DATE: MAY 9, 2018

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
ROBERT ALDRICH, Consultant
SAMUEL MARTINEZ, Assistant Executive Officer
JEFFERY LUM, LAFCO GIS/Database Analyst

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM #14 - LAFCO 3218 – Reorganization to include
Annexation to the San Bernardino County Fire Protection District, its North
Desert Service Zone, and the Divestiture of the Functions of Fire,
Emergency Medical Response and Ambulance from the Hesperia Fire
Protection District

INITIATED BY: Jointly initiated by the Board of Directors of the Hesperia Fire Protection District and Board of Directors of the San Bernardino County Fire Protection District

RECOMMENDATION:
Staff recommends that the Commission make the following determinations:

1. Modify LAFCO 3218 to address boundary realignment along the Mojave River to correct the boundary to parcel configurations for the Hesperia Fire Protection District and Apple Valley Fire Protection District rather than the unsurveyed centerline of the Mojave River;

2. Certify that LAFCO 3218, as modified, is statutorily exempt from environmental review, and direct the Executive Officer to file a Notice of Exemption within five (5) days;
3. Approve LAFCO 3218, as modified, with the following conditions:

a. Standard LAFCO conditions including indemnification by the Hesperia Fire Protection District, the San Bernardino County Fire Protection District and City of Hesperia as further defined in Condition “r” below;

b. The effective date of this reorganization, including annexations, detachments, and divestiture (hereafter identified as “Reorganization”), is subject to completion of terms and conditions outlined in this resolution for approval as authorized by Government Code Sections 56886(p) and 57202 and will be effective upon issuance of the Certificate of Completion;

c. Upon the effective date of the Reorganization, the Hesperia Fire Protection District’s functions (hereinafter “District”, “HFPD, or “Hesperia FPD”) will transfer to the San Bernardino County Fire Protection District (hereafter “County Fire” or “SBCFPD”) North Desert Service Zone, as the successor district (hereinafter “Successor District”) to the fire, emergency medical response and ambulance obligations of Hesperia Fire Protection District through divestiture of these functions. The Successor District shall succeed to and/or be assigned all rights, duties, responsibilities, properties (both real and personal except as further described in conditions below), contracts, equipment, assets, liabilities (excluding California Public Employees Retirement Fund as detailed in condition “e” below), obligations, functions, executory provisions, entitlements, permits and approvals of the Hesperia Fire Protection District. All property tax revenues attributable to the Hesperia Fire Protection District transferred to County Fire, its North Desert Service Zone and/or City of Hesperia prior to calculations required by Section 96.1 and all other collections or assets of the Hesperia Fire Protection District shall accrue and be transferred pursuant to Government Code Section 56886(l). Said Successor District shall be subject to the terms and conditions contained herein;

d. All previously authorized charges, fees, assessments, and/or taxes currently in effect by San Bernardino County Fire Protection District and/or its North Desert Service Zone shall be extended to the annexing territory in the same manner as provided in the original authorization pursuant to Government Code Section 56886(t). Such revenues shall accrue and be deposited in accounts designated for the use of County Fire or its North Desert Service Zone;

e. Upon the effective date of the Reorganization, the Hesperia Fire Protection District shall retain the obligations for CalPERS retirement obligations attributed to the District’s CalPERS plan, or other contractual obligations related to retirement approved by the District for all suppression, prevention and administrative District employees. However, pursuant to adoption of Board of Supervisors Resolution No. 2018-24 and City of Hesperia/Hesperia
Fire Protection District Joint Resolution No. 2018-20, no property tax revenues will accrue to the Hesperia Fire Protection District upon completion of LAFCO 3218. Therefore, prior to issuance of the Certificate of Completion for LAFCO 3218, the Hesperia Fire Protection District shall provide a signed agreement between Hesperia Fire Protection District and the City of Hesperia to the Local Agency Formation Commission for review and approval by its Executive Officer. Such agreement shall provide for the City’s assumption of liability for the CalPERS obligations of the Hesperia Fire Protection District, including, but not limited to, timely payment of annual employer contributions to CalPERS required of the Hesperia Fire Protection District and any withdrawal liability assessed as a result of the voluntary or involuntary termination of the District’s CalPERS contract for pensions. In addition, such agreement shall provide for the establishment of an Section 115 irrevocable trust for the benefit of the Hesperia Fire Protection District pursuant to which contributions equal to the annual employer contribution to CalPERS required of the District for both its safety and miscellaneous plans are made by the City before the beginning of the fiscal year in which the contributions will be due. The source of such contributions shall be funds derived from the transfer of property tax share to the City of Hesperia as a function of LAFCO 3218. Any remaining CalPERS obligations of the District not covered from assets in the Section 115 irrevocable trust shall be paid by the City of Hesperia pursuant the terms of the contractual agreement. Prior to the issuance of a Certificate of Completion for LAFCO 3218, a copy of the signed agreement between the Hesperia Fire Protection District and the City of Hesperia, as approved by the Executive Officer, shall be provided to the Local Agency Formation Commission;

f. Prior to the issuance of the Certificate of Completion for the Reorganization, pursuant to the provisions outlined in Government Code Section 56886(i), the Commission requires that the City of Hesperia, Hesperia Fire Protection District, 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 the pass-through funds attributable to the Hesperia Fire Protection District from all redevelopment activities within its boundaries be transferred to the North Desert Service Zone of SBCFPD, Successor District, to fund the provision of fire protection, emergency medical response and ambulance services. This contract shall be perpetual and address the needs for allocation of funds 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 3218;

g. Upon the effective date of the Reorganization, the Successor District shall accept all facilities transferred from the Hesperia Fire Protection District in
“as is” condition [pursuant to Government Code Section 56886(h)] as outlined in the updated Plan for Service, attached hereto as Exhibit “C.” All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.) rolling stock, tools, office furniture, fixtures and equipment, lands, buildings, real and personal property and appurtenances held by the Hesperia Fire Protection District shall be transferred to the Successor District, the North Desert 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 Hesperia Fire Protection District to be filed upon the effective date of the change with copies provided to LAFCO;

h. Upon the effective date of the Reorganization, the Successor District shall accept the administration of Community Facilities District #94-01(hereafter CFD #94-01) from the Hesperia Fire Protection District. The special tax levy for this entity shall be applied pursuant to the terms as specified in Hesperia Fire Protection District Resolution No. 94-14. All cash on hand or fund balance in the accounts of CFD #94-01 within the Hesperia Fire Protection District upon the effective date of LAFCO 3218 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 #94-01 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 #94-01 are impressed with the public trust, use or purpose as defined by Hesperia Fire Protection District Resolution No. 94-14 and all transactions utilizing these funds shall be accounted for and described in the annual audit and/or comprehensive financial reports recognizing CFD #94-01 by the Successor District.

Prior to issuance of the Certificate of Completion for the Reorganization, pursuant to the provisions outlined in Government Code Section 56886(i), the Commission requires that the City of Hesperia, Hesperia Fire Protection District and San Bernardino County Fire Protection District enter into a contract which directs the transfer of authority for CFD #94-01 and the requirement for implementation of the terms of Hesperia Fire Protection District Resolution No. 94-14 and Resolution No. HFPD 2006-01 for the future as authorized by Government Code Section 56886(u);

i. Following the effective date of the Reorganization, the North Desert Service Zone of the San Bernardino County Fire Protection District, Successor District, shall take an action pursuant to Government Code Section 53339.2 authorizing and defining the area for the future annexation of territory to Community Facilities District #94.01. This area shall be defined as the undeveloped territory within the Community of Hesperia as identified by the sphere of influence assigned the City of Hesperia. This area shall be designated as Future Annexation Area IV, excluding from it the Tapestry Specific Plan area and the territory included within LAFCO 3218 currently
within the boundaries of the Town of Apple Valley as shown on Exhibit “D” to this resolution.

The future administration of CFD #94-01 shall require that the North Desert Service Zone of San Bernardino County Fire Protection District, Successor District, participate in the development review process of the City of Hesperia and County of San Bernardino for any properties within the defined Future Annexation Area IV of CFD #94-01 shown on Exhibit “D”. As part of the land use approval process, the City of Hesperia and/or the County of San Bernardino shall require any new development within the defined Future Annexation Area IV of CFD #94-01 be annexed into CFD No. #94-01 as a condition of development approval and said annexation shall be completed prior to the issuance of the certificate of occupancy for said project(s);

j. Prior to issuance of the Certificate of Completion for the Reorganization, pursuant to the provisions outlined in Government Code Section 56886(i), the Commission requires that the City of Hesperia, Hesperia Fire Protection District and San Bernardino County Fire Protection District enter into a contract which directs the portion of proceeds attributable to fire protection and emergency medical response services within City of Hesperia Resolution No. 2005-32 and Resolution No. 2005-33 for CFD 2005-1 shall transfer to the Successor District, North Desert Service Zone of San Bernardino County Fire Protection District in the same manner and in the same amounts as would have been transferred to the Hesperia Fire Protection District by the City of Hesperia’s implementation of the covenants for CFD 2005-1. All delinquent taxes and any and all other collections or assets of CFD 2005-1 that may accrue for the provision of fire protection services shall be transferred to the Successor District pursuant to Government Code Section 56886(i). The revenues to be received by the Successor District on behalf of CFD 2005-1 are impressed with the public trust, use or purpose as defined by Hesperia Fire Protection District Resolution No. 2005-32 and 2005-33 and all transactions utilizing these funds shall be accounted for and described in the annual audit and/or comprehensive financial reports recognizing CFD 2005-1 by the City of Hesperia;

k. The Successor District shall also assume all joint use, maintenance, automatic aid or mutual aid agreements held by the Hesperia Fire Protection District [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)];

l. Upon the effective date of this Reorganization, the Successor District for the ambulance services currently provided within Exclusive Operating
Area (EOA) 17 by the Hesperia Fire Protection District shall be the North Desert Service Zone of County Fire. The Successor District shall function under Division 2.5 of the California Health and Safety Code for the provision of ambulance services as recognized by the Local Emergency Medical Services Agency (LEMSA), the Inland Counties Emergency Medical Authority (ICEMA) with regard to the 201 provision of ambulance service by Hesperia Fire Protection District within EOA 17 and confirmed by correspondence dated September 18, 2017 from the Interim Chief Executive Director of ICEMA and correspondence dated September 18, 2017 from the Interim County Executive Officer as administrator of County Fire;

m. Upon the effective date of the reorganization, the City of Hesperia/Hesperia Fire Protection District shall adopt the existing County Fire Ordinances and Fee Schedules and acknowledge the continuance of the Memorandum of Understanding between the County of San Bernardino Land Use Services Department and San Bernardino County Fire Protection District for Fire Hazard Abatement within the boundaries of the City of Hesperia.

