LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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PROPOSAL NO.: LAFCO 3151

HEARING DATE: November 21, 2012

RESOLUTION NO. 3168

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3168 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE MORONGO VALLEY COMMUNITY SERVICES DISTRICT (sphere of influence expansion by approximately 8,130 acres and affirmation of the balance of its existing sphere of influence, as shown on the attached map).

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

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

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

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

WHEREAS, a public hearing by this Commission was called for November 21, 2012 at the time and place specified in the notice of public hearing and in any order or orders continuing the hearing; and,

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

WHEREAS, at this hearing, this Commission certified that the sphere of influence update including sphere amendments is statutorily exempt from environmental review pursuant to the

provisions of the California Environmental Quality Act (CEQA) and such exemption was adopted by this Commission on November 21, 2012. The Commission directed its Executive Officer to file a Notice of Exemption within five working days of its adoption; and,

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the Morongo Valley Community Services District (hereafter shown as "District") shall be amended as shown on the map attached as Exhibit "A" to this resolution, defined as follows:

(1) Expand the District's existing sphere of influence by approximately 8,130 acres; and,

(2) Affirm the balance of the District's existing sphere of influence.

WHEREAS, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated May 14, 2012 and received and filed by the Commission on May 21, 2012, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

1. Growth and population projections for the affected area:

Morongo Valley is basically a rural community with scattered development on large parcels of land. Development consists mostly of residential single-family homes with little commercial development. The community has wilderness and recreational areas within and surrounding the community.

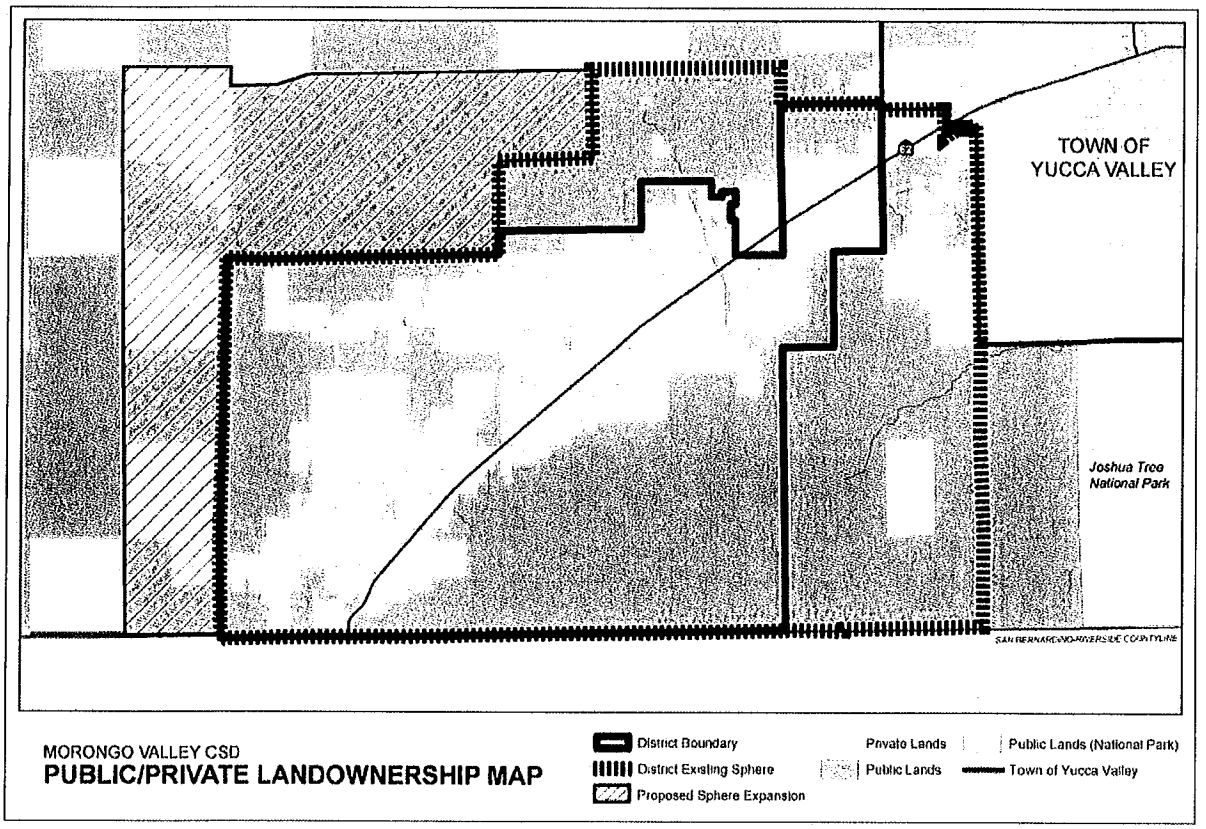
The population projection and maximum potential build-out can be used to assess land use policies, existing infrastructure capacity and the need for additional infrastructure, particularly for roads, water and sewer facilities.

Land Ownership

The land ownership distribution and breakdown within the CSD's boundary and current sphere are identified on the table and map below. Within its entire sphere, roughly 36% of the land is privately owned and the remainder, 64%, is public, which are devoted primarily to resource protection and recreational use.

Morongo Valley Community Services District
Land Ownership Breakdown (in Acres)

Ownership Type	Boundary	Sphere (outside boundary)	Expansion Area	Total Area
Private	8,146	1,697	**2,351**	**12,194**
Public Lands – Federal (BLM), State, & others	9,023	6,558	**5,779**	**21,360**
Total	**17,169**	**8,255**	**8,130**	**33,554**

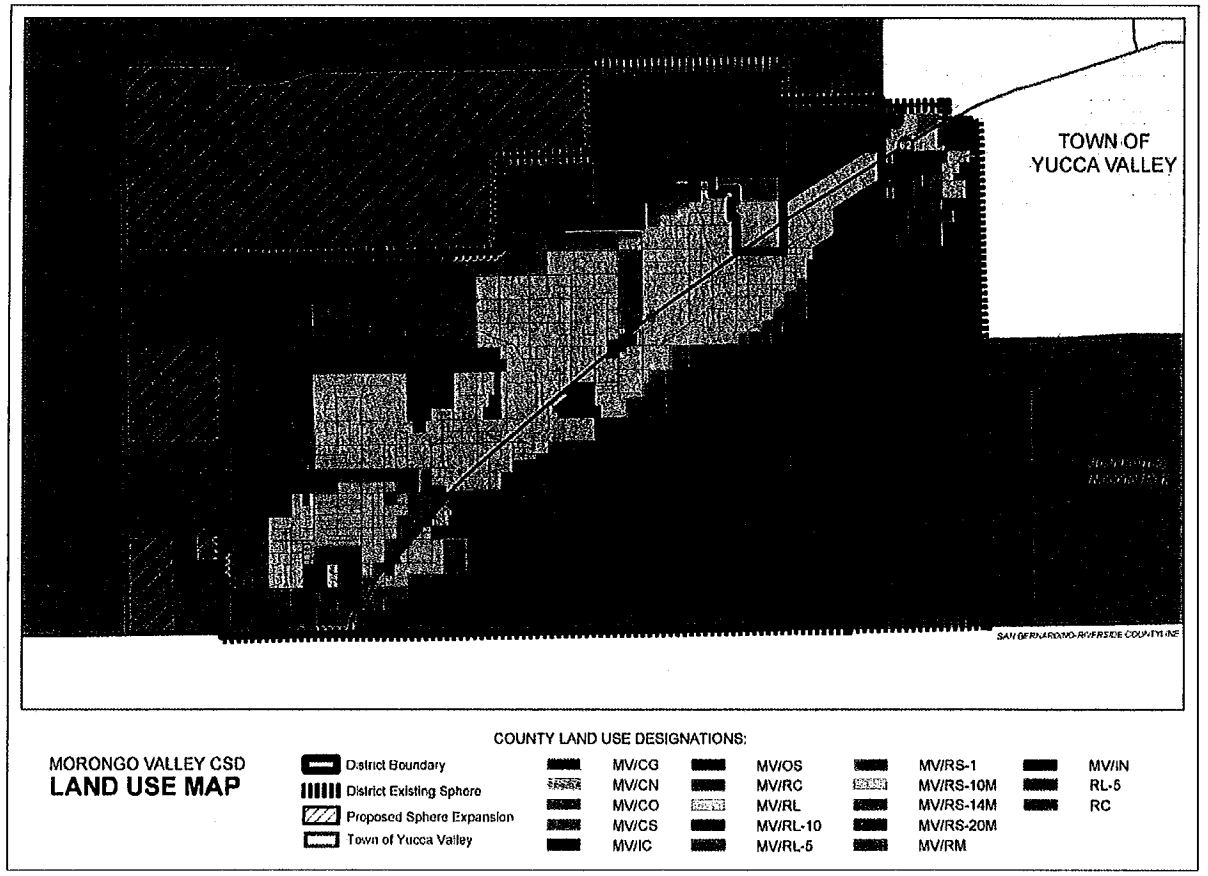


The 64% public lands represent lands that are part of the San Gorgonio Wilderness along the northern edge of the CSD's existing sphere, which are lands administered by the Bureau of Land Management (BLM), as well as lands that are within the Big Morongo Canyon Preserve located along the southeastern portion of the CSD's existing sphere (a portion of which is also within the CSD's boundaries), also managed by the BLM. The Big Morongo Canyon Preserve is considered an area of critical environmental concern (ACEC), a conservation ecology program that protects riparian corridors, threatened and endangered species, and unique landscapes.

It should be noted, however, that the majority of the privately held lands within the expansion area are lands owned by a non-profit conservation group that set aside these lands for preservation.

Land Use

Below is a map that identifies the County of San Bernardino's land use designations within the CSD's sphere and its surrounding vicinity. The study area includes mostly lands within the unincorporated Morongo Valley Community Plan area. For the entirety of the study area, approximately 67% is designated Resource Conservation comprising mostly the public lands administered by the BLM, 5% Open Space, 23% Rural Living, 3% Single Residential,0.8% Institutional, 0.4% Multiple Residential, 0.5% Commercial, and 0.3% Industrial land uses.



