

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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**DATE:** AUGUST 7, 2017   
**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
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**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #7: Status Report on LAFCO 3189 - Special Study of the Morongo Valley Community Services District

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## **RECOMMENDATION:**

Staff recommends that the Commission:

1. Note receipt of the status report and file.
2. Conclude status reports of the Morongo Valley Community Services District.

## **BACKGROUND:**

At the July 2015 hearing, the Commission completed its special study of the Morongo Valley Community Services District ("District" or "CSD"), LAFCO 3189. The direction to staff in preparing the special study was narrow in focus – determining the financial sustainability of the district to perform its authorized range of services, most specifically fire protection and emergency medical response.

At the conclusion of the special study, the District took painful measures (reduction of the general manager's salary, and others) and received additional State reimbursement revenue to barely break-even for FY 2014-15. As a part of the special study LAFCO staff provided a forecast for the next five fiscal years (through 2020-21). The forecast did not show even nominal annual revenue gains – basically a break-even scenario. Any deviation would force the razor-thin surplus to evaporate. As a result of the special study, the Commission directed staff to monitor and update the Commission biannually for the next three years regarding the district's financial position.

To illustrate the ongoing monitoring, the following is a portion of the conclusion section from the staff report dated March 14, 2017:

*The District attempted to increase its revenues to accommodate its existing service levels; however, its measure for a special tax failed. The only option moving forward is to cut the expenses, thus the service level, for the delivery of fire protection and emergency medical response, is impacted. The District has worked hard to keep itself afloat and should be recognized for these efforts. However, that position is tempered by staff's ongoing concern for its future.*

*As a result of the failure of the special tax election by such a large margin, it appears to staff that the District realizes a need to move towards realistic expenditures and staffing. The current year budget appeared to be stable, but the mid-year data is indicating a return to expenditures exceeding revenues.*

*As LAFCO staff has stated before, but must reiterate here, the margin for error in budgeting for the Morongo Valley CSD remains thin. Should any of the following occur then the district's short-term viability would be in jeopardy: (1) immediate replacement of the current fire truck, (2) OES cancels the contract or recalls the wild land fire truck, or (3) any other major expense.*

This staff report is the fourth status update, and staff is recommending that the Commission conclude its monitoring of the CSD.

## **DISCUSSION:**

As staff has prepared this update, we again return to the same topic – the funding of fire protection and emergency medical response for the Morongo Valley community. The District continues its ongoing discussion about what level of fire service is desired by the community as a whole - how to pay for it, how to reduce costs, and to what level of service. The materials provided at the last update, identified the development of an ad hoc committee to provide input on service alternatives; but according to the general manager, although formed, the committee never materialized due to lack of participation.

Neither LAFCO staff nor the Commission have ever recommended a specific course of action for the CSD regarding fire protection. Rather, the special study and the subsequent monitoring reports have outlined and analyzed the feasible options for fire protection and paramedic response. The options, previously four, have been whittled down to two:

1. Annex to County Fire and its FP-5 service zone. This option would:
  - a. Divest the CSD of its fire protection function (and related services)
  - b. Annex the CSD area to County Fire and its South Desert and FP-5 service zones
  - c. Remove the CSD Fire and Paramedic Assessment, annual average of \$150 per parcel
  - d. Extend the FP-5 special tax over the area, currently \$152.68 per parcel annually
  - e. Park and recreation would remain with the CSD
2. The District can continue to reduce the level of its fire protection service until it reaches a financially sustainable level recognizing the requirement to have a full-time paid paramedic position in order to continue to receive its benefit assessment.

On July 12, CSD representatives met with LAFCO and County Fire staffs to discuss potential annexation to County Fire. It was determined that the costs to operate a full-time three-person crew (at least one of which is a paramedic) would exceed the revenues available from within the community. Alternative staffing options and station locations were discussed. In the end, County Fire and the CSD agreed to continue the dialog.

The CSD staff has formulated a draft long-term plan document which summarizes the challenges of adopting a special tax due to the disadvantaged status of the community, loosely identifies making adjustments to maintain fiscal control, and additional staff restructuring to further reduce costs (copy included as an attachment to this report). This plan has not been presented to the CSD board for adoption as of the date of this report. Nonetheless, this document indicates a shift towards Option 2 identified above - reduce the level of its fire protection service until it reaches a sustainable level. However, it lacks detail to substantiate its policy shift. Importantly, as the CSD and the community evaluate its options, the current assessment was approved for paramedic and fire related services. Therefore, as noted above, in order for the CSD to receive its assessment it must have a full-time paramedic stationed within the community.

LAFCO staff's position is that on-going discussions between County Fire and the CSD should continue. Additionally, the special study and the three status reports have analyzed the financial ability and sustainability of the district to perform its authorized range of services, most specifically fire protection and emergency medical response. Specifically, the special study provided a financial forecast through 2020-21, which did not show even nominal annual revenue gains – basically a break-even scenario.

At this juncture, staff's position is that further LAFCO involvement is not warranted and that the Commission conclude monitoring of the CSD. Staff bases its position on the determination that only two feasible options remain and that the CSD and County Fire have agreed to continue the dialog.

### **CONCLUSION:**

As the opening paragraph of the CSD Long Term Plan Summary outlines, the CSD is fully aware of its options. Since in the staff view, only two feasible options remain (annexation to County Fire or reduction of expenditures to meet revenues), further LAFCO monitoring/involvement is not warranted. Therefore, staff recommends that the Commission take the actions outlined on page 1 of this report concluding its monitoring of the District. However, LAFCO staff remains available to answer questions and review the process for any future change of organization with the District.

KRM/MT

Attachments:

- (1) Draft 2017 Long-term Plan Summary
- (2) Final Morongo Valley CSD Budget for FY 2017-18
- (3) Five-year Summary of Changes in Fund Balance by Service