n. Upon the effective date of this Reorganization, any funds currently deposited for the benefit of the Hesperia Fire Protection District operations 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;

o. Upon the effective date of this Reorganization, any funds currently deposited for the benefit of Hesperia Fire Protection District CFD #94-01 which have been impressed with a public trust, use or purpose, shall be transferred to the Successor District for its administration of CFD #94-01, and said Successor District shall separately maintain such funds in accordance with the provisions of Government Code Section 57462;

p. Upon the effective date of this Reorganization, the appropriation limit of the San Bernardino County Fire Protection District, North Desert Service Zone shall be increased by $8,500,000 for Fiscal Year 2018-19 to recognize the anticipated first year proceeds of taxes for the provision of fire protection, emergency medical response, and ambulance services;

q. As of the date of approval of the Reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56886(v), the Commission requires that as outlined in Government Code Section 56885.5(a) (4), the Board of Directors of the Hesperia Fire Protection District shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section
54956.5, and such action 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 Hesperia Fire Protection District shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2017-18.

b) **Bound by Current Budget:** No appropriating, encumbering, expending, or otherwise obligating any revenue of the Hesperia Fire Protection District beyond that provided in the current budget at the time of Commission approval, unless agreed to by the Successor District, shall be allowed.

r. The Hesperia Fire Protection District and the San Bernardino County Fire Protection District, applicants for this change of organization, as well as the City of Hesperia, recipient of property tax revenues from the Hesperia Fire Protection District, shall indemnify, defend and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the Commission’s approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission;

4. Adopt LAFCO Resolution No.3266 setting forth the Commission’s determinations and conditions of approval concerning this proposal and specifying that the protest period for this change of organization shall be 60 days.

The staff believes that the recommendations outlined for Commission action will address the requirements for authorizing a financially sustainable fire provider within the community of Hesperia. However, should the City of Hesperia’s objections to the inclusion of the condition that County Fire move forward to define Future Annexation Area IV for CFD #94-01 to provide for future increased funding be persuasive, Condition i can be modified to exclude that expansion. The balance of the staff recommendation would remain intact with condition i amended to read as follows:

i. Following the effective date of the Reorganization, the North Desert Service Zone of the San Bernardino County Fire Protection District, Successor District, shall take an action pursuant to Government Code Section 53339.2 authorizing and defining the area for the future annexation of territory to Community Facilities District #94.01 succeeding to the definition established by HFPD Resolution No. 2006-01. The future administration of CFD #94-01 under the Successor District shall require that the North Desert Service Zone, Successor District, participate in the development review process of the City of Hesperia for any properties within the defined Future Annexation
Area of CFD #94-01 shown on Exhibit “D”. As part of the land use approval process, the City of Hesperia shall require any new development within the defined annexation area of CFD #94-01, be annexed into CFD No. #94-01 as a condition of development approval and said annexation shall be completed prior to the issuance of the certificate of occupancy for said project(s).

**BACKGROUND**

On July 1, 1988, the City of Hesperia (hereafter “City”) was incorporated and the Hesperia Fire Protection District (hereafter “District”, “HFPD” or “Hesperia FPD”) was established as a subsidiary district of the new City. The HFPD retained its status as a self-governed district with the requirement for separate accounting and management of personnel, and the City Council served as the ex-officio board of directors. For the next 16 years, the City operated its fire protection district.

Following the recession of the late 1990’s, and the failure of special tax on the ballot to provide supplemental funding, HFPD struggled to fund paramedic service within the District. In 2003-04, the City Council, as the HFPD Board of Directors, transferred the District’s fire operation (staff and equipment) to the San Bernardino County Fire Protection District (hereafter “County Fire”) and entered into a contract for provision of fire, emergency medical and ambulance services by County Fire. HFPD again struggled with financial constraints during 2007 – 2010 (the “Great Recession”) as falling property values resulted in a decline in property tax-related revenues. Despite efforts to reduce expenditures and reorganize positions to minimize increases in the annual contract with County Fire, reserves were depleted. In order to balance the HFPD budget in FY 2010-11, the District required a $1.0 million subsidy from the City General Fund.

In an ongoing effort to address funding shortfalls, Fire Station 301, located at 9430 11th Avenue, was closed in January 2012 after Measure F – a ballot measure that would have imposed an $85 parcel tax for five years to help fund HFPD – was rejected by 80 percent of the Hesperia voters. Lack of Measure F funding also resulted in the need to again reduce the contract with County Fire by nine positions. In April 2013, HFPD accepted a $2 million, two-year Staffing for Adequate Fire & Emergency Response (SAFER) Grant and added 18 limited term firefighter/paramedics to fill a daily three-shift rotation. In June 2015, the two-year SAFER Grant ended, and in order to sustain a level of service that HFPD could afford, the HFPD budget was reduced by $1.1 million, eliminating the positions funded by the former grant.

Ultimately, it was identified that annexation was the best option for HFPD and County Fire to pursue, and that action represented the first step in providing a fiscally
sustainable, long-term solution to the provision of adequate fire, emergency medical and ambulance services within the City of Hesperia and to the larger Hesperia community. This option came with the proviso that no special tax agency, such as Service Zone FP-5, be included as a part of the consideration to apply to all parcels within the City of Hesperia as mandated by the Board of Directors of HFPD.

On November 1, 2016, HFPD adopted Resolution No. 2016-19 initiating proceedings with LAFCO for annexation of the District area into County Fire, its North Desert Service Zone, and the divestiture of the functions of fire, emergency medical response and ambulance from HFPD. On April 18, 2017, County Fire adopted Resolution No. 2017-75 initiating the change of organization and supporting HFPD’s resolution. The reasons specified in these resolutions for the change of organization are:

Whereas, the reasons for this proposed reorganization are to provide effective, safe, and financially sustainable fire protection, emergency medical, and ambulance services to the Hesperia Fire Protection District and permit the subject agencies to streamline fire protection services to the subject territory so as to provide orderly growth and development within the subject territory; and to permit all agencies authorized to provide the scope of municipal services to extend their boundaries to cover the subject territory in one action;

If approved, the annexation of HFPD into County Fire would result in the complete assumption of fire, suppression, rescue, prevention, emergency medical and ambulance services by County Fire within the current HFPD boundaries. However, the HFPD would continue to exist to ensure its continued participation in CalPERS on an ongoing inactive status basis allowing the City to contractually provide for annual payments of HFPD’s required employer contributions. A map illustrating the proposed annexation area is included as a part of Attachment #1 to this report and is shown on page 11 of this report.

At the core of this discussion is the need to preserve an adequate delivery system for fire protection, emergency medical response and ambulance services to the citizens of Hesperia, a critical health and safety issue. Annexation to County Fire represents one option to continue that service. However, like other recent fire reorganizations LAFCO staff has analyzed in Needles, San Bernardino, Twentynine Palms and Upland, the “devil is in the details,” and the HFPD proposal is no exception.

The narrative that follows provides a discussion of the mandatory factors of consideration as required by Government Code Section 56000 et al. It provides a detailed analysis based on a snapshot in time. The snapshot is represented by the Plan of Service and Fiscal Impact Analysis (as revised October 5, 2017). As with all applications for change of organization, the Commission’s review will focus 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 for all services proposed to transition?

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 service which existed prior to the change? Is the change financially sustainable? 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?
BOUNDARIES

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 for all services proposed to transition?

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

Mojave River – Special District Boundary Issues

Since the incorporation of the City of Hesperia and the Town of Apple Valley, questions have been raised regarding the delineation of the overlying special district boundaries along the Mojave River which include the Hesperia Water District, Hesperia Fire Protection District, Hesperia Park and Recreation District, and Apple Valley Fire Protection District. A formal request was submitted to the affected agencies in 1993 attempting to resolve the boundary issue, but was not supported by the HFPD Fire
Chief at the time. It is the position of LAFCO staff that this matter should be resolved for the fire providers in the area; therefore, the recommendation is to modify the proposal to include the transfers of territory between the HFPD and Apple Valley FPD as a part of this change of organization. The Apple Valley Fire Protection District has consented to this modification (Attachment #3). These changes are illustrated in the Detail Map below.
**Ambulance Service Boundaries**

As a part of the divestiture of functions for the HFPD, its ambulance services are being transferred to County Fire. HFPD has ambulance transport responsibilities which existed prior to the implementation of the State’s EMS system in 1980, commonly referred to as “201” rights. The map, below, identifies the area designated for the Hesperia FPD provision of ambulance service by the Inland Counties Emergency Medical Authority (ICEMA) referenced as Exclusive Operating Area 17.

