City of San Bernardino and Amerik Medical Billing	Unknown	City to terminate agreement prior to issuance of Certificate of Completion
City of San Bernardino and SBCFPD to provide fire protection and paramedic services to unincorporated areas with the San Bernardino's sphere of influence	7/1/2011 – 6/30/2016	Valley Service Zone becomes provider of service, contract no longer necessary.
Cities of San Bernardino, Colton, Loma Linda, Redlands and Rialto and the Fire Districts of Bloomington, Fontana and Muscoy – supplemental fire protection and mutual aid services	6/1972 – no end date specified	Contract stays in place; no impact on master mutual aid agreements
City of San Bernardino and San Bernardino International Airport Authority – fire station lease (aircraft fire crash rescue facility)	2/4/2004 until either party terminates	Transfer 7/1/2016
City of San Bernardino and San Manuel Band of Mission Indians – fire, EMS, dispatching, fire equipment maintenance, etc.	7/1/2007 – 7/1/2017	Transfer 7/1/2016
City of San Bernardino, San Bernardino Community College and Crafton Hills Community College	Unknown	Transfer 7/1/2016
City of San Bernardino and Department of State Hospitals – Patton	Unknown	Transfer to County 7/1/2016
City of San Bernardino and US Department of Agriculture/National Forest Service cooperative agreement – fire and rescue services with mutual threat zones	10/11/2014 through 10/11/2019	Transfer 7/1/2016
JPA (City of San Bernardino, County of San Bernardino and Santiago Community College District) to create the San Bernardino Regional Emergency Training Center	Entered 6/1998 until revenue bonds are paid	SBCFPD will assume City' portion of contract

It is the position of LAFCO staff that the approval of this reorganization will provide for the continuing delivery of fire protection and emergency medical response service within the corporate boundaries of the City of San Bernardino at the same level as received in the past and in some aspects of service will improve. As required by Commission policy and State law, the revised Plan for Service and Fiscal Impact Analysis submitted by County Fire shows that the delivery of service can be maintained following reorganization.

Given the staff's support for the reorganization, the Commission will now need to address the terms and conditions that are required to effectuate the change not otherwise outlined in the narrative above. Specifically, the terms and conditions will address the transition of service, transfer of obligations, discussion of assignment of special taxes and more. First, staff is recommending that the effective date be set as July 1, 2016, or as soon as the terms and conditions of the approval can be met. This will allow for a clean break in financial operations and allow for a clean audit trail.

Next, conditions will need to be applied to transfer operations, facilities, and debt to the Valley Service Zone for the continued operation. All in all, a number of specific conditions are needed to accommodate the dissolution and assumption of service. The full range of conditions is outlined as follows:

- Upon the effective date of this reorganization, the appropriation limit of San Bernardino County Fire Protection District, Valley Service Zone, Successor District, shall be increased by \$21,596,954 for Fiscal Year 2016-17 to recognize the anticipated first year proceeds of taxes for the provision of fire protection and emergency medical response.
- Upon the effective date of this reorganization, any funds currently deposited for the benefit of the City of San Bernardino Fire Department which have been impressed with a public trust, use or purpose shall be transferred to the Successor District, and said District shall separately maintain such funds in accordance with the provisions of Government Code Section 57462.
- Upon the effective date of this reorganization, any funds currently deposited for the benefit of the City of San Bernardino Fire Department Community Facilities District 1033 which have been impressed with a public trust, use or purpose shall be transferred to the Successor District for its administration of Community Facilities District 1033, and said Successor District shall separately maintain such funds in accordance with the provisions of Government Code Section 57462.

The final element that will need to be addressed is that during the transition period State law specifies that the dissolving entity be limited in its authority for expenditures and encumbering obligations. Therefore, staff is recommending that the following condition be included to address this issue which will limit the City from the point in time that the

Commission approves the reorganization (adoption of its resolution) through the effective date proposed to be July 1, 2016.

- As of the date of approval of the reorganization by LAFCO, through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the City Council of the City of San Bernardino shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5, and it is supported by the San Bernardino County Fire Protection District:
 - **No Increase in Compensation or Benefits:** No increase in calculation for payment of benefits or compensation for employees of the City of San Bernardino Fire Department shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2015-16.
 - **Bound by Current Budget:** Appropriating, encumbering, extending, or otherwise obligating any revenue of the City Fire Department beyond that provided in the current budget at the time of Commission approval, but to include any budgetary adjustment due to the circumstances surrounding the December 2, 2015 terrorist attack, unless agreed to by the Successor District.