Below is a detailed breakdown of all the land use designations within the CSD and its current sphere of influence:

Morongo Valley Community Services District
General Plan Land Use Districts (In Acres)

Land Use	Boundary	Sphere (outside boundary)	Expansion Area	Total Area
Morongo Valley Community Plan Land Uses				
MV/RC (Resource Conservation)	9,164.9	5,452.2	1,326.0	15,943.1
MV/RL-10 (Rural Living, 10 acres min.)	151.3		477.0	628.3
MV/RL-5 (5 acres min.)	1,568.1	345.2	166.0	2,079.3
MV/RL (2.5 acres min.)	4,686.5	369.6		5,056.1
MV/RS-1 (Single Residential, 1 acre min.)	227.6			227.6
MV/RS-20M (20,000 sq.ft.)	87.9			87.9
MV/RS-14M (14,000 sq.ft.)	122.7			122.7
MV/RS-10M (10,000 sq.ft.)	610.3			610.3
MV/RM (Multiple Residential)	115.1			115.1
MV/CN (Neighborhood Commercial)	28.5			28.5
MV/CO (Office Commercial)	13.6			13.6
MV/CS (Service Commercial)	1.7			1.7
MV/CG (General Commercial)	125.4			125.4

MV/IC (Community Industrial)		54.2		54.2
MV/IN (Institutional)	265.4			265.4
MV/OS (Open Space)		1,702.2		1,702.2
Land Use not a part of the Community Plan				
RC (Resource Conservation)		331.6	6,161	6,492.6
Total	**17,169.0**	**8,255.0**	**8,130**	**33,554.0**

Population Projections

In 2000, the population within the CSD's boundaries was 3,130. Based on the 2010 Census, the population for the area was 3,543. This represented an average annual growth rate of approximately 1.2 percent within the given period.

The projected growth for the CSD's boundaries was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the County's unincorporated area for 2020 and 2035 periods, and the use of average annual growth rate to generate the intervals. By 2040, the population within the CSD is estimated to reach 4,855. This represents a projected annual growth rate of approximately 1.06 percent between 2010 and 2040, which also represents a total population increase of 37 percent from 2010.

Morongo Valley Community Services District
Population Projection 1990-2040

Census			Population Projection					
1990	**2000**	**2010**	**2015**	**2020**	**2025**	**2030**	**2035**	**2040**
2,631	3,130	3,543	3,602	3,662	3,929	4,216	4,524	4,855

However, actual growth in the region is expected to be much lower than projected. In order to represent a more realistic growth projection for the community, the Commission determines to revise the projected growth rate between 2020 and 2040 based on the actual growth rate of the area between 2000 and 2010. As shown in the revised projection below, it is estimated that the population within the CSD is expected to reach only 4,695 (instead of 4,855) by 2040, or a total population increase of just 32 percent (instead of 37 percent) from 2010.

Morongo Valley Community Services District
LAFCO Revised Population Projection 2010-2040

Census	Population Projection					
2010	**2015**	**2020**	**2025**	**2030**	**2035**	**2040**
3,543	3,602	3,662	3,897	4,146	4,412	4,695

Build-out

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

Morongo Valley Community Services District
Land Use Maximum Build-Out

Land Uses within the CSD	Acreage	Density (D.U./Acre)	Max Build-out (DU's)
Morongo Valley Community Plan Residential Land Use			
RC (40 acres)*	142	0.025	4
RL-10 (10 acres)	151	0.1	15
RL-5 (5 acres)	1,568	0.2	314
RL (2.5 acres)	4,686	0.4	1,874
RS-1 (1 acre)	228	1.0	228
RS-20M	88	2.18	192
RS-14M	123	3.0	369
RS-10M	610	4.0	2,440
RM	115	16.0	1,840
County Residential Land Use not a part of the MVCP			
RC (40 acres)*	0	0.025	-
Morongo Valley CSD Total Residential	**7,711**		**7,276**
* Excludes public lands			

The revised population projections identified earlier indicates that the population within the CSD's territory will be 4,695 by 2040. Based on the maximum residential build-out within the CSD's territory, the projected maximum population is anticipated to reach 19,500. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the CSD's territory will be 1,752 with a maximum potential build-out to reach approximately 7,276. These imply that the study area will reach 24 percent of its potential household and population capacity by 2040.

This build-out scenario provides the maximum build-out potential of the community based on the Land Use Policy Map. The table below does not account for constraints to the maximum build-out potential. However, all development within the Morongo Valley Community, in particular residential development, is limited by provisions of the Fire Safety Overlay. The maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the Fire Safety Overlay.

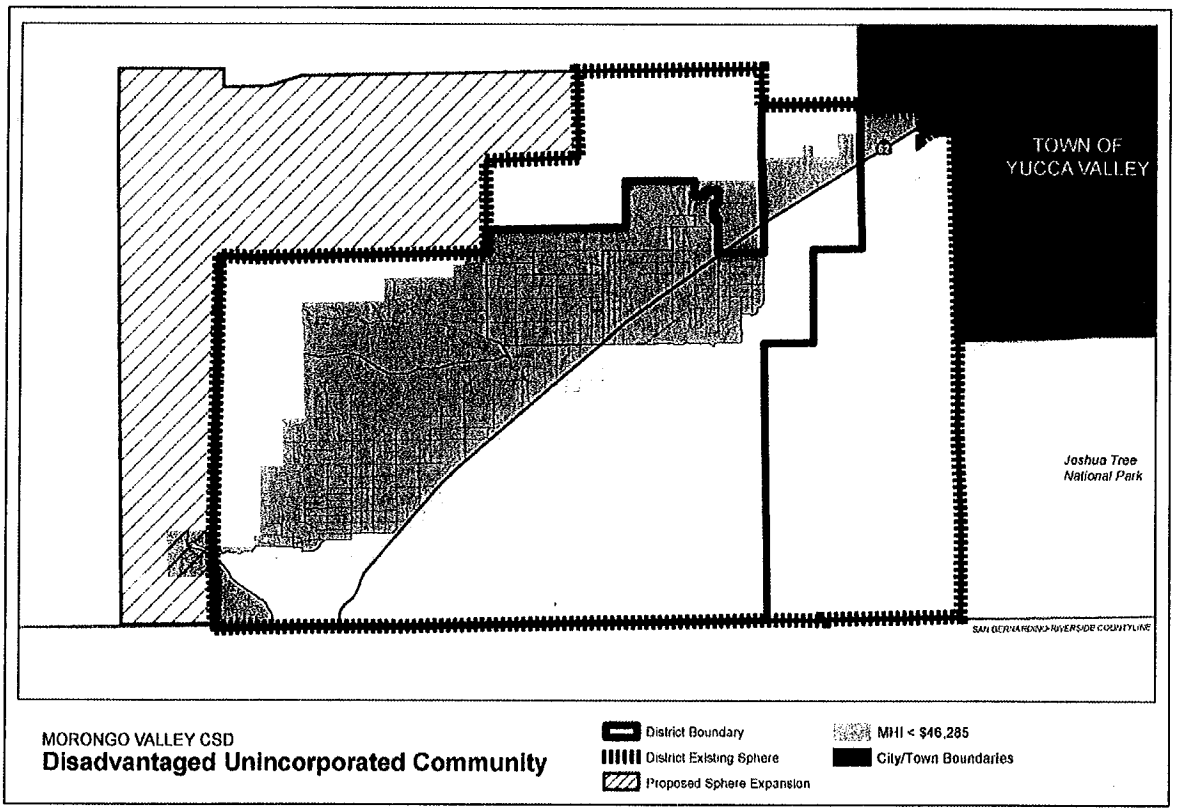
Population and Household Projection
for the Morongo Valley Community Services District

	Projection 2040	Maximum Build-out	Ratio of 2040 Projection with Maximum Build-out
Population	4,695	19,500	0.24
Households	1,752	7,276	0.24

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

Beginning January 2012, LAFCO is now required to determine the location and characteristics of disadvantaged unincorporated communities (hereafter shown as "DUC"). DUCs are those

communities that have an annual median household income that is less than 80 percent of the statewide annual median household income, which is under $46,285 (defined by Government Code Section 56302). Based on the 2010 Census Bureau data, the map below illustrates the areas within and around the CSD's sphere of influence that are classified as disadvantaged unincorporated communities.



As shown on the map, portions of the CSD's unincorporated sphere of influence are considered to be disadvantaged unincorporated communities. The community of Morongo Valley itself is considered a disadvantaged unincorporated community comprised of sparse rural residential development with large lot residential development (primarily Rural Living, 2 ½ acre lots and 5-acre lots).

There are no disadvantaged unincorporated communities contiguous to the CSD's sphere of influence. Adjacent to the CSD's sphere along the west and north is the San Gorgonio Wilderness area. Adjacent to the CSD's sphere along the southeast is the Big Morongo Canyon Preserve. Lastly, adjacent to the CSD's sphere to the east is the incorporated Town of Yucca Valley.

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

Currently, the CSD is authorized by LAFCO to provide the functions of fire protection, park and recreation, streetlighting, and library service. Staffing is comprised of a general manager, a part-

time office secretary, a full-time grounds person, and a combination of full-time district personnel supplemented with reserves for fire protection.

A. Fire Protection

The CSD operates its fire protection and paramedic response through its fire department. The District's existing manning of engines is a three person engine crew.
The entirety of the CSD and its response area is within the defined State Responsibility Area. For this determination, staff incorporates the CSD's 2011 Fire Annual Report and responses to LAFCO questions. For fire protection service, this determination requires LAFCO to review the, "Needs and deficiencies related to structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence." This requirement is incorporated into the Fire Protection discussion below.

Agreement with ICEMA

The CSD (through its Fire Department) and the Inland Counties Emergency Medical Agency ("ICEMA") entered into a non-financial agreement in 2008 authorizing the CSD to provide non-transport Advanced Life Support services within District's boundaries and sphere of influence. The agreement was from February 2008 through January 2010 and is automatically renewed for successive two-year periods unless terminated or amended. It has been confirmed that the contract has not been terminated or amended as of the date of the Commission hearing. The CSD Fire Chief is administrator of the contract in accordance with its terms and conditions on behalf of the CSD and the CSD Fire Department.

ICEMA has indicated that if the CSD's sphere of influence were modified that such a modification would not alter said agreement. This is due to the non-financial nature of the agreement and the CSD's advanced life service, or lack thereof, does not add to or take away from another agencies responsibility since the area is generally remote.

Agreement with County Fire

The CSD and the San Bernardino County Fire Protection District ("County Fire") have entered into an automatic aid/mutual aid agreement "to provide the most expeditious response to suppress fires and render other emergency services". The agreement identifies that neither party shall be obligated to reimburse the other for its response. The term of the agreement is until June 30, 2017 with a 90-day termination notice.

Agreement with CAL Fire

Within San Bernardino County, the CSD has an agreement with CAL Fire for dispatch services.