The proposed transfer was reviewed with the management of ICEMA. By letter dated September 18, 2017, the Interim County Executive Officer, responding as both the Executive Director of ICEMA and County Fire, identified that there were no questions or concerns regarding the transfer.

LAFCO staff, however, has a concern related to the Exclusive Operating Area (EOA) 12A portion located southeasterly of I-15, shown as the hatched area on the map above. This area will in essence become an island surrounded by ambulance service provided by County Fire. ICEMA has historically taken the position that LAFCO has no
ability to address the development or amendment of these operating areas; however, as a private company, there is no requirement for County Fire to provide automatic aid in that region. Staff believes that there should be discussion for this area to transition into EOA 17, allowing for service to be directly provided by County Fire for ambulance response and transport.

**Community Facilities District #94-01**

LAFCO 3218 also transfers HFPD’s responsibility for the management and operation of Community Facilities District #94-01 (hereafter shown as “CFD #94-01”) which was created to fund the increasing need for fire protection and emergency medical response to the developing west side of Hesperia. Annexation to CFD #94-01 is required for all new development within the defined Future Annexation Area III.

The map below identifies the current “Future Annexation Area III” as defined by HFDP as well as the actual parcels that have been annexed to CFD #94-01. The parcels identified include those which are developed (currently paying the annual special tax) and those which have been annexed but remain undeveloped (do not currently pay the annual special tax):
As more thoroughly reviewed in the financial section of this report, it is the position of LAFCO staff that the purpose of CFD #94-01, from its creation by the Hesperia Fire Protection District in 1994, was to provide for a revenue stream to support increased service requirements related to new construction. In light of the determinations in prior service reviews for the community of Hesperia and staff’s ongoing concern for providing sustainable funding as part of this reorganization, staff is proposing as a condition of approval that County Fire be required to expand the future annexation area of CFD #94-01. The proposed expansion reflects the community of Hesperia as a whole with the exception of the Tapestry Specific Plan area, as shown on the map below, and impacts new construction only.
The Tapestry Specific Plan has been under consideration by the City for many years. At present, the Specific Plan includes a specific fire service plan as a part of the financing of services and addresses the need for an additional three fire stations. This plan also includes the creation of a new CFD for both financing of infrastructure as well ongoing operation and maintenance of law enforcement and fire protection services. Staff is proposing to retain this area as a separate funding mechanism. In addition, the area currently within the boundaries of the Town of Apple Valley is also proposed to be excluded from the future annexation area.

While staff believes that addressing the service needs of new residents and businesses throughout the community of Hesperia is needed, representatives of the City have expressed concern and opposition to such a condition. The application of this type of condition would only apply to currently vacant parcels, estimated at 5,223 parcels within the City, and 1,620 parcels within the unincorporated sphere of influence generally associated with the Oak Hills Community Plan (jointly adopted by the City and County of San Bernardino). The vacant parcels are shown on the map below:
The financing issues associated with the provision of fire protection and emergency medical response services in the community of Hesperia have been addressed in service reviews conducted by LAFCO, by the need to enter into a contract for service in 2004 to address significant shortfalls, and are more fully addressed in the financing section which follows. Therefore, staff is recommending that the Commission approve the inclusion of the following condition to require that all new development be required to annex into CFD #94-01 operated by County Fire and pay a special tax. Such
annexation will be accomplished pursuant to the procedures required by law for any Mello-Roos Community Facilities District setting forth a protest process. The language of the condition being recommended is:

Following the effective date of the Reorganization, the North Desert Service Zone of the San Bernardino County Fire Protection District, Successor District, shall take an action pursuant to Government Code Section 53339.2 authorizing and defining the area for the future annexation of territory to Community Facilities District No. #94-01. This area shall be defined as the undeveloped territory within the Community of Hesperia as identified by the sphere of influence assigned the City of Hesperia. This area shall be designated as Future Annexation Area IV excluding the Tapestry Specific Plan area and the territory included within LAFCO 3218 currently within the boundaries of the Town of Apple Valley as shown on Exhibit “D” to this resolution.

The future administration of CFD #94-01 shall require that the North Desert Service Zone of San Bernardino County Fire Protection District, Successor District, participate in the development review process of the City of Hesperia and County of San Bernardino for any properties within the defined Future Annexation Area IV of CFD #94-01, anticipated to be the area shown on Exhibit “D”. As part of the land use approval process, the City of Hesperia and/or the County of San Bernardino shall require any new development within the defined Future Annexation Area IV of CFD #94-01 be annexed into CFD No. #94-01 as a condition of development approval, and said annexation shall be completed prior to the issuance of the certificate of occupancy for said project(s).

Inclusion of this condition will require that County Fire isolate the revenues received from CFD #94-01 for use only within the boundaries – they cannot be used to fund services outside the Hesperia community.

Based upon the staff’s review of the proposal against the boundary considerations outlined above, it is staff’s position that LAFCO 3218, as modified, provides for a definite and certain boundary as required by LAFCO law for all the affected agencies, both successor and continuing service providers, as well providing for the necessary future funding to allow the Commission to make a determination of financial sustainability.


**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 3218 will have no direct effect on the land use designations assigned by the City of Hesperia through its General Plan. The City of Hesperia is largely developed with a diverse mix of land uses, and the need for the continuation of fire protection and emergency medical response is a health and safety issue of critical importance to the City, the community and its surrounding service providers. According to City staff, the percentage of developed land uses within the City includes the following:

<table>
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<th>City of Hesperia – Land Use</th>
<th>Percent of Total</th>
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<tr>
<td>Other</td>
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</tbody>
</table>

Source: City of Hesperia Planning Dept.

According to the State Department of Finance/Demographic Research Unit, the current population for the City of Hesperia is 94,133 (1/1/2017). Population projections prepared by the City indicate that by 2040 Hesperia’s population will reach 136,517. These population projections include development assumptions for the Tapestry Master-Planned Community.¹

SCAG has also adopted a Regional Transportation Plan and Sustainable Community Strategy (RTP/SCS) pursuant to the provisions of Government Code Section 65352.5, and approval of LAFCO 3218 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 performance measures are anticipated in the 2016-2040 RTP/SCS document (and in follow-up amendments) to attempt to achieve appropriate funding for this service. Therefore, approval of LAFCO 3218 will assist in the implementation of the 2016–2040 RTP/SCS.

The consideration and approval of LAFCO 3218 will have no direct impact upon land use decisions with the City of Hesperia.

¹ Development of the Tapestry project will require that a new Community Facilities District for maintenance and operation of both law enforcement and fire operations be formed. If LAFCO 3218 is successful, County Fire will participate in the finalization of the new Community Facilities District as the direct provider of fire protection services, emergency medical response and ambulance services to assist in defining the additional per parcel charge to be affixed to fund the maintenance of up to three new stations.
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? Is the change financially sustainable? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?

The questions related to service considerations, financial effects, and a determination of ongoing sustainability are the heart of the issues that the Commission must consider for LAFCO 3218. Commission policy requires that the Plan for Service contain a fiscal impact analysis using a projection of five years. It is the task of the Commission to evaluate the information provided for the operations and financing of fire protection, emergency medical response and ambulance operations, and determine if the proposal is operationally efficient and fiscally sustainable.

Upon receipt of a full application related to the reorganization in April 2017, the materials were circulated for review and comment. Questions were raised regarding financing projections, transfer of redevelopment pass-through revenues, and assignment of responsibilities and auxiliary financing entities among other items. In response, the Hesperia FPD and County Fire submitted a revised Plan for Service in October of 2017 and a revised Fiscal Impact Analysis in January of 2018, both of which were recirculated for review and comment. It is these revised materials that are evaluated in the service and financial consideration discussion which follows.

Service Considerations

The reorganization proposal includes annexation to County Fire (for administrative purposes), its North Desert Service Zone (successor for operations), and the divestiture of the functions of fire, emergency medical response and ambulance from HFPD (leaving it with the obligation for management of legacy unfunded retirement obligations). County Fire is the parent district and the administrative arm of the Board-governed fire protection district. The regional structure underlying County Fire 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 County Fire serve two vastly different population needs – the North Desert Region within the I-15/I-40 transportation corridors composed largely of truck and rail traffic, and the South Desert Region
comprised of Colorado River recreational activities and other isolated desert areas.

County Fire utilizes the Confire JPA Dispatch Center located in Rialto. The Confire system dispatches the closest available unit by using the call location and real time Automatic Vehicle Locators (AVL), IPADs, and Wi-Fi hotspots on all units to support the latest generation of Computer Aided Dispatch (CAD) and support. The IPADs provide call details, mapping and pre-plan information. Patient Care Reports are generated on table computers that are linked through the Wi-Fi hotspot to the call data.

Confire is also a certified provider of a Medical Priority Dispatch System (MPDS). The system is a unified system used to dispatch appropriate aid to medical emergencies including systematic caller interrogation and pre-arrival instructions. Confire also provides the network connectivity for all San Bernardino County Fire Stations to allow for system inter-action of various County Fire programs and management tools.

Conditions have been included in the staff recommendations to designate the successor agency and to address the assignment of these responsibilities.

**Transition of Service and Facilities**

LAFCO 3218 is unique when compared to other fire reorganizations in that the existing provider, Hesperia FPD, will remain but only for the maintenance of legacy retirement payments. The Commission will need to divest this District of all of its other responsibilities. Therefore, the first step in this consideration is the determination of the successor district for the service delivery transition from Hesperia FPD to County Fire.