Staff would note that the condition includes the proviso to address an issue that may arise which requires expenditure of funds or the obligation for payment. This allows for a mechanism to address unknowns during the transition.

ENVIRONMENTAL CONSIDERATIONS

ENVIRONMENTAL: Will the proposed reorganization have an adverse environmental effect that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

The Commission is the lead agency for review of the potential environmental consequences of the reorganization evaluated in this report. LAFCO staff has provided the Commission's Environmental Consultant, Tom Dodson and Associates, with the application materials and responses provided by the City of San Bernardino and the San Bernardino County Fire Protection District. Mr. Dodson reviewed this proposal and has recommended that the reorganization is statutorily exempt from the California Environmental Quality Act (CEQA) (copy of letter included as Attachment #9).

This determination is based on the fact that the reorganization will transfer the delivery of fire protection, and emergency medical response from one entity to another which will

not result in any physical impacts on the environment. Therefore, this action is exempt as defined under Section 15061(b)(3) of the State CEQA Guidelines. It is recommended that the Commission adopt the General Rule Statutory Exemption for this proposal by taking the actions outlined in the Recommendation Section of this report.

PUBLIC COMMENT

In addition to publication of a legal notice of this proposal (1/8th page advertisement in *The Sun*), staff also mailed individual notices to the 42,783 landowners in the affected reorganization territory. Over the last three weeks, staff has fielded approximately 100 phone calls from landowners requesting additional information on the proposal. Specific areas of concern generally included:

- A desire to maintain the City Fire Department through the City reprioritizing expenditures.
- Objection to the imposition of a special tax due to financial hardships of homeowners.
- A belief that the City's financial hardships are being solved through the taxation of its residents.
- Additional clarification needed as to why residents do not have the opportunity to vote on the imposition of a special tax.

In addition, staff received nine comment letters which are included as Attachment #8 to this report. The most extensive letter was received by LAFCO staff on January 19, 2016 from Ms. Karmel Roe. Staff is unable to provide a response to this information in the staff report; however, an update will be provided at the hearing.

DETERMINATIONS

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

1. The County Registrar of Voters Office has determined that the study area is legally inhabited with 67,883 registered voters as of October 8, 2015.
2. The study area is proposed to be within the sphere of influence assigned the San Bernardino County Fire Protection District through approval of LAFCO 3197.
3. The County Assessor's Office has determined that the total assessed valuation of land and improvements for the area is \$11,363,748,189 as of November 2, 2015. This figure is broken down as \$2,976,373,339 for land and \$8,387,374,850 for improvements.

4. Legal notice of the Commission's consideration of the proposal has been provided through publication of a 1/8th page advertisement in *The Sun*, a newspaper of general circulation in the area. In addition, individual notices were provided to all affected and interested agencies, County departments and those individuals and agencies requesting special notice.
5. In compliance with the requirements of Government Code Section 56125, individual notice was mailed to landowners within the reorganization area (totaling 42,783) due to the annexation of the territory into SBCFPD Service Zone FP-5 (a special tax zone). Comments from landowners have been considered by the Commission in making its determination.
6. The Southern California Association of Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5. Approval of LAFCO 3198 has no direct impact on these determinations. The Sustainable Community Strategy includes as a determination the need to assure the ongoing availability of health and safety services which approval of LAFCO 3198 will support.
7. The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated that based on his review of this reorganization, the proposal will not change the area in which the service is provided. Therefore, the proposal will have no physical affect upon the environment, and a General Rule Statutory Exemption as authorized under Section 15061(b)(3) of the State CEQA Guidelines is appropriate. A copy of Mr. Dodson's response is included for the Commission's review as Attachment #9 to this report.
8. The study area is presently served by the following public agencies: County of San Bernardino, City of San Bernardino, East Valley Water District, San Bernardino Valley Municipal Water District, San Bernardino Valley Water Conservation District, Inland Empire Resource Conservation District, Riverside Corona Resource Conservation District, and West Valley Water District. The City of San Bernardino is affected through the transfer of its fire protection and emergency medical response obligation to County Fire as a function of the reorganization. In addition, the change anticipates that the San Bernardino County Fire Protection District, its Valley Service Zone and its Service Zone FP-5 will be expanded to include the territory of the City of San Bernardino. None of the other agencies are affected by this reorganization proposal as they are regional in nature.
9. The San Bernardino County Fire Protection District has submitted a Plan for Service as required by Government Code Section 56653, which indicates that County Fire can, at a minimum, maintain the existing level of service delivery and can improve the level and range of selected portion of the fire protection and emergency medical response currently available in the area. The Plan for Service has been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668.