Fire Station 461

Station 461 is the main fire station and command center for the CSD's Fire Department. It is located at the center of the commercial district, adjacent to the CSD office on Ocotillo Street, in the most densely populated area of the community. The facility houses a medic engine (Type I Engine), brush engine (Type III Engine), fire engine, command vehicle, water tender, utility vehicle, steel cargo container, trailer generator, and all critical equipment.

Fire Station 462

Fire Station 462 is located in the eastern section of community off Highway 62 on Sundown Trail. This facility has no living quarters. In the past it was used by the Bureau of Land Management, for paid call response by the CSD, and provided a bay for a Sheriff's Citizen Patrol unit. Presently, it is used for training purposes. The bays are used to house a reserve engine (Type I engine) and tactical water tender.

Station 462 currently does not have adequate facilities or space to accommodate a crew for 24 hours since there is no housing quarters present. The CSD is formulating a community-oriented reserve water tender operator program which will allow the department to staff equipment at Station 462 on an as-needed basis thus allowing for better fire response for the east end of the district.

Incident Statistics

The CSD has provided the following as its incident statistics for 2009-2011. This listing includes type of response, total responses, and average response time. According to the District all times are within the National Fire Protection Association's desired response standard of 14 minutes (for 80% of all calls) for rural areas with greater than 500 residents.

2009		
TYPE	**TOTAL**	**AVG. RESPONSE TIME**
EMS	245 (63%)	7.14
Fire	40 (10%)	7.09
Traffic	37 (10%)	6.38
Other	66 (17%)	7.93
TOTAL	**388 (100%)**	**7.13**

2010		
TYPE	**TOTAL**	**AVG. RESPONSE TIME**
EMS	370 (66%)	6.30
Fire	73 (13%)	6.23
Traffic	30 (5%)	6.50
Other	85 (16%)	7.72
TOTAL	**558 (100%)**	**6.68**

2011		
TYPE	**TOTAL**	**AVG. RESPONSE TIME**
EMS	353 (70%)	6.21
Fire	19 (4%)	5.85
Traffic	41 (8%)	7.51
Other	91 (18%)	7.13
TOTAL	**504 (100%)**	**6.65**

For the three years identified above, emergency medical incidents represent 67% of total incidents. As stated in the Annual Report, the need for four personnel on the fire engine with minimum of three makes a marked difference than two personnel because:

- Traffic accidents in Morongo Valley are usually high impact in nature causing severe injuries with a higher possibility of extraction needed.

- Cardiac arrest incidents are very difficult to handle with only two personnel as it is most effective to have a minimum of two personnel for the subject and one for incident documentation.

Mutual Aid with Riverside County Fire Department

The County of Riverside currently contracts with the California Department of Forestry and Fire Protection (CAL Fire) to provide for fire protection and paramedic services within Riverside County and some of its cities. CAL Fire, through the administration of 145 cooperative fire protection agreements in 33 of the State's 58 counties, 30 cities, 32 fire districts and 25 other special districts and service areas, responds to wildland fires, structure fires, floods, hazardous material spills, swift water rescues, civil disturbances, earthquakes, and all kinds of medical emergencies.

The CSD has mutual aid response with the Riverside County Fire Department through the Statewide Master Mutual Aid program which provides for the response assignments through the Area Coordinator Fire Dispatch Centers. Each such Dispatch Center has electronic dispatch cards which link assignments to the closest available units within the County, then for those in adjacent counties. According to the CSD, for San Bernardino County the CSD contracts with CAL Fire (through its Riverside County Fire Department) for dispatch services. Calls for additional units would go from the CAL Fire Riverside Unit Emergency Command Center, to "County Comm." which provides San Bernardino fire agencies with "Area Coordinator" services by having an assigned Chief on-duty 24/7/365 to manage such assignments for major emergencies.

The nearest fire stations to the CSD in Riverside County are the Desert Hot Springs Stations (Stations #36 and #37). Both stations are in the City of Desert Hot Springs, which contracts its fire protection and emergency medical services with the Riverside County Fire Department.

Training

The 2011 Fire Annual Report states, in addition to agency-conducted training, outside agencies present classes to firefighters. Also, plans for future training consist of live burn classes through the Twentynine Palms Marine Corps Base Fire Department, wildland training classes by the San Bernardino County Training Officers Association, and neighboring training drills in Yucca Valley through County Fire.

The Annual Report identifies that training of its staff could be increased if it were able to acquire additional training facilities. The facilities include: land allotment to use as a training facility, training tower with live burn capability, vehicle prop fire, ventilation prop, vehicle on its side prop, a confined space, etc.... The Annual Report continues to state that the District would benefit tremendously from acquiring a designated training area as well as a facility. However, funding is the limitation for this need.

Fire Prevention Bureau

The CSD's Fire Prevention Bureau ("Bureau") has a stated mission statement to reduce the risk of loss of life, property value, and infrastructures. Recent accomplishments of the Bureau include:

- Certain types of inspections are normally conducted by CAL Fire, San Bernardino Unit. Agreements in previous years by the CSD and CAL Fire allow the CSD to conduct inspections under the supervision of CAL Fire, which appear to be successful and will be reviewed.

- 2011 was the first year the CSD was able to successfully inspect all residential properties within its jurisdiction and produce an accurate record of inspections.

The Annual Report identifies eight challenges to fulfilling its mission, summarized as follows:

1. The current record keeping system lacks organization to meet current needs requiring a commitment of many hours to reorganize the systems.

2. Documentation for year to year comparison of activities will require revision to the current reporting process.

3. Due to budget limitations, prevention personnel are employed part-time and have dual responsibilities within the fire department.

4. The Bureau currently has limited access to referenced material.

5. There is presently limited storage space available in the fire prevention office.

6. Keys that the Fire Department has obtained to gain entrance to local businesses for emergency purposes will require a revision to the key accountability program.

7. Currently, the Fire Department lacks specialized training associated with fire prevention.

8. Efforts to improve the revenue generation of specialized programs will be reviewed in the coming year to analyze where such improvements may be made.

The District has identified that it is addressing these issues individually. In its response to the draft staff report, the CSD states that it has noticed the adoption of an ordinance to incorporate recent changes to the 2009 International Fire Code and the 2010 California Fire Code. The first reading of the ordinance is noticed for November 14, 2012 with adoption scheduled for December 19, 2012.

Disadvantaged, Unincorporated Communities

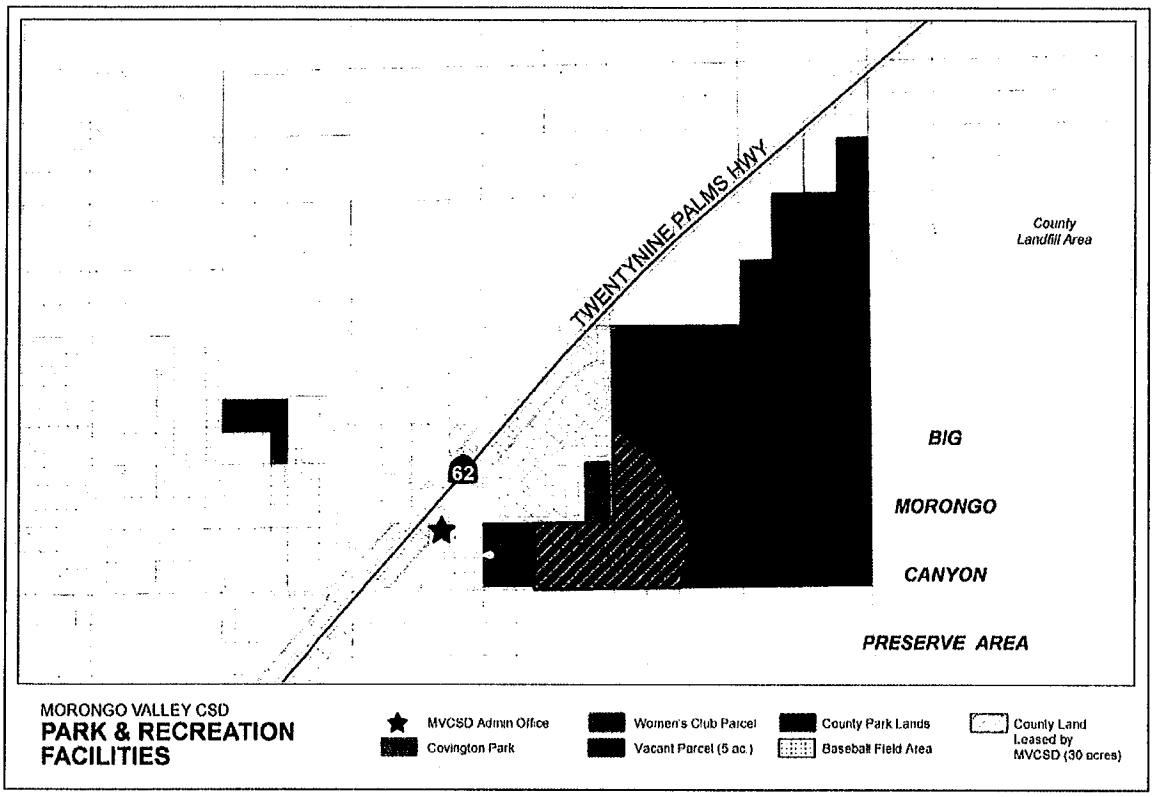
Portions of the CSD's sphere of influence are considered to be disadvantaged unincorporated communities. The community of Morongo Valley itself is considered a disadvantaged unincorporated community comprised of sparse rural residential development with large lot residential development (primarily Rural Living, 2 ½ acre lots and 5-acre lots). Within the boundaries of the CSD, residents pay a special tax for fire service. The disadvantaged, unincorporated communities within the District's sphere but outside of its boundaries are within the boundaries of County Fire and its South Desert Service Zone.

There are no disadvantaged unincorporated communities contiguous to the CSD's sphere of influence. Adjacent to the CSD's sphere along the west and north, although the map identifies the area as disadvantaged unincorporated community, is the San Gorgonio Wilderness area.

Adjacent to the CSD's sphere along the southeast is the Big Morongo Canyon Preserve. Lastly, adjacent to the CSD's sphere to the east is the incorporated Town of Yucca Valley. These areas are within the boundaries of County Fire and its South Desert Service Zone.

B. Park and Recreation

The District adopted a 2008 Master Park Strategic Plan through 2013. The Plan states that it strives to avoid repetition of the County's Morongo Valley Community Plan, but draws on the desires of the residents expressed in the Community Plan and the CSD's Park Committee workshops.



