


LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE : JANUARY 7, 2020 
FROM: MICHAEL TUERPE, Senior Analyst
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM 11: Update on Sustainability of the City of Adelanto, related to LAFCO 3232 - Sphere of Influence Amendment for the City of Adelanto

RECOMMENDATION:

Staff recommends that the Commission:

1. Receive and file this report.
2. Schedule an update for the City for the March 2020 hearing, unless otherwise directed by the Commission.

BACKGROUND:

As an outgrowth from LAFCO's 2017 Countywide Service Review for Water (LAFCO 3187) and its 2018 Countywide Service Review for Wastewater (LAFCO 3190), the Commission initiated a sphere of influence amendment for the City of Adelanto ("City") to determine the appropriate sphere of influence for the City.

At its April 2019 hearing, the Commission reduced the sphere for the City of Adelanto by approximately 8.4 square miles, and directed staff to return with an update on the City's sustainability at the Commission's September 2019 hearing. At the September hearing, staff presented an update to the Commission (a copy of which is included as Attachment 1 to this report).

At the September hearing, the Commission directed staff to return with the next update on Adelanto two months earlier - in January 2020, instead of March. This report constitutes the latest update on Adelanto and focuses on the status of audits prepared for the City and the Adelanto Public Utilities Agency (APUA).

JANUARY 2020 UPDATE:

For this update, LAFCO staff requested the City to provide a status update for completion of the FY 2016, 2017, 2018 and 2019 City audits. Figure 1, below, depicts the tentative schedule provided by the City’s independent auditor in July 2019, and an updated schedule from December 2019.

**Figure 1:
City of Adelanto Tentative Audit Schedules**

Audit	Schedule – July 2019	Revised Schedule – December 2019
FY 15-16 (City) Draft Final	9-23-2019 10-07-2019	11-18-2019 12-09-2019 (complete)
FY 16-17 (City) Draft Final	10-07-2019 10-21-2019	1-06-2020 1-20-2020
FY 17-18 (City) Draft Final	11-25-2019 12-09-2019	1-20-2020 2-03-2020
FY 18-19 (City and APUA) Draft Final	1-20-2020 2-03-2020	2-10-2020 2-24-2020


Since the previous Commission update in September 2019, the City has completed the final FY 15-16 City audit and the FY 17-18 audit for the APUA, and has provided those audits to LAFCO. Based on the latest tentative schedule provided by the City’s independent auditor, progress continues on the City’s FY 16-17 and FY 17-18 audits, although the completion of the final audits have been delayed two to three months from the schedule previously provided in July 2019. The FY 18-19 audits for both the City and APUA are anticipated to be completed by the end of February 2020.

It is LAFCO staff’s position that the City is making strides to come into compliance, but ongoing monitoring continues to be warranted. Therefore, staff recommends that the Commission schedule another update for the City for the March 2020 LAFCO hearing (the originally schedule update). If the City’s tentative audit schedule holds, the City should have final audits completed for all past fiscal years by the Commission’s March hearing.

Attachment

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DATE : SEPTEMBER 11, 2019
FROM: MICHAEL TUERPE, Project Manager 
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: AGENDA ITEM 9: Update on Sustainability of the City of Adelanto, related to LAFCO 3232 - Sphere of Influence Amendment for the City of Adelanto

RECOMMENDATION:

Staff recommends that the Commission:

1. Receive and file this report.
2. Schedule an update for the City for the March 2020 hearing.

BACKGROUND:

As an outgrowth from LAFCO's 2017 Countywide Service Review for Water (LAFCO 3187) and its 2018 Countywide Service Review for Wastewater (LAFCO 3190), the Commission initiated a sphere of influence amendment for the City of Adelanto to determine the appropriate sphere of influence for the City.

At its April 2019 hearing, the Commission:

- Reduced the sphere for the City of Adelanto by approximately 8.4 square miles, and
- Directed staff to return with an update on the City's sustainability at the Commission's September 2019 hearing.

SEPTEMBER 2019 UPDATE:

For this update, LAFCO staff requested City responses to four items. The City provided its response, dated September 9, 2019 (see the Attachment to this report). LAFCO's questions with a summary of the City's responses are below:

1. Schedule of completing outstanding audits for the City and APUA

The auditors have completed the FY14/15 City audit, which was presented to the City Council on July 10, 2019. The auditors have provided the City with the following tentative schedule to complete the outstanding audits:

Audit	Dates	Description
FY15/16	08-05-19 to 08-08-19	Year End Fieldwork
	08-12-19 to 08-15-19, 08-19-19	Year End Fieldwork
	09-23-19	Draft Reports
	10-07-19	Finalize Reports
FY16/17	09-09-19 to 09-13-19	Interim/Year End Fieldwork
	09-16-19 to 09-19-19	Year End Fieldwork
	10-07-19	Draft Reports
	10-21-19	Finalize Reports
FY17/18	10-28-19 to 10-31-19	Interim Fieldwork
	11-04-19 to 11-07-19	Year End Fieldwork
	11-25-19	Draft Reports
	12-09-19	Finalize Reports
FY18/19 (City & APUA)	12-09-19 to 12-12-19	Interim Fieldwork
	12-16-19 to 12-19-19	Interim/Year End Fieldwork
	01-06-20 to 01-09-20	Year End Fieldwork
	01-20-20	Draft Reports
	02-03-20	Finalize Reports

2. The purpose of hiring and/or contracting of risk management and additional human resources personnel

The City is currently recruiting for a Senior Human Resources / Risk Analyst who will oversee the Human Resource and Risk Management functions within the City. The City recognizes the need for a full-time, seasoned and experienced HR professional who can provide the high-level oversight on a full-time basis and ensure that the City utilizes best practices. It is hoped that the addition of this position will help ensure that sustainable staffing and compensation levels are developed and maintained, and that unbiased, ethical standards are used in dealing with employees.

3. Obtaining insurance

Early this year, the insurance pool Board advised the City that because of an upsurge in employment related claims, it was cancelling the City's employment practices liability coverage. In May 2019, the City presented its application to a different insurance pool which voted unanimously to accept the City as a member effective July 1, 2019.

4. Status of the items identified in the Corrective Action Plan from the 2015 City audit

In conjunction with the FY14/15 financial statements, the City's auditors issued an internal control report finding three material weaknesses and six significant deficiencies. The City prepared a Corrective Action Plan in response to the findings and is actively working towards implementing the necessary changes. A summary of the finding, the City's action, and the status are provided in the attachment.

The City's letter closes with the following:

"Given the progress and commitment that the City has demonstrated by addressing these issues in a very short period of time, we respectfully request that the LAFCO Commission consider no further reductions in the City's Sphere of Influence ("SOI") and reconsider the SOI reduction of Area A, which was approved by the LAFCO Commission via Resolution No. 3285 at its April 17, 2019 meeting."

It is LAFCO staff's position that the City is making strides to come into compliance. Therefore, at this time, staff is not recommending any additional sphere of influence amendments. As for the City's request that the Commission reconsider the sphere reduction that the Commission approved in April 2019, this matter cannot be considered today since such a consideration would require a formal initiation/application, noticing, and public hearing.

Staff recommends that the Commission schedule another update for the City for the March 2020 hearing.

Attachment

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