San Bernardino County Fire Protection District (the parent district) is the administrative arm of County Fire and provides for overall administration and it will receive the obligations for provision of regional type services, such as hazardous materials response, arson investigation, major disaster response, etc. The bulk of the service transition will go to County Fire’s North Desert Service Zone, the boots on the ground entity, for ongoing day-to-day operations for fire protection, and emergency medical services. This is commensurate with the current contractual operations of the Hesperia FPD’s with County Fire (first entered into in 2004). Conditions of approval have been included in the staff recommendation to designate the successor district and to assign the responsibilities.

In addition, the Hesperia FPD provides ambulance service within the City’s boundaries. This service is identified as being authorized under what are commonly called the “201” provisions which grandfathered the ongoing ambulance services following enactment of the Emergency Medical Services statutes in 1980. While 201 rights have been perceived as a transitional state while public agencies (cities, fire districts, or other special districts providing fire service) negotiated agreements for service with the local EMS agency, there was no timeline or requirement for completion of the negotiations.
For Hesperia FPD, the 201 rights continue to present day, and will be transferred as a part of the reorganization proposal.

The issues on transfer were reviewed with representatives of County Fire, ICEMA (the local administrative arm for the EMS statutes), the County Administrative Office and Hesperia FPD. In response, correspondence from the County Administrative Office and ICEMA has been received outlining support for the transfer and noting no concern with implementation (copies included as Appendix I and J of the Plan for Service). A condition of approval has been included in staff’s recommendation to address this transfer.

The chart shown below (included as a part of Attachment #2) identifies the call types for the preceding five full years, establishing FY 2011-12 as the base. This information shows that the primary response for service is related to medical, followed by traffic collision, representing 84% of all calls.

According to the HFPD’s Plan for Service, County Fire’s goal is to meet the National Fire Protection Association (NFPA) 1710 recommendations for the arrival of the first unit in five minutes and the first alarm in eight minutes. However, these response times are only met in some urban areas. Ninety percent of County Fire’s calls are processed and dispatched in less than 2 minutes and 18 seconds.

Due to improvements in call processing time and the utilization of County Fire Station 22 (which would cover a portion of northeast Hesperia), response times are expected to be equal to current levels. The significance of this is to allow the Commission the ability to make the determination that approval of LAFCO 3218 as presented will maintain existing service levels at a minimum and dispel the rumor that the annexation has the
potential for an increased level of service. The maps which follow illustrate the drive time analysis conducted by LAFCO staff using typical traffic conditions on a Wednesday at noon driving a rescue truck to meet the five minute response and a ten minute response times.
Transfer of Facilities

The Plan for Service identifies that the Hesperia Fire Protection District will transfer five fire stations, its fire and ambulance vehicles, and all appurtenant equipment in those facilities to the North Desert Service Zone. The table, below, is an excerpt from Table 4 on page 17 of the Plan for Service.

<table>
<thead>
<tr>
<th>Station Designator</th>
<th>Street Address</th>
<th>APN Number</th>
<th>APN Number</th>
<th>APN Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Station 301</td>
<td>9430 11th Ave</td>
<td>0409-032-23-0000</td>
<td>0409-032-24-0000</td>
<td>0409-032-25-0000</td>
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<tr>
<td>Station 302</td>
<td>17288 Olive St</td>
<td>0410-182-28-0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Station 303</td>
<td>17443 Lemon St</td>
<td>0410-021-42-0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Station 304</td>
<td>15660 Eucalyptus St</td>
<td>0406-072-24-0000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Station 305</td>
<td>8331 Caliente Rd</td>
<td>3039-351-09-0000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Preliminary Title Reports are included in Appendices G – K of the Plan for Service.

Station 301, as noted below, has been demolished but the affected parcels are transferring to the North Desert Service Zone of County Fire. There is an existing license with MetroPCS for siting of a telecommunication tower on the parcels associated with Station 301. This license will transfer to County Fire and the terms of the license (included as Appendix E of the Plan for Service) will remain unchanged.

Station 305 is jointly used by County Fire and Hesperia FPD through a lease agreement entered in August 2007 for 25 years. Construction of Station 305 was completed in 2010. According to the terms of the lease, County Fire made a contribution of $3,500,000 toward the construction of Station 305, and closed its Station 40 transferring its operations to 305. The Hesperia FPD has budgeted the use of approximately $150,000 per year with a balance shown in the Fiscal Year 2016-17 audit of $2,520,000. These funds will be returned as a part of the fund balance transfer for operations and the lease will terminate due to the transfer of ownership of the station.

The daily staffing is proposed by the Plan for Service to include:

Station 301  REMAINS CLOSED
(Property transfers / untenable buildings undergoing demolition; Demolition of the Fire Station Building and the Apparatus Bay Butler Building were accomplished by the City of Hesperia.)

Station 302  Paramedic Engine and two Paramedic Ambulances
Captain, Engineer, Firefight/Paramedic plus Ambulance Operator/
Paramedic, Ambulance Operator/EMT and Ambulance Operator/Paramedic, Ambulance Operator/EMT

Station 303 – Household Hazardous Waste Facility
Two HHW Technicians
Tuesdays and Thursdays, 9:00am – 1:00pm; Saturdays, 9:00am – 3:00pm

Station 304 Paramedic Ladder Truck and two Paramedic Ambulances
Captain, Engineer, Firefight/Paramedic plus Ambulance Operator/Paramedic, Ambulance Operator/EMT

Station 305 Joint Use Facility – County Fire and Hesperia FPD
Paramedic Engine and Paramedic Ambulance – Joint Use Facility with Hesperia FPD and County Fire occupying currently
Captain (County paid), Engineer, Firefight/Paramedic (County paid) plus Ambulance Operator/Paramedic, Ambulance Operator/EMT

Table 5 of the Plan for Services identifies the vehicles to be transferred to the North Desert Service Zone of County Fire for operations.

Hesperia FPD has been operated under contract with County Fire since 2004 at which time all active Hesperia FPD employees transferred to County Fire. Therefore, there are no staffing transfer issues to be addressed in this reorganization. The discussion of residual CalPERS retirement costs are outlined in the Financial Effects portion of this report.

In order to address the transfers of equipment and facilities, staff proposes the following conditions of approval:

- **Upon the effective date of the Reorganization, the Hesperia Fire Protection District’s functions (hereinafter “District”, “HFPD, or “Hesperia FPD”) will transfer to the San Bernardino County Fire Protection District (hereafter “County Fire” or “SBCFPD”) North Desert Service Zone, as the successor district (hereinafter “Successor District”) to the fire, emergency medical response and ambulance obligations of Hesperia Fire Protection District through divestiture of these functions. The Successor District shall succeed to and/or be assigned all rights, duties, responsibilities, properties (both real and personal except as further described in conditions below), contracts, equipment, assets, liabilities (excluding California Public Employees Retirement Fund as detailed in condition “e” below), obligations, functions, executory provisions, entitlements, permits and approvals of the Hesperia Fire Protection District. All property tax revenues attributable to the Hesperia Fire Protection District transferred to County Fire, its North Desert Service Zone and/or City of Hesperia prior to calculations required by Section 96.1 and all**
other collections or assets of the Hesperia Fire Protection District shall accrue and be transferred pursuant to Government Code Section 56886(l). Said Successor District shall be subject to the terms and conditions contained herein;

- **Upon the effective date of the Reorganization, the Successor District shall accept all facilities transferred from the Hesperia Fire Protection District in “as is” condition [pursuant to Government Code Section 56886(h)] as outlined in the updated Plan for Service, attached hereto as Exhibit “C”. All assets including, but not limited to, equipment (vehicles, apparatus, supplies, etc.) rolling stock, tools, office furniture, fixtures and equipment, lands, buildings, real and personal property and appurtenances held by the Hesperia Fire Protection District shall be transferred to the Successor District, the North Desert 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 Hesperia Fire Protection District to be filed upon the effective date of the change with copies provided to LAFCO;**

**Weed Abatement:**

Page 7 of the Plan for Services outlines the provision of vegetation risk assessment to continue to be performed by County Fire following the reorganization. These services are currently performed under the existing Hesperia FPD contract through a Memorandum of Understanding entered into in May 2005 between the County of San Bernardino Land Use Services Department performing the Fire Hazard Abatement Program and the San Bernardino County Fire Department for territory within the City of Hesperia. LAFCO staff expressed its concern that such an arrangement would need to be clarified following annexation to which County Fire outlined its position that the MOU would continue unabated. In order to make sure that this service continues in the same manner as currently provided, LAFCO staff is proposing the following condition of approval:

- **Upon the effective date of the reorganization, the City of Hesperia/Hesperia Fire Protection District shall adopt the existing County Fire Ordinances and Fee Schedules and acknowledge the continuance of the Memorandum of Understanding between the County of San Bernardino Land Use Services Department and San Bernardino County Fire Department for Fire Hazard Abatement within the boundaries of the City of Hesperia.**

**Financial Effects**

For the past three years, County Fire, the County Administrative Office, Hesperia Fire Protection District and the City of Hesperia staffs have worked to prepare and submit an application to permanently transfer fire operations to County Fire and its North Desert
Service Zone. This effort was originally initiated in 2015, but due to concerns regarding unfunded retirement obligations, the application was withdrawn to allow for a retooling of the proposal. In November 2016, the Hesperia Fire Protection District initiated the current reorganization proposal followed by County Fire’s initiation in April 2017.

Over the last 18 months, LAFCO staff and representatives of County Fire, City of Hesperia and the County Administrative Office have worked to resolve a myriad of issues. The balance of this section addresses the many nuanced issues for ongoing financing of services following the transition from a subsidiary district of the City of Hesperia to the board-governed County Fire. This required a unique approach to the reorganization: (1) an annexation to County Fire and its North Desert Service Zone to provide the range of services; and, (2) a divestiture of those functions from the Hesperia Fire Protection District but maintaining the agency as a vessel to maintain the inactive CalPERS contract. Because the District preceded the formation of the City, the District had its own safety contract with CalPERS. Maintaining HFPD as a vehicle to maintain the inactive CalPERS contract avoids a requirement to pay the unfunded balance over a ten-year period – estimated to be approximately $50,000,000.