Covington Park

Covington Park is comprised of five acres deeded to the CSD in 1962 to be used for public park or place of resort and recreation. The park is located at Mojave Drive and Vale Drive and is contiguous to the Big Morongo Canyon preserve. The park's hardscape includes: two tennis courts, skate park, community building, snack stand, storage area, children's playground, pavilion, grill area, and picnic tables. The park was used as the staging and command center during the Paradise and Sawtooth Complex fires.

In 2011 the District was able to upgrade the facilities at Covington Park with grant funds. Improvements include:

- Purchase or installation of two vaulted bathrooms, ADA sidewalks, second half of skate park, valley ball court, purchase of two sets of bleachers, water fountain, electric pedestals, and 5000 gallon water tank for emergency use.

- Upgrade or repair to the pavilion concrete floor and stage area, shack and storage building, children's playground, and tennis courts.

The community building is a focal point for the community as it is the place for programs and local organizations, located at 11165 Vale Drive. Programs include the senior nutrition lunch program, artist colony gallery space, children's library, and art and theater program. Local organizations that use the facility are the Morongo Valley Youth Commission, Chamber of Commerce, Morongo Valley Youth Sports League, CSD Board meetings, and the Firefighters Auxiliary. The facility is a designated local emergency operation command.

County Park lands – long term lease

The County purchased, via funds from the 1974 State Bond Act, a 20.8 acre parcel adjacent to Covington Park and the Morongo Regional Park. The purpose of the acquisition was to: 1) secure a buffer between the Wildlife Reserve of an area approximately 12.15 acres, and 2) to provide some land for the CSD to replace a ball field which was obstructed when the Morongo Regional Park was constructed.

Adjacent to Covington Park, the District has leased County park lands since 1979. The approximate area of 35 acres located off Park Avenue contains a baseball field, practice field, snack stand, and bathrooms. The baseball field has lights for night play but they have not been in use for several years due to the operating expense. The majority of the area is in its natural state. The CSD maintenance building and yard is also located on these lands. The building houses equipment and tools to maintain all the CSD facilities. A well on this property provides water for ball field irrigation. There is also a concrete pad with a basketball court behind the maintenance yard. Improvements to the area leased from the County are identified as minor. The Community Plan expresses a desire for intra-community hiking and equestrian trails, traversing federal and state lands. The Park Master Plan identifies that the County Park lands could be used for such a purpose.

The original lease was from 1979 until 2004 and was superseded in 1986 with an amendment in 1987. The agreement states that the District is to manage the "premises as a public park", which allows it to develop and operate baseball and athletic fields, concession stand, restrooms, and a parking lot. Additionally, the terms of the agreement required the CSD to pay the County $1 annually as rent for the premises. At the expiration of the lease, December 31, 2008, all structures and improvements made upon the lease area were to be vested in the County by the terms of the agreement.

Questions related to the current status of the lease were reviewed with County Regional Parks staff. It was indicated that in August 2008 the CSD presented Regional Parks with a copy of the draft Master Park Strategic Plan for review and inquired about the pending expiration of the lease. However, no further inquiries from the CSD were made following County Parks' initial reply nor was there follow up by the County on the extension of the

lease. Therefore, the situation is such that the CSD is operating its facilities on County land while lacking a lease.

The CSD has provided its response that it has met with County Regional Parks in an effort to renegotiate the lease and a second meeting is tentatively scheduled for early December. The letter identifies that the District is currently seeking a long-term lease, such as a ten year lease with three five-year extensions.

Big Morongo Canyon Preserve

In 1982 the Bureau of Land Management (BLM) designated Big Morongo Canyon Preserve as an Area of Critical Environmental Concern. Areas of Critical Environmental Concern are those having been identified as containing unique natural features or habitat areas. A unique habitat has been created in Big Morongo Canyon by the natural hydrology of Morongo Valley. The preserve provides recreation opportunities such as hiking trails, ecology trails, nature study and bird watching opportunities. According to the Community Plan, the community views it as a natural environment treasure that must be preserved. It is an environment that is home to many unusual plant and animal species and is a setting that brings together several distinct ecosystems in one area: Desert Springs, Mojave Riparian Forest, Mojave, Coastal and the Sonora Desert. It is also a significant food stop for migratory birds on the Pacific Coast Flyaway. Animals and plants on the endangered species list are found at the Preserve.

The Morongo fault runs through the canyon and causes water draining from the surrounding mountains to form Big Morongo Creek and a riparian habitat. The reserve is a significant and important feature of the community for many local residents and provides a home to many wildlife species, including numerous migratory birds. Native wildlife to the valley includes coyote, jack and cocktail rabbits, mule deer, ground squirrels, wood rats, chuckwallas, desert tortoise, owls, eagles, road runners and quail. The Bureau of Land Management designated Big Morongo Canyon as an Area of Critical Environmental Concern in recognition of its value as a natural resource and important wildlife habitat. The vegetation in the area typically includes Joshua trees, yucca and bunchgrass, and some juniper, manzanita, sage, cactus and annual wildflowers.

The preserve land is managed by the Bureau of Land Management. Service delivery from the Morongo Valley CSD is limited to the provision of fire and emergency response.

Women's Club

In 2000, the Morongo Valley Women's Club deeded its clubhouse facility to the CSD. According to the resolution and minutes from the Women's Club April 12, 1999 meeting, the facility was given to the CSD generally due to lack of funds and lack of members. The building, which once was a school house, was built in 1947 by volunteers on donated land.

The structure is situated on 1.25 acres and is the first community-type building erected in Morongo Valley. The building is not currently open to the public but future plans include reviving the use as a community hall, installing exhibits featuring local history, and developing programs in conjunction with the neighboring elementary school. There is no specified timeline for these improvements, but the District's Parks Commission is currently reviewing

these options. The Park Master Plan states that improvements will be financed with grant funds, donated materials, and volunteer labor. Equipment, furniture, and programming needs will be met with donations.

Vacant Parcel

In 2002 the District purchased a five-acre undeveloped parcel adjacent to the Women's Club. There are no specific plans at this time for its use; however, it was purchased with the intent of a creating a partnership with the adjacent Morongo Valley Elementary School. The Master Plan identifies that it could be used for a fitness trail. The Park Master Plan states that funding for the trail would come from voter-approved state bond act funds for parks.

C. Streetlighting

The streetlights along the highway are the responsibility of Caltrans. The other lights are the responsibility of the CSD. The CSD has identified and provided verification from Southern California Edison that it provides service for 28 streetlights.

The streetlights are classified as all night service (activated from dusk until dawn). Southern California Edison owns the streetlights and responds to problems, and the CSD provides for payment of the utility costs associated with the individual lights.

There are no plans at this time to increase the number of the streetlights. The future need for streetlights will increase if the population grows or the land use process requires them dependent upon the implementation of the County's Night Sky Ordinance, which is applicable in the South Desert region. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. The implementation of this ordinance points toward a limitation of the number of streetlights for the future and may limit them to commercial areas of the community only.

D. Library Services

A Community Development Block Grant was secured to fund expansion of the Children's Library. For Summer 2012, the Children's Library Director and volunteers are conducting a summer program for children of the community twice weekly in addition to the Thursday and Saturday programs. At the present time there is no coordination of activities with the County Library system.

4. Financial ability of agencies to provide services:

For this determination, staff has reviewed the District's budgets, audits, State Controller reports for special districts, and County filing records. This determination outlines the accounting practices of the District; reviews its debt and obligations, net assets, and fund balance for the past five audited years; and looks forward by using the budgets following the most recent audit. There is no component unit of the District reported in the financial statements.

A. General Operations and Accounting

The District operates with only governmental activities; there are no business-type (enterprise) activities of the District. Services provided by the District that are reported as governmental-type activities include general administration, fire protection, park and recreation, and streetlights. These services are primarily supported by property tax and the District also levies an assessment for fire protection. All of these services operate from the general fund; therefore, the activities of fire protection are not isolated from the other activities of the District.

Depositary and Treasurer

CSD Law mandates that the county treasurer shall be the treasurer of the district and shall be the depositary and have custody of all of the district's money. CSD Law further reads that all claims against a district shall be audited, allowed, and paid by the board of directors on warrants drawn by the County. However, a CSD may establish an alternative depositary by appointing a district treasurer, which may be the general manager, who shall serve in the place of the county treasurer.

Prior to the processing of this service review, the CSD elected a board member as treasurer. However, a board member cannot serve as treasurer (Section 61040(e)). The treasurer needs to be a staff member; the board may appoint the same person to be general manager and treasurer (Section 61050). This issue was addressed with the CSD as a part of the service review process. As a result and to come into compliance with CSD Law, on September 12, 2012 the CSD board appointed the general manager as treasurer.

The CSD maintains its cash and investments in five separate accounts at a private institution, Pacific Western Bank - nearest branch located in Yucca Valley. The five accounts maintained are: General, Money Market, CD, Restricted, and Petty Cash. CSD Law requires the treasurer to be bonded, and the CSD meets this requirement.

Reserve Policy

Additionally, Government Section 61112 requires those districts that have designated an alternative depositary and appointed a district treasurer shall adopt and annually review a policy for the management of reserves. The District has identified that is does not have an adopted reserve policy. However, it has identified that it is in the process of formulating a Financial Practices Policy and hopes for adoption of that policy this fiscal year.

Management Discussion in Audit

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of the District has elected to omit the Management Discussion and Analysis information for at least the past five audited years. Without an understanding of the context for the agency's operations, as the management discussion provides, it is difficult to assess the financial operations of an agency. In its letter to the Commission, the CSD states that it will include a Management Discussion and Analysis beginning with the June 30, 2012 audit currently being prepared.

B. Long-term Debt

The District obtained a loan in the amount of $183,619 in 2001 to purchase a fire engine. The loan was at 5.8% and required a semi-annual payment of $12,213. As of June 30, 2012, the debt matured and was paid-off.

The District has entered into a line of credit agreement with a bank. Under this agreement the District can borrow working capital advances up to $200,000. The agreement requires interest only payments. At June 30, 2011 the interest rate was 9.25%, and the balance on the credit line was $0.

C. Employment Benefits and Post-Employment Benefits

Employment Benefits

Regular employees do not receive retirement benefits. According to the CSD, some benefits are provided to fire personnel outside the mandated safety clothing provided by the agency for all full-time or "reserve" personnel. Firefighters are eligible for medical benefits after 90 days through California Choice. Employees are eligible for District coverage at 80% of the cost per individual. Family member coverage can be purchased by the employee.

The Board of Directors has waived its right to receive compensation for participation as permitted by CSD Law.

Pension

The District's financial statements do not identify any pension obligations.

Other Post-Employment Benefits

The District's financial statements do not identify any other post-employment obligations. Therefore, there are no unfunded liabilities that could have a future impact on the District's financial condition.