The Commission finds that such Plan conforms to those adopted standards and requirements.

10. The reorganization area can benefit from the assumption of fire protection and emergency medical response through the Valley Service Zone of the San Bernardino County Fire Protection District as evidenced by the Plan for Service.
11. This proposal will not affect the fair share allocation of the regional housing needs assigned to the City of San Bernardino through the Southern California Association of Government's (SCAG) Regional Housing Needs Allocation (RHNA) process.
12. With respect to environmental justice, the reorganization provides for the continuation of existing fire protection and emergency medical response within the area and will not result in the unfair treatment of any person based upon race, culture or income.
13. The County Board of Supervisors has successfully completed the process for the determination of the transfer of ad valorem property tax revenues upon successful completion of this reorganization to the successor agencies, SBCFPD and its Valley Service Zone. An amended to that agreement will be processed to address the transfer of property tax revenues only for those areas outside the Inland Valley Development Agency (IVDA). Based upon the need to maintain the pledge to the Revenue Bonds of IVDA and its Successor Oversight Agency, the tax rates and Tax Rate Areas within IVDA shall be retained by the City of San Bernardino until the bonds are paid in full or refunded. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.
14. The maps and legal descriptions prepared by the County Surveyor are in substantial compliance with LAFCO and State standards.

CONCLUSION

Adequate fire protection and emergency medical response are key health and safety issues for any community. This was no more evident as when the tragic events of December 2, 2015 played out on our television screens and cellphones and the exemplary response by all emergency responders was on display. The City of San Bernardino, is both "service insolvent" (unable to pay for all of the costs of providing services at the level required for the health, safety and welfare of the community) and "budget insolvent" (unable to create a balanced budget that provides sufficient revenues to pay for expenses), and cannot continue to fund adequate levels of fire and emergency services for its residents over the long-term. Fiscal projections within the City's Plan of Recovery and Plan of Adjustment indicate that without substantial change in how services are provided to its residents, the City will be unable to emerge from

bankruptcy. A key component of that plan is the transfer of responsibility for fire services from the City to the County.

The City's decision to propose the transfer of its own fire department through annexation to the San Bernardino County Fire Protection District was not an easy one. Alternatives considered by the City included contracting out fire and emergency services or transferring responsibility to a private service provider. Ultimately, the City proposed transfer of its Fire Department through annexation to County Fire as the best and most fiscally responsible alternative for serving their residents. This plan is important to the City in that provides a means to return to the City's coffers an estimated of \$7,000,000 to \$8,000,000 for use in addressing other service deficiencies that currently exist, such as police protection, roads, parks, or even streetlighting. These service determinations will need to be made by the City in its future budgeting process. This is no small thing for the residents of this City.

Staff concurs with the City that annexation to County Fire, its Valley Service Zone, and Service Zone FP-5 remains the best option, both operationally and fiscally, by allowing the City to take advantage of substantial economies of scale available from County Fire as well as existing County Fire stations and personnel located nearby the City. Therefore, staff recommends approval of LAFCO 3198 as presented.

Attachments

1. [Vicinity Map, Map of Proposed Reorganization and Supplemental Maps](#)
2. [City of San Bernardino/County Fire Application for Reorganization Including Plan for Service, Fiscal Impact Analysis \(Five-Year Projection\), Transition Plan, San Manuel Band of Mission Indians Consent Resolution and Supplemental Data](#)
3. [Draft CONFIRE Staff Report Dated January 26, 2016 for Transition of San Bernardino City Fire Dispatch Personnel to CONFIRE/County Fire](#)
4. [City of San Bernardino Responses to LAFCO Questions: Letter From City Attorney Dated January 4, 2016; Letter from City Manager Dated November 9, 2015, and Letter Dated November 2, 2015](#)
5. [County of San Bernardino Property Tax Transfer Resolutions from December 15, 2015](#)
6. [Letter from City of San Bernardino Attorney Dated January 15, 2016 Related to CFD #1033 and City of San Bernardino Resolution No. 2004-210 Forming CFD #1033 and City Resolution No. 2015-128 Setting Special Tax for Fiscal Year 2015-16](#)
7. [Contracts To Be Terminated by the City of San Bernardino](#)
8. [Copies of Letters Received from the Public Related to LAFCO 3198](#)
9. [Letter from Commission Environmental Consultant Tom Dodson of Tom Dodson and Associates Dated January 10, 2016](#)
10. [Draft LAFCO Resolution No. 3211](#)