It is important to understand the financial position of the Hesperia Fire Protection District which resulted in the desire to transfer its fire protection, emergency medical response and ambulance authorities to County Fire and its North Desert Service zone. Staff requested historical information on the revenues and expenditures for the five years preceding the submission of their application (Appendix D of the Plan for Service was the City’s response). However, it was desired that the information reflect the data from the accepted independent audits for Hesperia Fire; therefore, LAFCO staff has prepared the following chart presenting that information:
The audit information clearly shows the fire operations and the capital fund, not the typical information received by the Commission. The capital fund is required by the negotiated pass-through agreements signed by the Hesperia Redevelopment Agency with the Hesperia Fire Protection District in 1993, which specifies that a portion of the pass-through proceeds be held for capital improvements and equipment (a copy is included in Attachment #5 to the staff report outlining the property tax transfer approvals). Hesperia FPD has fulfilled this obligation but, as is shown in the table above, to the detriment of its ability to fund fire operations. Of concern as the Commission reviews the forecasting is that the current level of service provision by the

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>FIRE OPERATIONS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>REVENUES</strong></td>
<td>$5,830,109</td>
<td>$5,813,629</td>
<td>$6,810,752</td>
<td>$6,194,263</td>
<td>$6,583,174</td>
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<td>Property Taxes</td>
<td>$5,547</td>
<td>$57,948</td>
<td>$60,136</td>
<td>$48,633</td>
<td>$48,464</td>
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<td>Income from money and Property</td>
<td>$2,694,405</td>
<td>$2,554,624</td>
<td>$2,948,586</td>
<td>$3,396,024</td>
<td>$3,152,452</td>
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<tr>
<td>Charges for Services</td>
<td>$21,541</td>
<td>$584,151</td>
<td>$718,125</td>
<td>$78,023</td>
<td>$29,023</td>
</tr>
<tr>
<td>Grants</td>
<td>$166</td>
<td>$1,422</td>
<td>$17,800</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL REVENUES</strong></td>
<td>$8,579,993</td>
<td>$8,447,742</td>
<td>$10,403,791</td>
<td>$10,358,467</td>
<td>$9,830,913</td>
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<tr>
<td><strong>EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Public Safety Fire (Contract)</td>
<td>$8,905,831</td>
<td>$8,477,694</td>
<td>$10,302,174</td>
<td>$10,979,941</td>
<td>$11,111,830</td>
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<tr>
<td>HFPD CalPers Payment</td>
<td>$34,069</td>
<td>$62,551</td>
<td>$248,935</td>
<td>$7,763</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL EXPENDITURES</strong></td>
<td>$8,939,899</td>
<td>$8,511,763</td>
<td>$10,550,725</td>
<td>$11,228,876</td>
<td>$10,229,593</td>
</tr>
<tr>
<td>Excess(Deficiency) of revenues over/(under) expenses</td>
<td>$(325,838)</td>
<td>$(64,021)</td>
<td>$39,066</td>
<td>$(870,409)</td>
<td>$(288,680)</td>
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<tr>
<td>Fund Balance at Beginning of Year</td>
<td>$1,707,595</td>
<td>$1,381,757</td>
<td>$1,317,736</td>
<td>$1,356,802</td>
<td>$486,393</td>
</tr>
<tr>
<td>Fund Balance at End of Year</td>
<td>$1,381,757</td>
<td>$1,317,736</td>
<td>$1,356,802</td>
<td>$486,393</td>
<td>$197,713</td>
</tr>
</tbody>
</table>

| **CAPITAL FUND** | | | | | |
| **REVENUES** | $211,304 | $494,519 | $560,709 | $625,061 | $726,831 | $803,524 |
| Taxes | $8,995 | $11,376 | $10,813 | $12,281 | $19,007 | $29,541 |
| Use of Money and Property | $3,742,635 | | | | | |
| Extraordinary Gain (Dissolution of Redevelopment Agency) | $3,962,934 | $505,895 | $571,522 | $637,342 | $745,838 | $831,065 |
| **TOTAL REVENUES** | $3,962,934 | $505,895 | $571,522 | $637,342 | $745,838 | $831,065 |
| **EXPENDITURES** | | | | | | |
| Capital Outlay | $164,114 | $544,643 | $197,210 | | | |
| Vehicles | - | | | | | |
| Machinery and Equipment | - | | | | | |
| Infrastructure | $69,059 | | $184,322 | | | |
| Public Safety-Fire | $3,742,635 | | | | | |
| **TOTAL EXPENDITURES** | $233,173 | $544,986 | $667,859 | | | |
| Excess(Deficiency) of revenues over/(under) expenses | $3,962,934 | $505,895 | $571,522 | $404,169 | $200,852 | $165,206 |
| Fund Balance at Beginning of Year | $3,962,934 | $4,468,829 | $5,040,351 | $5,444,520 | $5,645,372 | $5,810,578 |
| Fund Balance at End of Year | $3,962,934 | $4,468,829 | $5,040,351 | $5,444,520 | $5,645,372 | $5,810,578 |
Hesperia Fire Protection District has operated at a deficit for the last five out of six years.

The materials submitted and certified by County Fire, as the amended Plan for Service and Fiscal Impact Analysis (hereafter shown as “FIA”), identify that the reorganization will provide for the continuation of service at current contract levels. These documents have also been reviewed and approved by the City of Hesperia. It is the position of the applicants that the transition of service is financially sustainable. The FIA is shown below and included as a part of Attachment #2 to this report:
## Agenda Item 14 - LAFCO 3218 – Hesperia

### FPD/County Fire Reorganization

#### May 9, 2018

**AGENDA ITEM #14 - LAFCO 3218 – HESPERIA**

**FPD/County Fire Reorganization**

May 9, 2018

### Agenda Item Details

<table>
<thead>
<tr>
<th>Staff Fire</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Section 507 (45 feet or less)</strong></td>
</tr>
<tr>
<td><strong>Engine</strong></td>
</tr>
<tr>
<td><strong>Firefighter</strong></td>
</tr>
<tr>
<td><strong>Paramedic</strong></td>
</tr>
<tr>
<td><strong>Ambulance Operator / Paramedic</strong></td>
</tr>
<tr>
<td><strong>Ambulance Operator / Volunteer</strong></td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

| **Section 507 (45 feet or more)** |
| **Engine** | 3.00 | 647.355 | 214.235 | 642.885 | 642.127 | 420.107 | 702.458 | 272.573 | 741.280 |
| **Firefighter** | 4.00 | 564.024 | 192.779 | 564.793 | 563.392 | 590.150 | 617.125 | 626.142 |
| **Paramedic** | 3.00 | 405.264 | 134.519 | 405.984 | 405.335 | 405.335 | 452.912 | 452.912 |
| **Ambulance Operator / Paramedic** | 0.00 | 418.200 | 138.877 | 418.127 | 418.127 | 418.127 | 418.127 | 418.127 |
| **Ambulance Operator / Volunteer** | 0.00 | 366.067 | 121.917 | 366.984 | 366.984 | 366.984 | 366.984 | 366.984 |
| **Total** | 3.00 | 647.355 | 214.235 | 642.885 | 642.127 | 420.107 | 702.458 | 272.573 | 741.280 |

### Additional Staff

**Engine** | 3.50 | 645.207 | 215.812 | 645.027 | 645.027 | 420.107 | 702.458 | 272.573 | 741.280 |
| **Firefighter** | 3.50 | 562.007 | 191.692 | 564.007 | 564.007 | 590.150 | 617.125 | 626.142 |
| **Paramedic** | 3.00 | 403.264 | 134.519 | 405.984 | 405.335 | 405.335 | 452.912 | 452.912 |
| **Ambulance Operator / Paramedic** | 0.00 | 418.200 | 138.877 | 418.127 | 418.127 | 418.127 | 418.127 | 418.127 |
| **Ambulance Operator / Volunteer** | 0.00 | 366.067 | 121.917 | 366.984 | 366.984 | 366.984 | 366.984 | 366.984 |
| **Total** | 3.50 | 645.207 | 215.812 | 645.027 | 645.027 | 420.107 | 702.458 | 272.573 | 741.280 |

### Summary of Services

| In-Month | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |
| 30-day | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |

### Summary of Expenditures

| In-Month | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |
| 30-day | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |

### Summary of Capital Expenditures

| In-Month | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |
| 30-day | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |

### Summary of Financing

| In-Month | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |
| 30-day | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |

### Summary of Appropriations

| In-Month | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |
| 30-day | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |

### Summary of Revenues

| In-Month | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |
| 30-day | 18,288,792 | 21,474,061 | 7,916,470 | 7,916,470 | 8,252,703 | 8,252,703 | 7,201,365 | 7,201,365 |
This material and the proposal itself present several nuances requiring more detailed evaluation of both revenues and expenditures.