D. Net Assets

In reviewing the District's financial statements, net assets have increased by 38% since FY 2006-07 as shown on the chart below. During this time Total Assets have increased by 21% and Total Liabilities have decreased by 88%. From the Net Assets perspective, the financial heath the District overall has increased during the past five years. As of June 30, 2012, the District had $1.09 million in net assets. Of this amount roughly half is unrestricted and half is invested in capital assets, net of related debt.

NET ASSETS	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	5-yr Var.
Assets:							
Cash	203,813	271,361	303,051	468,418	480,437	477,098	134%
Other	67,107	71,989	109,046	121,517	82,450	103,319	54%
Capital assets (net)	642,384	556,889	501,622	437,760	560,352	526,274	-18%
Total Assets	$ 913,304	$ 900,239	$ 913,719	$ 1,027,695	$ 1,123,239	$ 1,106,691	21%
Liabilities:							
Current liabilities	28,403	40,127	39,591	44,024	20,443	6,598	-77%
Long-term liabilities	95,922	76,713	56,347	34,755	11,862	8,472	-91%
Total Liabilities	$ 124,325	$ 116,840	$ 95,938	$ 78,779	$ 32,305	$ 15,070	-88%
Change in Net Assets	**$ 95,776**	**$ (5,580)**	**$ 34,382**	**$ 131,135**	**$ 142,018**	**$ 687**	
Total Net Assets	$ 788,979	$ 783,399	$ 817,781	$ 948,916	$ 1,090,934	$ 1,091,621	38%
Net Assets:							
Invested in capital assets, net of related debt	546,462	480,176	445,275	403,005	548,490	526,274	-4%
Restricted	-	-	-	-	12,490	15,142	
Unrestricted	242,517	303,223	372,506	545,911	529,954	550,205	127%
Total Net Assets	$ 788,979	$ 783,399	$ 817,781	$ 948,916	$ 1,090,934	$ 1,091,621	38%
Increase from prior year	13.8%	-0.7%	4.4%	16.0%	15.0%	0.1%	

source: Statement of Net Assets

As identified, the District maintains its cash and investments at a private institution in five separate funds. Below is the breakdown as of June 30, 2012.

Account	Total
General Fund	$ 21,471
Savings (money market)	404,977
Restricted Funds	15,142
Petty Cash	650
CD	50,000
Total	$ 492,240

E. Fund Balance

Considering net assets does not indicate if an agency has enough fund balance to operate short and long-term operations. A trend of operating deficits is a key indicator of the financial health of an agency. The chart below shows fund balances for the District's governmental funds for the past six audited years. The fund balance has increased by 133% since FY 2006-07 with Total Revenues increasing by 3% and Total Expenditures increasing by 29%.

The District held restricted cash of $15,142 on hand as of June 30, 2012. The restricted cash includes amounts received for various programs the organization has including: the tennis program, library improvements, maps program, and the senior nutrition program. There is also an amount included for future improvements to be made to the Mojave property owned by the District.

FUND BALANCE	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	5-yr Var.
Fund Balance:							
Non spendable	-	-	-	-	66,270	65,902	
Restricted	-	-	-	-	12,490	15,142	
Unassigned (Unreserved)	242,517	303,223	372,506	545,911	463,684	484,303	
Total Fund Balances	$ 242,517	$ 303,223	$ 372,506	$ 545,911	$ 542,444	$ 565,347	133%
Revenues:							
Property tax	380,818	438,520	439,874	420,263	383,400	366,739	-4%
Fire assessment	199,868	214,573	263,798	269,762	280,605	286,528	43%
Grant income	14,419	7,629	69,537	-	186,044	31,971	122%
Fire service	88,291	56,354	6,111	15,900	4,992	1,542	-98%
Park revenue	2,592	2,355	2,686	101,042	4,992	3,332	29%
Other	6,739	6,300	2,243	14,483	3,463	22,289	231%
Total Revenues	$ 692,727	$ 725,731	$ 784,249	$ 821,450	$ 863,496	$ 712,401	3%
Expenditures:							
General government	58,177	91,887	87,677	81,440	86,016		-100%
Fire operations	378,911	487,666	534,118	473,141	504,787	605,710	60%
Park & recreation	51,657	57,246	64,707	64,747	247,417	79,714	54%
Streetlights	3,258	3,546	3,837	4,091	4,116	4,074	25%
Debt service	41,129	24,680	24,627	24,626	24,627	-	-100%
Total Expenditures	$ 533,132	$ 665,025	$ 714,966	$ 648,045	$ 866,963	$ 689,498	29%
Revenues less Expenditures:	**$ 159,595**	**$ 60,706**	**$ 69,283**	**$ 173,405**	**$ (3,467)**	**$ 22,903**	
Fund Balances, Beginning	82,922	242,517	303,223	372,506	545,911	542,444	
Fund Balances, Ending	$ 242,517	$ 303,223	$ 372,506	$ 545,911	$ 542,444	$ 565,347	133%
Increase from prior year	174.8%	25.0%	22.8%	46.6%	-0.6%	4.2%	

sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance

However, for five of the audited years the District has experienced abnormal activity, explained as follows:

- *FY 2006-07* – This was the first year that the District collected revenues from the 2002 voter-approved Fire Assessment.
- FY 2007-08 – This was the first year that a paramedic was assigned to an engine.
- *FY 2008-09* - The District received a grant of $69,535, which was used to purchase fire apparatus and paramedic supply and equipment.
- *FY 2009-10* - In October 2009 the District sold park property (gun range) to a private entity that desired to continue the operation of the gun club. The terms of the sale included: 1) the sale of the property for $100,000, of which $50,000 would be a note payable to the District with annual payments of $3,333.72 until 2040, and 2) $48,753 in cash to the District (after title

and escrow charges). Although, classified as a current asset, the note receivable will be identified as an asset in the financial statements until 2040. As for the $48,753 in cash, it was placed in the District's general fund.

- *FY 2010-11* – The District received a grant of $186,044, which was used to make improvements to Covington Park.

General Fund Liquidity

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. At the end of FY 2011-12, unassigned fund balance of the general fund was $484,303, while total fund balance reached $565,347. Unassigned fund balance represents 70 percent of total general fund expenditures, while total fund balance represents 82 percent of that same amount. Therefore, while the fund balance has increased by 133% during the past six audited years, the liquidity of the general fund is still improving.

GENERAL FUND LIQUIDITY						
General Fund (GF)	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Total GF expenditures	$ 533,132	$ 665,025	$ 714,966	$ 648,045	$ 866,963	$ 689,498
Unassigned GF fund balance	242,517	303,223	372,506	545,911	463,684	484,303
(as a % of total expenditures)	45%	46%	52%	84%	53%	70%
Total fund GF balance	242,517	303,223	372,506	545,911	542,444	$ 565,347
(as a % of total expenditures)	45%	46%	52%	84%	63%	82%
sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance						

Unassigned Fund Balance

The Government Finance Officers Association ("GFOA") currently recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund. The current GFOA policy is vague in stating that the "adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances." Though the existing GFOA policy is not specific, it recommends that regardless of size, general-purpose governments should maintain unrestricted fund balance in their general fund of "no less than two months of regular general fund operating revenues or expenditures." A General Fund balance of a lesser level exposes the General Fund to the risk of not being able to meet cash flow requirements, economic uncertainties, or other financial hardships.

As shown on the chart above, the CSD's unrestricted fund balance during this timeframe is more than two months of regular general fund operating expenditures. Therefore, the CSD is above the threshold and meets the requirements of the GFOA policy. However, the CSD has not established a formal policy on the level of unrestricted fund balance that should be maintained in the general fund. The CSD has identified that it is in the process of formulating a Financial Practices Policy and hopes for adoption of that policy this fiscal year.

F. Revenues and Expenditures

The primary sources of revenue for the District is its share of the one percent general levy property tax followed by the fire assessment. The District's average share of the one percent ad valorem general levy is 17.46%. As shown in the Fund Balance figure above, property tax was relatively the same in FY 2010-11 as FY 2006-07, and decreased for 2011-12. However, the fire assessment continues to increase annually resulting in a 43% increase during the timeframe.

Property Tax

Since FY 2007-08, the total assessed property value has decreased 12% from $215.0 million to $188.8 million. However, the decreases in assessed value have been relatively low in comparison with other areas of the county. For 2012-13, the County identifies a decrease of 1.32%. This lessening of the decline in annual change, however nominal, is a positive sign for the community. There is a correlation between assessed property value and the receipt of property taxes. The chart below shows the assessed values and tax levies for the past six years.

Year	Assessed Value		Tax Received	
	Valuation	% change	Total Tax	% change
2007-08	$ 219,466,184	16.77%	$ 438,520	15.20%
2008-09	$ 223,434,153	1.81%	$ 439,874	0.31%
2009-10	$ 211,888,756	-5.17%	$ 420,263	-4.46%
2010-11	$ 199,152,315	-6.01%	$ 383,400	-8.77%
2011-12	$ 191,364,025	-3.91%	$ 365,916	-4.56%
2012-13	$ 188,842,644	-1.32%	$ 365,516	-0.11%

sources:
County of San Bernardino, Agency Net Valuations *(2007/08 - 2011/12)*
District financial statements FY 2007/08 - 2010/11
District budget FY 2012-13

Foreclosure activity has affected the nation in general and Morongo Valley community is no exception. According to data obtained from staff of the County of San Bernardino Assessor's Office, from 2004 to 2008 the community had 74 foreclosures. Foreclosures peaked in 2009 (82), and remained relatively high for the next two years: 2010 (54) and 2011 (76).

MORONGO VALLEY FORECLOSURES (2004-2011)							
2004	2005	2006	2007	2008	2009	2010	2011
4	2	6	23	39	82	54	76
source: County of San Bernardino Assessor							

Fire Assessment

In 2002, in response to declining numbers of volunteer firefighters and to community concerns regarding 30-minute response times by the County-franchised ambulance service, the District proposed the Morongo Valley Fire and Rescue Assessment pursuant to Government Code Sections 50078 et seq. According to the ballot measure, the assessment provides funding to:

- Ensure a minimum of two paid fire personnel on duty 24 hours a day, 7 days a week,
- Upgrade Emergency Medical Service from EMT/Firefighter (Basic Life Support) to Paramedic/Firefighter (Advance Life Support),
- Significantly improve response times for Advance Life Support. [At that time, the private ambulance company was allowed up to 30 minutes to respond with a paramedic.] A Morongo Valley Paramedic/Firefighter responds directly with an engine,
- Guard against possible increases in fire and home insurance by protecting the District's fire risk rating, and
- Work towards improving fire risk rating in areas with highest insurance rates by establishing a water haul system.

In 2002-03, the District conducted a special assessment election for fire purposes. Due to a calculation error (reason unknown to the current CSD Board and management), it was determined that the assessment election failed. In 2005-06 the District began contemplating a new assessment for fire protection and determined to request a legal opinion on the outcome of the prior election. In July 2006, the district received a legal opinion determining that the prior ballot measure did pass. The District then commenced collection of the assessment approved in 2002 starting with FY 2006-07.

The total cost of the fire protection service is allocated to each property based on estimated special benefit received pursuant to the Engineer's report at the time of election. The method of benefit allocation is based on the relative benefit to a property in relation to a single family home, the type of property, and its size, adjusted for inflation capped at 3% each year. For FY 2002-03, the single family equivalent (SFE) was a single family home on a ½ acre or less with an assessment of $113.82 (although not collected at that time). For FY 2012-13, the SFE assessment is $148.65. Since the start of collection in FY 2006-07, the fire assessment continues to increase annually resulting in a 40% increase during the timeframe. This is in comparison with the general ad valorem property taxes which have decreased over the six year period by more than 12%.

The CSD has identified to the Commission that it has not updated the annual parcel submission to the County Tax Collector. Since parcel use can change, the Commission recommends that the CSD perform an audit of its parcel listing for the next submission to the County Tax Collector of its fire assessment. The District has provided a copy of the engineer's report for the original commencement and in its letter to has stated that it will perform a complete engineering report prior to next year's assessment process.

Expenditures

The primary expenditure activities in order are: fire operations, general government, park and recreation, debt service, and streetlights. From this, salaries and wages and operations expenses comprise the highest percentage of expenditures.

As for park and recreation, when excluding the revenues and expenditures from grant funds, the annual expenditures are generally constant. However, the general government and fire operation

activities have increased significantly. The figure below is based on the Fund Balance figure above, but shows the net cost of the District's four activities for the past three audited years. As shown, the three service activities (fire, park, and streetlights) all require property tax revenue to operate since these activities are not business-type activities (italicized). The key point is how much property tax is needed to fund each activity. However, with debt service retired as of June 30, 2012, the District will annually have an additional $25,000 to reduce the fire activity's burden on the property tax revenue.

NET COST OF GOVERNMENTAL ACTIVITIES					
FY 2009-10	**General Gov**	**Fire**	**Park & Rec**	**Streetlights**	**Total**
Revenues:					
Property tax	*206,322*	*209,850*	-	*4,091*	*420,263*
Fire assessment	-	269,762	-	-	269,762
Other	12,068	18,156	101,201	-	131,425
Total Revenues	$ 218,390	$ 497,768	$ 101,201	$ 4,091	$ 821,450
Expenditures:					
Salaries & wages	39,015	280,340	24,915	-	344,270
Benefits	14,391	38,463	7,434	-	60,288
Operations expense	28,033	154,338	32,398	4,091	218,860
Debt service	-	24,627	-	-	24,627
Total Expenditures	$ 81,439	$ 497,768	$ 64,747	$ 4,091	$ 648,045
Revenues less Expenditures	**$ 136,951**	**$ -**	**$ 36,454**	**$ -**	**$ 173,405**
FY 2010-11	**General Gov**	**Fire**	**Park & Rec**	**Streetlights**	**Total**
Revenues:					
Property tax	*81,918*	*243,817*	*53,549*	*4,116*	*383,400*
Fire assessment	-	280,605	-	-	280,605
Other	631	4,992	193,868	-	199,491
Total Revenues	$ 82,549	$ 529,414	$ 247,417	$ 4,116	$ 863,496
Expenditures:					
Salaries & wages	46,538	299,255	34,349	-	380,142
Benefits	10,075	46,111	7,513	-	63,699
Operations expense	29,403	159,421	205,555	4,116	398,495
Debt service	-	24,627	-	-	24,627
Total Expenditures	$ 86,016	$ 529,414	$ 247,417	$ 4,116	$ 866,963
Revenues less Expenditures	**$ (3,467)**	**$ -**	**$ -**	**$ -**	**$ (3,467)**
FY 2011-12	**General Gov**	**Fire**	**Park & Rec**	**Streetlights**	**Total**
Revenues:					
Property tax		*324,425*	*35,305*	*2,264*	*361,994*
Fire assessment		286,528	-	-	286,528
Other		58,002	5,877	-	63,879
Total Revenues	$ -	$ 668,955	$ 41,182	$ 2,264	$ 712,401
Expenditures:					
Salaries & wages		341,444	35,985	-	377,429
Benefits		38,757	10,957	-	49,714
Operations expense		213,196	32,772	4,074	250,042
Debt service		12,313	-	-	12,313
Total Expenditures	$ -	$ 605,710	$ 79,714	$ 4,074	$ 689,498
Revenues less Expenditures	**$ -**	**$ 63,245**	**$ (38,532)**	**$ (1,810)**	**$ 22,903**

source: Combining Statement of Revenues, Expenditures, & Change in Fund Balance

G. Post-Audit Revenues and Expenditures

Moving beyond the FY 2011-12 audit year, the figure below shows the 2012-13 Adopted Budget and LAFCO's projections for the following two years. As shown, LAFCO projects a decline in revenues by five percent and an increase in expenditures by three percent, rounded up to a total fund balance decrease of nine percent. The projections identify a deficit representing 3.2% of expenditures (roughly $22,500) for 2013-14 and 4.2% (roughly $30,000) for 2014-15. A projected deficit of 3.2% and 4.2% could be considered manageable given fee increases and/or expenditure cuts. Therefore, given the data provided by the CSD, the CSD is likely to be able to continue providing service at its current level through 2014-15.

POST AUDIT: 2012-13 BUDGET & TWO-YEAR PROJECTION

	2011-12 Audit	2012-13 Budget	2013-14 LAFCO Projection	2014-15 LAFCO Projection	3-yr Var.
Revenues:					
Property tax	366,739	365,516	365,516	365,516	0%
Fire assessment	286,528	291,915	297,753	303,708	6%
Grant income	31,971	5,293	-	-	-100%
Fire service	1,542	27,900	3,638	3,711	141%
Park revenue	3,332	5,200	5,304	5,410	62%
Other	22,289	1,500	1,500	1,530	-93%
Total Revenues	$ 712,401	$ 697,324	$ 673,712	$ 679,876	-5%
Expenditures:					
General government	105,302	179,877	183,475	187,144	78%
Fire operations	500,731	485,323	495,029	504,930	1%
Park & recreation	67,078	12,924	13,182	13,446	-80%
Streetlights	4,074	4,200	4,284	4,370	7%
Debt service/replacement	12,313	15,000	-	-	-100%
Total Expenditures	$ 689,498	$ 697,324	$ 695,970	$ 709,890	3%
Revenues less Expenditures:	**$ 22,903**	**$ -**	**$ (22,259)**	**$ (30,014)**	
Fund Balances, Beginning	542,444	565,347	565,347	543,088	
Fund Balances, Ending	$ 565,347	$ 565,347	$ 543,088	$ 513,074	-9%
Change from prior year	4.2%	0.0%	-3.9%	-5.5%	

sources: CSD Audit and Budget, LAFCO

H. Appropriations Limit

Article XIIIB of the State Constitution (the Gann Spending Limitation Initiative), mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9(c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of $0.125 (12 ½ cents) per $100 of assessed value for the 1977-78 fiscal year. According to the *County of San Bernardino 1977-78 Valuations/Tax Rates* publication, the tax rate for the District for FY 1977-1978 was $1.0653 per $100 of assessed value. Being over the $0.125 tax rate, the district does not qualify for an exemption from the requirement of an appropriations limit. Therefore, it must have an appropriations limit. Failure to provide for an appropriation limit calls into question the District's ability to expend the proceeds of taxes (general ad valorem share and special taxes).

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. Further, Government Code Section 7910 expands upon the Gann Initiative and requires each local government to annually establish its appropriation limits by resolution. Since the District lacks the mandatory appropriation limit, the District's audits and budgets do not identify adherence to the above-mentioned audit and budget requirements and no verification of this requirement has taken place as required by State law and the Constitution.

The District has responded to this information by identifying that it will adopt an appropriation limit at its November 14, 2012 hearing.

I. Filing and Adoption Requirements

Government Code Section 26909 requires all districts to provide for regular audits; the Agency conducts annual audits and meets this requirement. Section 26909 also requires districts to file a copy of the audit with the county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, the last audit received was in August 2011 for FY 2009-10. The Commission determines that the CSD shall be required to forward its subsequent audits to the County Auditor.

Government Code Section 61110(f) requires a CSD to adopt a final budget by September 1 of each year and shall forward a copy of the final budget to the county auditor. A review of the CSD's budgets indicates that it meets this requirement.

J. Conclusion to Financial Determination

In reviewing the District's financial statements, net assets have increased by 38% since FY 2006-07. During the past five years Total Assets have increased by 23% and Total Liabilities have decreased by 74%. From the Net Assets perspective, the financial heath the District overall has increased during the past five years. Additionally, the fund balance has increased by 124% since FY 2006-07 with Total Revenues increasing by 25% and Total Expenditures increasing by 63%. The CSD maintains unrestricted fund balance in its general fund of more than two months of regular general fund operating revenues or expenditures. Therefore, given the data provided by

the CSD, the CSD is likely to be able to continue providing service at its current level through 2014-15.

However, the CSD does not comply with CSD law due to the lack of reserve policy. CSD management has identified that it is in the process of formulating a Financial Practices Policy and hopes for adoption of that policy this fiscal year.

Of concern is that the management of the District has elected to omit the required Management Discussion and Analysis information for at least the past five audited years. This material is necessary for the Board of Directors and the public to be able to understand the financial position of the district. In its response to the Commission, the CSD states that it will include a Management Discussion and Analysis beginning with the June 30, 2012 audit.

As a part of this service review the District has outlined its efforts to adopt an appropriations limit as required by the State Constitution.

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

The District did not identify any current or future opportunities for shared facilities. However, the District could partner with the County Library for use of its mobile library program. Such a partnership would provide for increased access to library materials for the community.

Adjacent to the Women's Club, the District owns a five-acre undeveloped parcel. There are no specific plans at this time for its use; however, it was purchased with the intent for creating a partnership with the adjacent Morongo Valley Elementary School.