First, LAFCO 3218 is unique in that it proposes to transfer the services from one fire protection district to another, but in a very distinctive twist, the predecessor district will remain to secure the inactive contract with CalPERS for the former Hesperia FPD employees. Since the agency will not be dissolved, its redevelopment pass-through contract cannot be transferred, and the Auditor-Controller questioned the ability to provide this funding to the successor district. After much review, it was determined that a contract would be required as a condition of approval by LAFCO to assure that the funding continues to go to the provider of the service, County Fire and its North Desert Service Zone. To effectuate this agreement, the following condition has been included:

- Prior to the issuance of the Certificate of Completion for the Reorganization, pursuant to the provisions outlined in Government Code Section 56886(i), the Commission requires that the City of Hesperia, Hesperia Fire Protection District, 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 the pass-through funds attributable to the Hesperia Fire Protection District from all redevelopment activities within its boundaries be transferred to the North Desert Service Zone of SBCFPD, Successor District, to fund the provision of fire protection, emergency medical response and ambulance services. This contract shall be perpetual and address the needs for allocation of funds 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 3218;

As a part of the required property tax negotiation process, such a contract has been entered into by the County, County Fire, the City of Hesperia and the Hesperia Fire Protection District recognizing the obligations for the contractual distribution of pass-through funds based upon the 1993 agreements. These agreements also include the proviso that if such contract is deemed unenforceable at some point in the future, there will be a method to continue the distribution of general ad valorem share property tax revenue as well as redevelopment pass through to fund the services through County Fire and the North Desert Service Zone. Staff anticipates at this time that these contracts will fulfill the requirement of the condition.

In addition, the Plan for Service FIA consolidates these revenues streams into one for operation of the fire protection, emergency medical response and ambulance services under the auspices of County Fire. This proposes to free up the pre-paid lease funds (provided by County Fire for use of Station 305) and the reserve funds to help pay for the fire operations which have historically operated at a deficit. However, the Capital Facilities Agreement and Agreement for Reimbursement of Tax Increment Funds
entered into on December 29, 1993 specifies in Covenant 5 that 50% of the pass-through funds are to be allocated for the provision of capital improvements.

This is the reason for the segregation of revenues in chart showing historic revenues and expenditures. County Fire has identified in the letter dated May 3, 2018, included as Attachment #6, that it provides for capital reserves on a regional service zone basis as a part of its administrative charges and will provide for the provision of capital facilities, vehicles, and furnishings on that basis in compliance with the tenets of the 1993 agreements. Therefore, the fund balance and future pass-through revenues will be used to address ongoing service delivery needs as shown in the FIA.

The FIA data which follows has been revised by LAFCO staff to reflect fund balances from the Hesperia Fire Protection District Audit for Fiscal Year 2016-17.

**Revenues:**

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<td><strong>Revenue:</strong></td>
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<td>Property Tax Revenue</td>
<td>4,494,739</td>
<td>4,209,245</td>
<td>4,263,901</td>
<td>4,340,652</td>
<td>4,416,028</td>
<td>4,552,346</td>
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<td>Property Tax-HDA Pass Through (Operations Fund 201)</td>
<td>1,619,669</td>
<td>1,765,048</td>
<td>1,854,581</td>
<td>1,947,730</td>
<td>2,045,836</td>
<td>2,147,372</td>
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<td>Property Tax-VEGDA Pass Through</td>
<td>114,376</td>
<td>152,856</td>
<td>160,509</td>
<td>164,515</td>
<td>176,962</td>
<td>185,480</td>
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<td>Sub-total Property Taxes</td>
<td>7,205,378</td>
<td>6,932,031</td>
<td>7,123,457</td>
<td>7,352,185</td>
<td>7,531,080</td>
<td>7,902,941</td>
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<td>Sub-total Property Taxes to FPD 3218 Administration (4%)</td>
<td>288,848</td>
<td>281,981</td>
<td>285,152</td>
<td>290,101</td>
<td>295,227</td>
<td>304,133</td>
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<td>Sub-total Property Taxes to FPD 3218 Operations (96%)</td>
<td>6,916,530</td>
<td>6,650,050</td>
<td>6,838,305</td>
<td>6,962,084</td>
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<td>SpecialAssmnt-OCT 94-61</td>
<td>631,896</td>
<td>634,334</td>
<td>647,021</td>
<td>659,761</td>
<td>675,816</td>
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<td>SpecialAssmnt-OCT 2005-1</td>
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<td>235,794</td>
<td>243,836</td>
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<td>245,962</td>
<td>250,901</td>
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<td>Use of Money and Property</td>
<td>76,281</td>
<td>93,904</td>
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<td>Charges for Service</td>
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<td>3,530,883</td>
<td>3,591,301</td>
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<td>Grants</td>
<td>29,504</td>
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<td>Household Hazardous Waste</td>
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<td>156,844</td>
<td>171,849</td>
<td>177,006</td>
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<td>Other revenue</td>
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<td>80,905</td>
<td>57,756</td>
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<td><strong>TOTAL DISTRICT REVENUE</strong></td>
<td>10,989,093</td>
<td>11,728,857</td>
<td>11,432,784</td>
<td>11,690,346</td>
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<td>Revenue Over (Under) Expenditures</td>
<td>-331,553</td>
<td>307,638</td>
<td>260,892</td>
<td>205,499</td>
<td>140,911</td>
<td>149,574</td>
<td>161,248</td>
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<td><strong>Fund Balance</strong></td>
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<tr>
<td>Beginning Fund Balance/Reserves</td>
<td>5,645,372</td>
<td>5,583,819</td>
<td>5,822,177</td>
<td>5,832,179</td>
<td>5,937,849</td>
<td>5,976,589</td>
<td>5,828,104</td>
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<tr>
<td>Revenue Over (Under) Expenditures</td>
<td>-331,553</td>
<td>-37,458</td>
<td>-260,892</td>
<td>-205,499</td>
<td>-140,911</td>
<td>-149,574</td>
<td>-161,248</td>
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<tr>
<td>Direct/Time Payment to IFPD</td>
<td>- (750,000)</td>
<td>-</td>
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<tr>
<td><strong>TOTAL Ending Balance of Reserves</strong></td>
<td>5,513,819</td>
<td>5,815,277</td>
<td>5,532,179</td>
<td>5,832,179</td>
<td>5,937,849</td>
<td>5,976,589</td>
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For all proposals for change of organization, the State’s Revenue and Taxation Code 99 requires that a property tax resolution redistributing the share of general ad valorem taxes be adopted. Completion of this requirement is mandatory before a Certificate of Filing can be issued by LAFCO signaling that the proposal is ready for consideration at a public hearing. As eluded to above, much discussion, review, and legal counsel advice was necessary to address the transfer of property tax revenues for LAFCO 3218 due to its unique and nuanced changes. The unique issues are:

- The Hesperia FPD is not being dissolved, but its obligations and operations are being removed as a part of the divestiture change. However, the Hesperia FPD will retain the unfunded CalPERS obligations under contract initially entered into between the Hesperia Fire Protection District and the Board of Administration for
the California Public Employees Retirement System effective July 2, 1979 and amended thereafter.

- As a part of the first year financing, the FIA projects that the City of Hesperia will retain $750,000 from the Capital Fund balance to hold for use in providing for payment of legacy retirement obligations. This is roughly the equivalent of one year’s redevelopment pass through property tax receipts.

- The County of San Bernardino and the City of Hesperia have negotiated a transfer that provides for redistribution of the existing ad valorem share of the Hesperia FPD going to County Fire, its North Desert Service Zone ($6,932,631 in FY 2018-19) and to the City of Hesperia ($675,542 in FY 2018-19) with no share retained for its obligation for CalPERS obligations for unfunded retirement obligations. A copy of the action of both the City and County approving this redistribution is included as Attachment #5 to this report.

- The City of Hesperia has indicated in the Plan for Service that it will assume the obligation for guarantee of the ongoing CalPERS unfunded retirement liability payments of the Hesperia FPD. LAFCO staff has proposed a condition to certify to this action.

In order to assure the assumption of these obligations, the following condition of approval is proposed:

- Upon the effective date of the Reorganization, the Hesperia Fire Protection District shall retain the obligations for CalPERS retirement obligations attributed to the District’s CalPERS plan, or other contractual obligations related to retirement approved by the District for all suppression, prevention and administrative District employees. However, pursuant to adoption of Board of Supervisors Resolution No. 2018-24 and City of Hesperia/Hesperia Fire Protection District Joint Resolution No. 2018-20, no property tax revenues will accrue to the Hesperia Fire Protection District upon completion of LAFCO 3218. Therefore, prior to issuance of the Certificate of Completion for LAFCO 3218, the Hesperia Fire Protection District shall provide a signed agreement between Hesperia Fire Protection District and the City of Hesperia to the Local Agency Formation Commission for review and approval by its Executive Officer. Such agreement shall provide for the City’s assumption of liability for the CalPERS obligations of the Hesperia Fire Protection District, including, but not limited to, timely payment of annual employer contributions to CalPERS required of the Hesperia Fire Protection District and any withdrawal liability assessed as a result of the voluntary or involuntary termination of the District’s CalPERS contract for pensions. In addition, such agreement shall provide for the establishment of an Section 115 irrevocable trust for the benefit of the Hesperia Fire Protection District pursuant to which contributions equal to the annual employer contribution to CalPERS required of the District for both its safety and miscellaneous plans are made by the City before the beginning of the fiscal
year in which the contributions will be due. The source of such contributions shall be funds derived from the transfer of property tax share to the City of Hesperia as a function of LAFCO 3218. Any remaining CalPERS obligations of the District not covered from assets in the Section 115 irrevocable trust shall be paid by the City of Hesperia pursuant the terms of the contractual agreement. Prior to the issuance of a Certificate of Completion for LAFCO 3218, a copy of the signed agreement between the Hesperia Fire Protection District and the City of Hesperia, as approved by the Executive Officer, shall be provided to the Local Agency Formation Commission;