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

Local Government Structure and Community Service Needs

The CSD is an independent special district governed by a five-member board of directors elected at-large. Members are either elected by the voters at the November election in odd years or are appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms. A review of the election results from the County Registrar of Voters website identifies that competitive elections were conducted from 1997 through 2005 with more people running than open seats. However, the past three elections have not yielded enough interested and qualified candidates for a competitive election to be conducted, resulting in appointments in-lieu of election. In a recent edition of its report, *What's So Special about Special Districts*, the state Senate Local Government Committee states that the, "narrow and technical nature of a district's activities often results in low civic visibility until a crisis arises." The current board, positions, and terms of office are shown below:

Board Member	Title	Term	Elected/Appointed
Johnny Tolbert	President	2015	Appointed –in lieu of Election
Kristina Brook	Vice-President	2013	Appointed Feb. 2012 to fill unexpired term
Chuck Osborne	Director - Parks Commissioner	2015	Appointed – in lieu of Election

Glen M. Shepherd	Director - Finance Director	2013	Appointed – in lieu of Election
Michael J. Francis	Director – Fire Commissioner	2013	Appointed – in lieu of Election

Regular Board Meetings are scheduled at 7:00 p.m. on the third Wednesday of each month at the community center at Covington Park. The CSD submits information to a third party website (www.92256.net) and the CSD's direct link is (www.92256.net/csd/csd.asp). However, the as of the date of this report the website has not been updated since February 2012 and lacks information on the board of directors. The California Special Districts Association offers a free website program for its members which the CSD should be able to utilize.

The CSD utilizes County Counsel for its legal needs. However, the CSD has confirmed that legal counsel is not present at board meetings, and in the past it has contracted with outside legal counsel (see Legal Opinion for Fire Assessment).

Operational Efficiencies

Operational efficiencies are achieved through the following:

- The CSD could realize savings by participating in the August special districts consolidated election (mail ballot) instead of the consolidate November election.

Government Structure Options

There are two types of government structure options:

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

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

Out-of-Agency Service Agreements:

The District provides fire response outside its boundaries through the state mandated mutual aid agreement.

The CSD (through its Fire Department) and the Inland Counties Emergency Medical Agency ("ICEMA") (County Board of Supervisors acting as the ICEMA Board of Directors) entered into a non-financial agreement in 2008 authorizing the CSD to provide non-transport Advanced Life Support services within District's boundaries and its sphere of influence. The agreement was from February 2008 through January 2010 and is automatically renewed for successive two-year periods unless terminated or amended.

The CSD and the San Bernardino County Fire Protection District ("County Fire") have entered into an automatic aid/mutual aid agreement to provide the most expeditious response to suppress fires and render other emergency services. The agreement identifies that neither party shall be obligated to reimburse the other for its response. The term of the agreement is until June 30, 2017 with a 90-day termination notice.

Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

The following scenarios are presented to address possible government service delivery options, and are theoretical scenarios for the community to consider for the future.

- A single fire agency for the Morongo Basin. The responsibility of fire protection and emergency services currently provided by the CSD could become the responsibility of County Fire and its South Desert Service Zone. There are benefits to regionally providing services, such as fire protection, through a single entity such as the transfer of existing revenue streams to the larger fire entity for regional use and potential economies of scale that could be achieved through joint administration, joint purchasing, etc. However, without support from all affected agencies this option would not be achievable.

  In the discussion of this option, LAFCO would support the annexation of this territory to County Fire and the transfer of the existing property tax support for these operations from the district. However, during the reorganization of County Fire (LAFCO 3000), the property tax revenues generated within each of the unincorporated areas derived by CSA 70 was transferred to County Fire for its administration, most importantly from within the service area independent fire providers within the unincorporated area. For the CSD's area, roughly $52,000 was transferred to County Fire for fire administration. Below is the chart which was included in the September 2007 staff report for LAFCO 3000 outlining this distribution.

SUMMARY OF REVENUE ALLOCATED TO CSA 70*
Prepared by Bob Wright 2/27/07

	Assessed Value in CSA 70	1% General Tax Levy	CSA 70 Revenue	Independent District Revenue	# TRAs
Crest Forest Fire Protection District	1,368,861,644	13,688,616.44	323,282.27	3,248,324.64	52
Chino Valley Independent Fire District	438,657,966	4,386,579.66	111,192.51	644,285.16	21
Apple Valley Fire Protection District	919,969,619	9,199,696.19	261,868.80	914,490.28	90
Barstow Fire Protection District	271,329,791	2,713,297.91	59,506.45	663,640.71	25
Rancho Cucamonga Fire Protection District	92,986,681	929,866.81	24,993.45	117,115.79	13
Arrowbear Park County Water District	109,185,352	1,091,853.52	29,580.76	224,409.90	2
Running Springs County Water District	530,926,431	5,309,264.31	134,376.95	1,450,365.16	19
Big Bear Lake Fire Protection District	11,153,693	111,536.93	2,886.69	18,388.82	2
Big Bear City Community Services District	1,886,320,591	18,863,205.91	532,325.71	1,725,718.50	17
Morongo Valley Community Services District	200,630,602	2,006,306.02	52,124.25	363,395.32	21
Twentynine Palms Water District	1,162,534	11,625.34	388.27	0.00	4
Yermo Community Services District	78,014,587	780,145.87	25,277.40	78,008.05	8
Daggett Community Services District	23,336,338	233,363.38	6,439.71	55,730.25	16
Newberry Community Services District	161,113,077	1,611,130.77	52,174.36	162,401.48	14
Baker Community Services District	37,565,171	375,651.71	11,182.79	66,264.78	1
	6,131,214,077	61,312,140.77	1,627,600.37	9,732,638.85	305
REMAINING UNINCORPORATED AREA			4,534,982.00		

Contracting with County Fire for fire protection does not provide access to these administration funds; however, annexation would.

- Assumption of retail water responsibility as well as other municipal level services for the community. Within the CSD, County Service Area 70 has two isolated zones for retail water delivery and an isolated zone for television service. As a multi-function, independent special district, the CSD has the statutory authority to provide retail water and television services, although activation of such services is subject to LAFCO review and authorization. In this scenario, the CSD could assume responsibility for the service entities within its boundaries.

  Such a change is in concert with the Commission's community service ideology, there would be a single agency providing the full range of municipal services within a community (along with a transfer of the property tax share of each respective agency) and reduction of multiple agencies providing the same service. LAFCO bases this possibility upon the following:

  > Legislature's intent in Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and Community Services District Law. The preamble to Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities.

  San Bernardino LAFCO has utilized community services districts as a service mechanism to nurture communities and protect them from intrusion by other service providers so that the potential for a future incorporated city is retained. Further, the preamble to Community Services District Law states that the intent of the Legislature for CSD Law is to encourage LAFCOs to use their service reviews, spheres of influence, and boundary powers, where feasible and appropriate, to combine special districts that serve overlapping or adjacent territory into multifunction community services districts.

  This option was presented to the CSD as a part of its review of a draft of the report and discussed with the District at the meeting held on October 22, 2012. In response to these discussions, the CSD indicates that its preference is to the have the water and television functions remain the responsibility of the County.

  However, LAFCO returns to the Legislature's intent in LAFCO Law and Community Services District Law and the Commission's policy on spheres of influence in that a single multi-function agency may be the best mechanism to coordinate and provide service within a defined community. It is evident that the current situation results in multiple governing bodies, administration, overhead, and financial reporting.

- Maintenance of the status quo. This option retains the existing structure for fire protection, park and recreation, library, and streetlighting services for the Morongo Valley community and maintenance of separate entities for water and television within the territorial limits of the CSD.

Within the CSD, two zones of the County provide water service from separate systems. The assumption of that role by the CSD would remove a layer of government in the community. As for fire protection, the current level of service provided by the CSD is considered adequate but inclusion within County Fire may provide more efficient and effective service. For the long-run, LAFCO supports both of these scenarios.

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

1. Present and Planned Uses:

Morongo Valley is a rural community with scattered development on large parcels of land. Development consists mostly of residential single-family homes with little commercial development. The community has wilderness and recreational areas within and surrounding the community.

Within the CSD's boundary and current sphere of influence, roughly 36% of the land is privately owned and the remainder, 64%, is public, which are devoted primarily to resource protection and recreational use. The public lands represent lands that are part of the San Gorgonio Wilderness as well as lands that are within the Big Morongo Canyon Preserve along the northern edge of the CSD's existing sphere, which are lands administered by the Bureau of Land Management (BLM). The Big Morongo Canyon Preserve is considered an area of critical environmental concern (ACEC), a conservation ecology program that protects riparian corridors, threatened and endangered species, and unique landscapes.

Within the CSD's existing sphere area, approximately 59% is designated Resource Conservation comprising mostly the public lands administered by the BLM, 7% Open Space, 28% Rural Living, 4% Single Residential, 1% Institutional, 0.5% Multiple Residential, and 0.5% a mix of Commercial and Industrial land uses.

The area being proposed for expansion to the CSD's current sphere of influence (approximately 8,130 acres) is primarily designated Resource Conservation (92%) with little or no development potential since these are mostly public land within the San Gorgonio Wilderness. The privately held lands within the expansion area are lands generally owned by a non-profit conservation group that set aside these lands for preservation. The rest of the expansion area (8%) is designated Rural Living.

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

Fire Protection:

Fire protection and emergency response within the Morongo Valley community is provided primarily by the CSD. As stated in its 2011 Fire Annual Report, the need for four personnel on the fire engine with minimum of three makes a marked difference than two personnel because:

- Traffic accidents in Morongo Valley are usually high impact in nature causing severe injuries with a higher possibility of extraction needed.
- Cardiac arrest incidents are very difficult to handle with only two personnel as it is most effective to have a minimum of two personnel for the subject and one for incident documentation.

Also, plans for future training consist of live burn classes through the Twentynine Palms Marine Corps Base Fire Department, wildland training classes by the San Bernardino County

Training Officers Association, and neighboring training drills in Yucca Valley through County Fire.

The Annual Report identifies that training of its staff could be increased if it were able to acquire additional training facilities. It also states that the District would benefit tremendously from acquiring a designated training area as well as a facility.

Park and Recreation:

The District adopted a 2008 Master Park Strategic Plan through 2013. The Plan states that it strives to avoid repetition of the County's Morongo Valley Community Plan, but draws on the desires of the residents expressed in the Community Plan and the CSD's Park Committee workshops.

In 2011 the District was able to upgrade the facilities at Covington Park with grant funds. Improvements include:

- Purchase or installation of two vaulted bathrooms, ADA sidewalks, second half of skate park, valley ball court, purchase of two sets of bleachers, water fountain, electric pedestals, and 5000 gallon water tank for emergency use.

- Upgrade or repair to the pavilion concrete floor and stage area, shack and storage building, children's playground, and tennis courts.

The Community Plan expresses a desire for intra-community hiking and equestrian trails, traversing federal and state lands. The Park Master Plan identifies that the County Park lands could be used for such a purpose.

In 2000, the Morongo Valley Women's Club deeded its clubhouse facility to the CSD. There is no specified timeline for these improvements. The Park Master Plan states that improvements will be financed with grant funds, donated materials, and volunteer labor. Equipment, furniture, and programming needs will be met with donations.

In 2002 the District purchased a five-acre undeveloped parcel adjacent to the Women's Club. The Master Plan identifies that it could be used for a fitness trail. The Park Master Plan states that funding for the trail would come from voter-approved state bond act funds for parks.

Streetlighting:

The CSD provides service for 28 streetlights. At this time, there are no plans to increase the number of the streetlights within the Community.

Library Services:

A Community Development Block Grant was secured to fund expansion of the Children's Library. For Summer 2012, the Children's Library Director and volunteers are conducting a summer program for children of the community twice weekly in addition to the Thursday and Saturday programs.

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

Fire Protection:

The CSD operates its fire protection and paramedic response through its fire department. The CSD has two fire stations located within the community:

- Fire Station 461

Station 461 is the main fire station and command center for the CSD's Fire Department. It is located at the center of the commercial district, adjacent to the CSD office on Ocotillo Street, in the most densely populated area of the community. The facility houses a medic engine (Type I Engine), brush engine (Type III Engine), fire engine, command vehicle, water tender, utility vehicle, steel cargo container, trailer generator, and all critical equipment.

- Fire Station 462

Fire Station 462 is located in the eastern section of community off Highway 62 on Sundown Trail. This facility has no living quarters. In the past it was used by the Bureau of Land Management, for paid call response by the CSD, and provided a bay for a Sheriff's Citizen Patrol unit. Presently, it is used for training purposes. The bays are used to house a reserve engine (Type I engine) and tactical water tender.

Station 462 currently does not have adequate facilities or space to accommodate a crew for 24 hours since there is no housing quarters present. The CSD is formulating a community-oriented reserve water tender operator program which will allow the department to staff equipment at Station 462 on an as-needed basis thus allowing for better fire response for the east end of the district.

Park and Recreation:

The CSD owns, maintains/operates, and/or leases park and recreation facilities within the Morongo Valley:

- Covington Park

Covington Park is comprised of five acres deeded to the CSD in 1962 to be used for public park or place of resort and recreation. The park is located at Mojave Drive and Vale Drive and is contiguous to the Big Morongo Canyon preserve. The park's hardscape includes: two tennis courts, skate park, community building, snack stand, storage area, children's playground, pavilion, grill area, and picnic tables.

- County Park lands – long term lease

Adjacent to Covington Park, the District has leased County park lands since 1979. The approximate area of 35 acres located off Park Avenue contains a baseball field, practice field, snack stand, and bathrooms. The baseball field has lights for night play but they have not been in use for several years due to the operating expense. The majority of the area is in its natural state. The CSD maintenance building and yard is also located on these lands – leased to the CSD by the County. The building houses equipment and tools to maintain all the CSD facilities. As outlined in the service review portion of this report, the CSD and County

Regional Parks are negotiating a new lease for these facilities. Without a new lease the facilities, including improvements made by the district, will vest in the County.

- Big Morongo Canyon Preserve

The Big Morongo Canyon Preserve provides recreation opportunities such as hiking trails, ecology trails, nature study and bird watching opportunities. The preserve land is managed by the Bureau of Land Management. Service delivery from the Morongo Valley CSD is limited to the provision of emergency response.

- Women's Club

In 2000, the Morongo Valley Women's Club deeded its clubhouse facility to the CSD. The building, which once was a school house, was built in 1947 by volunteers on donated land. The building is not currently open to the public but future plans include reviving the use as a community hall, installing exhibits featuring local history, and developing programs in conjunction with the neighboring elementary school.

- Vacant Parcel

In 2002 the District purchased a five-acre undeveloped parcel adjacent to the Women's Club. There are no specific plans at this time for its use; however, it was purchased with the intent of a creating a partnership with the adjacent Morongo Valley Elementary School.

Streetlighting:

The CSD has identified and provided verification from Southern California Edison that it provides service for 28 streetlights. The streetlights are classified as all night service (activated from dusk until dawn). Southern California Edison owns the streetlights and responds to problems, and the CSD provides for payment of the utility costs associated with the individual lights.

Library Services:

The Covington Park community building is where the Children's Library is located.

4. Social and Economic Communities of Interest:

Social and economic communities of interest include the Morongo Valley, the San Gorgonio Wilderness, the Big Morongo Canyon Preserve (which is considered an area of critical environmental concern), and the Morongo Unified School District.

5. Present and Probable Need for Fire Protection Facilities and Services of any Disadvantaged Unincorporated Communities within the Existing Sphere of Influence.

Portions of the CSD's sphere of influence are considered to be disadvantaged unincorporated communities, as defined by Government Code Section 56033.5 and Commission policy. The community of Morongo Valley itself is considered a disadvantaged unincorporated community comprised of sparse rural residential development with large lot residential development (primarily Rural Living, 2 ½ acre lots and 5-acre lots). Within the boundaries of the CSD,

residents pay a special tax to supplement the general ad valorem property tax fund fire protection and emergency response services. The disadvantaged, unincorporated communities within the District's sphere but outside of its boundaries are within the boundaries of the San Bernardino County Fire Protection District and its South Desert Service Zone.

6. Additional Determinations

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

- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on October 22, 2012, LAFCO staff met with the District and representatives to review the determinations and recommendations made within its draft report, to solicit comments on the determinations presented and to respond to any questions of the affected agencies.

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

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Morongo Valley Community Services District shall be limited to the following:

FUNCTIONS	SERVICES
Fire Protection	Structural, watershed, prevention, first aid, paramedic, rescue
Park and Recreation	Local park development, operation, maintenance
Streetlighting	Streetlighting
Library Service	Library Service

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to expand the Morongo Valley Community Service District's existing sphere of influence by approximately 8,130 acres and affirms the balance of its existing sphere of influence.

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider the territory shown on the map attached as Exhibit "A" as being within the sphere of influence of the Morongo Valley Community Services District; it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which,

although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants.

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

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

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

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

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of November 21, 2012.

DATED: November 21, 2012

LOCAL AGENCY FORMATION COMMISSION CO. OF SAN BERNARDINO

KATHLEEN ROLLINGS-McDONALD
Executive Officer

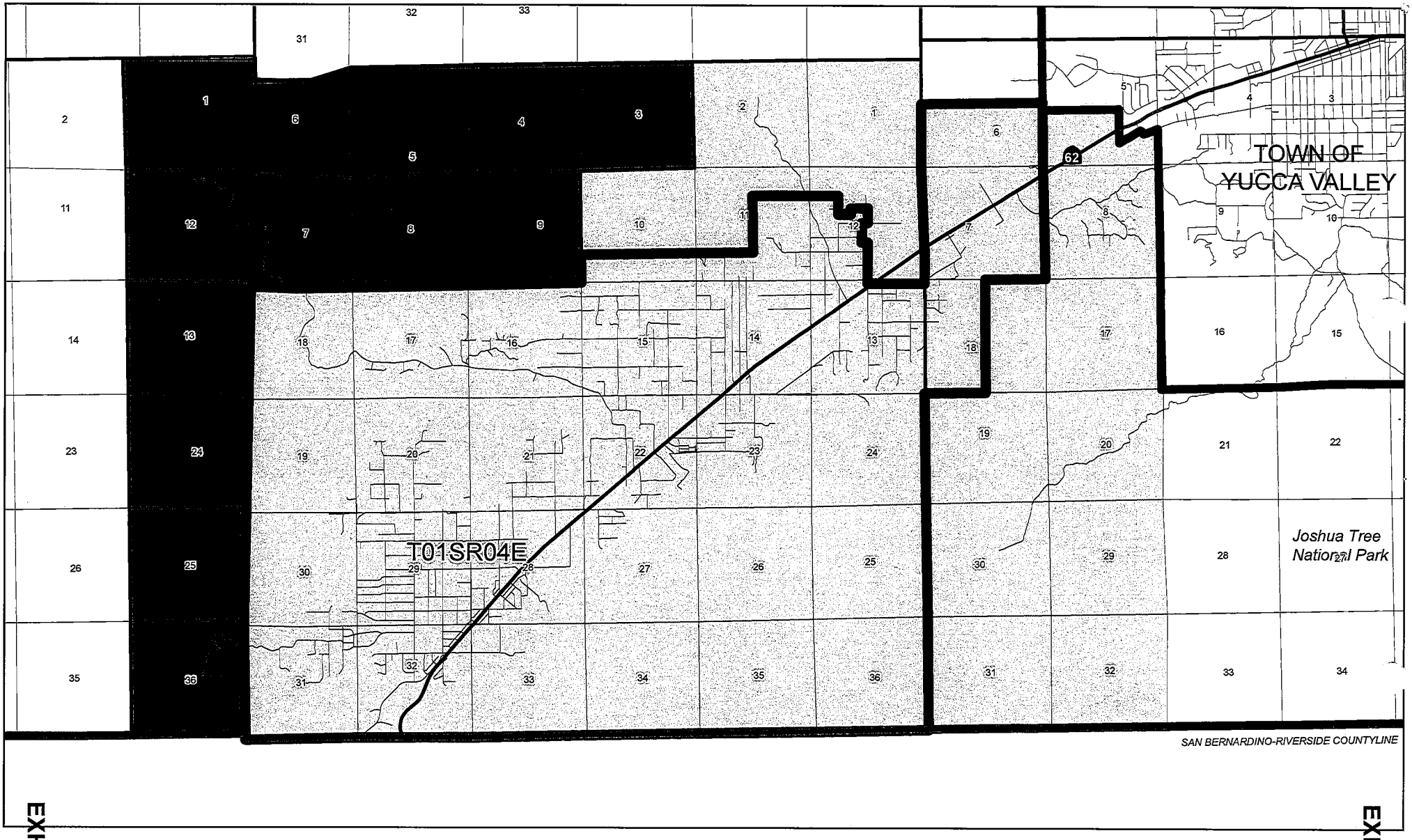

EXHIBIT A

LAFCO 3151 - Sphere of Influence Update for the Morongo Valley Community Services District

- Morongo Valley Community Services District
- Morongo Valley CSD Sphere of Influence
- Countyline
- Sphere of Influence Expansion
- Township/Range
- Section Lines

EXHIBIT A