On July 7, 1994 the Hesperia FPD Board of Directors adopted Resolution HFPD 94-14 forming Community Facilities District #94-01 originally for the area identified as Tentative Tract TT-14372. On August 18, 1994 the Board of Directors subsequently approved HFPD Resolution No. 94-15 which established an “annexation area” providing for the future expansion of the boundary of CFD #94-01. Documents from the City identify that the CFD was established to ensure adequate funding for future fire protection (included as a part of Attachment #8 to this report). The area included within the boundary of CFD #94-01, and the current annexation area within the western portion of the City, has been outlined in the Boundary discussion in this report. As a function of this reorganization, the administration of CFD #94-01 will transition to County Fire. Government Code Section 56886(u) specifically provides for such a transfer, but during the processing of the proposal it was the position of County Counsel that a contractual relationship was necessary since the Mello Roos District statute did not specifically authorize such a change for a special district. Therefore, LAFCO staff is proposing the following condition of approval to assure this assumption

- Upon the effective date of the Reorganization, the Successor District shall accept the administration of Community Facilities District #94-01 (hereafter CFD #94-01) from the Hesperia Fire Protection District. The special tax levy for this entity shall be applied pursuant to the terms as specified in Hesperia Fire Protection District Resolution No. 94-14. All cash on hand or fund balance in the accounts of CFD #94-01 within the Hesperia Fire Protection District upon the effective date of LAFCO 3218 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 #94-01 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 #94-01 are impressed with the public trust, use or purpose as defined by Hesperia Fire Protection District Resolution No. 94-14 and all transactions utilizing these funds shall be accounted for and described in the annual audit and/or comprehensive financial reports recognizing CFD #94-01 by the Successor District.

Prior to issuance of the Certificate of Completion for the Reorganization, pursuant to the provisions outlined in Government Code Section 56886(i), the Commission requires that the City of Hesperia, Hesperia Fire Protection District
and San Bernardino County Fire Protection District enter into a contract which directs the transfer of authority for CFD #94-01 and the requirement for implementation of the terms of Hesperia Fire Protection District Resolution No. 94-14 and Resolution No. HFPD 2006-01 for the future as authorized by Government Code Section 56886(u);

In addition, the FIA outlines that the City’s CFD 2005-1 (Belgate) was created as a refinancing mechanism for the CFD 93-1. A portion of the proceeds from this special tax provides for funding for fire operations (45% of the residual taxes after payment of bonds). As a function of the reorganization, it is intended that the share of the CFD special tax attributable to fire protection and emergency medical response will be forwarded to the successor district, the North Desert Service Zone. In order to ensure this occurs, the following condition is proposed.

- **Prior to issuance of the Certificate of Completion for the Reorganization, pursuant to the provisions outlined in Government Code Section 56886(i), the Commission requires that the City of Hesperia, Hesperia Fire Protection District and San Bernardino County Fire Protection District enter into a contract which directs the portion of proceeds attributable to fire protection and emergency medical response services within City of Hesperia Resolution No. 2005-32 and Resolution No. 2005-33 for CFD 2005-1 shall transfer to the Successor District, North Desert Service Zone of San Bernardino County Fire Protection District in the same manner and in the same amounts as would have been transferred to the Hesperia Fire Protection District by the City of Hesperia’s implementation of the covenants for CFD 2005-1. All delinquent taxes and any and all other collections or assets of CFD 2005-1 that may accrue for the provision of fire protection services shall be transferred to the Successor District pursuant to Government Code Section 56886(i). The revenues to be received by the Successor District on behalf of CFD 2005-1 are impressed with the public trust, use or purpose as defined by Hesperia Fire Protection District Resolution No. 2005-32 and 2005-33 and all transactions utilizing these funds shall be accounted for and described in the annual audit and/or comprehensive financial reports recognizing CFD 2005-1 by the City of Hesperia;**
Expenditures:

The Plan for Service and FIA outline the costs for maintaining the existing level of service, which includes the staffing at the three stations currently serving the community. Station 305 is a joint use station currently so the expenditures included in the FIA are only for the Hesperia FPD transfer portion. Since County Fire will be succeeding to the ambulance operations of the Hesperia FPD, it is using a model that provides for ambulance operator/paramedic and ambulance operator/EMT rather than the more typical engineer and firefighter/paramedic staffing pattern. This plan addresses the operational needs as approximately 75% of current call distribution is for medical response (this does not include traffic collision).

To compare the use of ambulance operators in the overall service delivery scheme, LAFCO 3216 (City of Upland) anticipated the use of 42.78 FTE personnel transferring at an estimated forecast cost in FY 2018-19 of $8,006,536. The FIA under consideration for Hesperia has 58.81 FTE positions at a cost of $7,047,840. However, there is one caveat to this information. On February 13, 2018, the Board of Supervisors established the Ambulance Operators Unit as a new representation unit, recognized the representation of that new unit by the San Bernardino County Firefighters IAFF Local 935, and authorized the CAO Labor Relations Unit to
The materials submitted are a reflection of the continuation of existing service levels by County Fire from its ten year contract for providing the service. They include the usual capital expenses for vehicles and buildings. Deputy Chief of Administration for County Fire, John Chamberlin, has provided a response (dated March 15, 2018) to concerns expressed by LAFCO staff on the lack of contingency funding in the expenditure plan (copy included as Attachment #7). This letter outlines that there are additional revenue sources, some becoming effective January 1, 2018, that enhance resources. The letter reiterates County Fire’s commitment to monitor expenditures and maintain fiscal controls to assure the citizens of an adequate level of service.
The forecast of revenues and expenditures provides for an increase in fund balance over the five-year period included in the FIA and eliminates the deficits experienced by the Hesperia Fire Protection District over the last years of its operation.

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<tbody>
<tr>
<td>Beginning Fund Balance/Reserves</td>
<td>5,645,372</td>
<td>5,533,819</td>
<td>5,821,777</td>
<td>5,322,170</td>
<td>5,537,669</td>
<td>5,678,580</td>
<td>5,828,154</td>
<td></td>
</tr>
<tr>
<td>Revenue Over (Under) Expenditures</td>
<td>($31,553)</td>
<td>307,458</td>
<td>260,892</td>
<td>205,499</td>
<td>140,911</td>
<td>149,574</td>
<td>163,248</td>
<td></td>
</tr>
<tr>
<td>Dba-Tinea Payments to HFPD</td>
<td>(750,000)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
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</tr>
<tr>
<td>TOTAL Ending Balance of Reserves</td>
<td>5,513,869</td>
<td>5,821,777</td>
<td>5,322,170</td>
<td>5,537,669</td>
<td>5,678,580</td>
<td>5,828,154</td>
<td>5,985,002</td>
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Finally, there are some contracts in the name of the Hesperia FPD that will remain with that entity, such as the contract for its audit and the existing worker’s comp claim, others that will transfer to the North Desert Service Zone and some which will terminate upon completion of the reorganization. To address these staff is proposing the following condition of approval:

- **The Successor District shall also assume all joint use, maintenance, automatic aid or mutual aid agreements held by the Hesperia Fire Protection District [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)];**

**Section Conclusion:**

It is the position of LAFCO staff that the approval of this reorganization will provide for the continuing delivery of fire protection, emergency medical response and ambulance service within the boundaries of the Hesperia Fire Protection District at the same level as received under its existing contract with County Fire. As required by Commission policy and State law, the revised Plan for Service and Fiscal Impact Analysis and supplemental materials submitted by County Fire show that the delivery of service can be maintained following reorganization.

In addition, assisting in LAFCO staff’s ability to recommend compliance with this mandatory determination is the contract approved October 3, 2017 between the County of San Bernardino and the San Bernardino County Fire Protection District which states that “the District and the County agree that the intent of this Agreement is to maintain or enhance to the extent possible the current services levels to the citizens and businesses of the County”. A copy of agreement and Board Agenda Item are included as Attachment #9 to this report.
This agreement was a method to formally recognize the additional funding that had been provided by the County to County Fire (and its predecessor 32 providers) to maintain levels of service. Pursuant to these terms, should there be an issue for maintaining the service level for the community of Hesperia arise, the provisions of this agreement will allow for discussion of additional financing subject to the annual approval of the MOU. However, there is no certainty at this time that a new MOU will be entered into; other than the past 20 years of practice.

Based upon the determinations outlined above, staff supports the reorganization; therefore, the Commission will now need to address the final set of terms and conditions to effectuate the change. Specifically the terms and conditions address the elements of appropriation limits, funds which are impressed with a public trust transferring to the successor district, etc. The conditions are:

- **Upon the effective date of this Reorganization, any funds currently deposited for the benefit of the Hesperia Fire Protection District operations 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 Hesperia Fire Protection District Community Facilities District #94-01 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 #94-01, 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, the appropriation limit of the San Bernardino County Fire Protection District, North Desert Service Zone, shall be increased by $8,500,000 for Fiscal Year 2018-19 to recognize the anticipated first year proceeds of taxes for the provision of fire protection, emergency medical response, and ambulance services;**

Under the typical proposal to transition service that the Commission has reviewed in the past, staff would be recommending the inclusion of a condition of approval that prohibits the transferring entity from taking actions to encumber or expend resources not approved in the budget. This condition is specifically allowed for the dissolution of a special district but not directly for the divestiture of a function. Staff believes that it is important that all parties understand their responsibilities during the transition phase of this proposal; therefore, staff believes that as allowed under Government Code Section 56886(v) the same prohibitions should be placed upon the parities. Therefore, the following condition is proposed:

- **As of the date of approval of the Reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56886(v), the Commission requires that the prohibitions outlined in Government Code
Section 56885.5(a) (4) be applied to LAFCO 3218, specifically the Board of Directors of the Hesperia Fire Protection District shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5, and such action is supported by the San Bernardino County Fire Protection District:

  c) **No Increase in Compensation or Benefits**: No increase in calculation for payment of benefits or compensation for retired employees of the Hesperia Fire Protection District shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2017-18.

  d) **Bound by Current Budget**: No appropriating, encumbering, expending, or otherwise obligating any revenue of the Hesperia Fire Protection District beyond that provided in the current budget at the time of Commission approval, unless agreed to by the Successor District, shall be allowed.

Based upon the information provided within the Service and Financial Section of this Report, staff believes that the Commission can make the determinations required by Commission policy and State Law, as follows:

1. The proposal represents the best available service solution for the delivery of fire protection, emergency medical response and ambulance service to the community of Hesperia;

2. It provides an efficient and cost effective form of government for the delivery of this service given the economies of scale available through County Fire;

3. It will continue to provide the level of service which existed prior to the reorganization as outlined in the Plan for Service reviewed and considered by the Commission; and,

4. The reorganization is financially sustainable given the snapshot in time used for this evaluation under the known circumstances. The divestiture of service proposed by this reorganization provides for the continuation of the payments necessary to address the payment of ongoing CalPERS obligation and provides for the transfer of the financial resources to continue the provisions of service under the auspices of the North Desert Service Zone of County Fire, the successor agency.
ENVIRONMENTAL CONSIDERATIONS

ENVIRONMENTAL: Will the proposed reorganization have an adverse environmental impact 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 HFPD and County Fire. Mr. Dodson has 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 #10).

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

LAFCO staff has provided for publication of the required legal notices for consideration of this proposal. Unlike other considerations, there have been no calls questioning the processing or for additional information. The only comments received thus far have been those provided from the affected agencies in response to LAFCO concerns or expressing positions regarding the conditions proposed by LAFCO staff.

Should comments be received prior to the hearing, copies will be provided to the Commission for their review and consideration.

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 reorganization area, as modified by LAFCO staff to include the exchange of territory along the
Mojave River, is legally inhabited with 38,867 registered voters as of April 29, 2018.

2. The reorganization area is proposed to be included within the sphere of influence assigned the San Bernardino County Fire Protection District through approval of LAFCO 3217.

3. The County Assessor’s Office has provided an updated determination that identifies that the total assessed valuation of the Hesperia Fire Protection District area as shown on the last equalized assessment roll (December 2017) is $5,761,752,824 broken down as follows:

   Land    $1,456,157,881
   Improvements  $4,305,594,943

4. Legal notice of the Commission’s consideration of the proposal has been provided through publication of a 1/8th page legal advertisement in the Victorville Daily Press, 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. Comments from affected and interested agencies have been considered by the Commission in making its determination.

5. 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 3218 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 3218 will support.

6. The Commission’s Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated that based on his review of this reorganization, fire protection and emergency medical response will continue to be provided to the City by County Fire at a comparable service level. 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 #10 to this report.

7. The reorganization area is presently served by the following public agencies:

   County of San Bernardino
   City of Hesperia
   Town of Apple Valley (small portion)
   Hesperia Fire Protection District
   Community Facilities District #94-01 and #2005-1 (portions of area)
Apple Valley Fire Protection District (portion along Mojave River)
Hesperia Water District
Hesperia Recreation and Park District
Mojave Water Agency
Mojave Desert Resource Conservation District
County Service Area 60 (Apple Valley Airport)

The City of Hesperia is affected through the assumption of the guarantee for payment obligations for the unfunded CalPERS retirement obligations for the Hesperia Fire Protection District. The Hesperia Fire Protection District is affected through the transfer of its fire protection, emergency medical response and ambulance obligations and powers to County Fire and its North Desert Service Zone as a function of the reorganization. The Apple Valley Fire Protection District is affected through the realignment of boundaries along the Mojave River. In addition, the change anticipates the transfer of administration of Hesperia Fire Protection District Community Facilities District #94-01 to the North Desert Service Zone of County Fire to fund the ongoing fire operations. None of the other agencies are affected by this reorganization proposal as they are regional in nature.

8. Upon reorganization, the primary successor district, the North Desert Service Zone of the SBCPFD, will extend the defined range of services to residents, landowners, and governments within the boundaries of the Hesperia Fire Protection District. The Plan for Service, jointly submitted by the Hesperia Fire Protection District and County Fire, provide a general outline of the delivery of services mandated by Government Code Section 56653. This Plan and Fiscal Impact Analysis indicates that the transfer of service to the North Desert Service Zone and County Fire can, at a minimum, maintain the level of service delivery currently received by the area. The Plan for Service and Fiscal Impact Analysis have 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 for Service and the supplemental data submitted conform to those adopted standards and requirements.

9. The reorganization area and its residents can benefit from the assumption of fire protection and emergency medical response through the North Desert Service Zone of the San Bernardino County Fire Protection District as evidenced by the amended Plan for Service and Fiscal Impact Analysis.

10. The proposal, as modified by LAFCO staff, complies with Commission policies that indicate the desire to provide for the establishment of appropriate, sustainable and logical municipal government structure for the distribution of an efficient and effective delivery of public services. Inclusion of the Hesperia Fire Protection District within the jurisdictional boundary of the San Bernardino County Fire Protection District and its North Desert Service Zone will allow the residents and
landowners to receive the benefits of the economies of scale from a regional
provider of fire protection and emergency medical response services.

11. This proposal will not affect the fair share allocation of the regional housing needs
assigned to the City of Hesperia 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 (on behalf of County Fire and the Hesperia Fire
Protection District) and the City of Hesperia have 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 North Desert Service Zone for continuing service delivery and the
City of Hesperia for the continued payment of unfunded retirement obligations of
the Hesperia Fire Protection District. 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

In every consideration for reorganization of fire providers, staff has identified that
adequate fire protection, emergency medical response, and ambulance service (in this
case) are key health and safety issues for any community. This is true for LAFCO 3218
even if its mechanism for transitioning the service is unique. The community of
Hesperia is well aware of the needs for this type of service having witnessed the North
Fire in 2015 burning cars on the I-15 freeway to the Blue Cut Fire causing the
mandatory evacuation of 82,000 residents.

As a subsidiary district of the City of Hesperia, the Hesperia Fire Protection District has
for the past six years experienced “service insolvency” (inability to pay for all the costs
of providing services at the level required for the welfare of the community) and “budget
insolvency” (inability to create a balanced budget that provides sufficient revenues to
pay for expenses). This position has been identified by the Hesperia Fire Protection
District’s auditors which have included the same basic statement in the last five audits.
The following excerpt is from the Fiscal Year 16-17 Audit:
The Fire District Board of Directors has been considering alternatives to fiscally manage the ongoing issue of operating expenditures exceeding operating revenues. The District’s operating fund ended Fiscal Year 2016-17 with an operating loss of nearly $0.3 million. At the November 1, 2016 Board Meeting, the Board approved a resolution requesting that the Local Agency Formation Commission (LAFCO) initiate proceedings to analyze the reorganization of the District, with the San Bernardino County Fire Protection District as the designated successor of the potential annexation. More detail can be found within Note 10.

The City of Hesperia (on behalf of its subsidiary Fire District) and the County and its San Bernardino County Fire Protection District have proposed a means to address these ongoing service and budgetary problems through the reorganization known as LAFCO 3218.

LAFCO law, in Government Code Section 56001, states that the Legislature’s expectation is that the Commission will assess and make determinations related to the proposals it considers that addresses

“community service priorities be established by weighing the total community service needs against the total financial resources available for securing the community service; and that the community service priorities are required to reflect local circumstances, conditions, and limited financial resources”.

It is the position of LAFCO staff that the approval of LAFCO 3218 responds to the statutory directives given to LAFCO in providing the best means available, both operationally and fiscally, to continue to provide the community of Hesperia fire protection, emergency medical response and ambulance services by taking advantage of the economies of scale available from inclusion within County Fire. In this sense, LAFCO 3218 represents the best of what LAFCOs can achieve: structurally reorganizing financially distressed entities into financially sustainable organizations to effectively serve the public into the future. Therefore, staff recommends approval of LAFCO 3218 as presented.

KRM/RA

Attachments
1. Maps:
   a. Vicinity Maps and Official Proposal Maps
   b. Maps of Staff Proposed Modifications
   c. Map of Ambulance Service Area
   d. Map of Community Facility Districts -- #94-01 and 2005-1
   e. Maps of 5 and 10 minutes Response Times
2. Application, Plan for Service and Appendices, Fiscal Impact Analysis as Amended by LAFCO staff Dated April 24, 2018, and 5-year Call Distribution for Hesperia FPD
3. Letter from Chief Sid Hultquist, Apple Valley Fire Protection District Supporting LAFCO Modification to Proposal for Realignment of Fire Providers Along the Mojave River

4. Letter from Gary McBride, County CEO Related to Hesperia Fire Cash Flow Concerns

5. Property Tax Transfer Resolutions from County and City of Hesperia including Contract with Auditor-Controller to Address Pass Through from City of Hesperia Redevelopment Agency

6. Letter from John Chamberlin, Deputy Chief of Administration, Dated May 3, 2018 Related to Property Tax Transfer Implementation for Reserve Funding

7. Letter Dated March 15, 2018 From John Chamberlin, Deputy Chief of Administration, on Financing Questions for Future Operations of Hesperia FPD

8. Supplemental Data Related to Administration of CFD #94-01

9. County Contract 17-796 – Memorandum of Understanding Between San Bernardino County Fire Protection District and County of San Bernardino for Fire Protection and Emergency Medical Services

10. Letter from Tom Dodson and Associates Dated May 7, 2018 Related to Environmental Assessment

11. Draft LAFCO Resolution No. 3266