

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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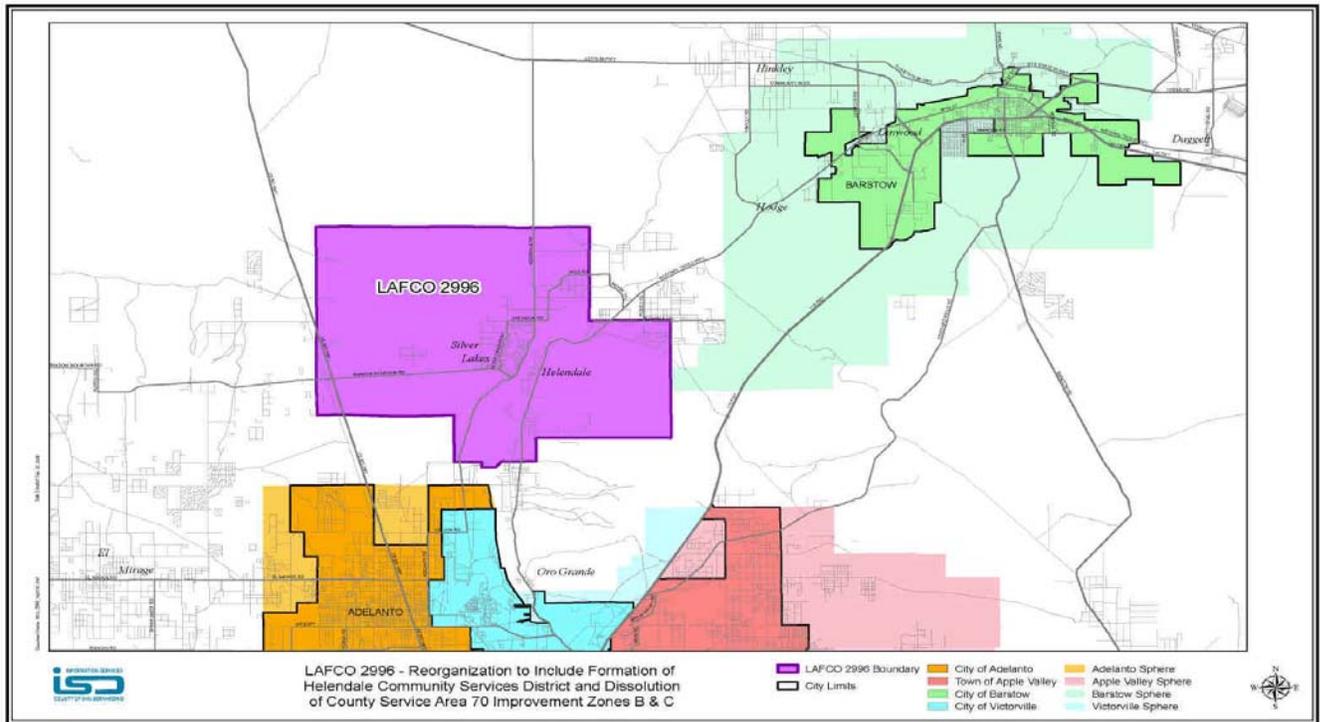
DATE: JUNE 12, 2006
FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #7: LAFCO 2996 – Reorganization to Include Formation of the Helendale Community Services District and Dissolution of County Service Area 70 Improvement Zones B and C

INTRODUCTION

LAFCO 2996 is a proposal to form a Community Services District (hereinafter CSD) for territory identified as the Helendale community. The proposal provides for the assumption of responsibility, through dissolution of the two existing service providers in the area, County Service Area 70 Improvement Zones B and C (hereinafter CSA 70 Zones B and C) for water, wastewater collection and treatment, and streetlighting services within the community. The proposal was initiated by registered voter petition under the provisions of CSD law that preceded its rewrite (effective January 1, 2006) which required that a minimum 10% of the registered voters within the area sign the petition of initiation. On August 12, 2005, the petition was certified as being valid with 14% of the registered voters within the area (411 of 2,932 voters), culminating more than 18 months of discussion and review by members of the Helendale CSD Task Force. With that determination, the process for review and evaluation of a new form of government for this community has been undertaken by LAFCO staff.

The area included within LAFCO 2996 for study, as modified by the Commission at its April hearing, is generally defined as encompassing 66,020 +/- acres (103 +/- square miles) located north of the Cities of Adelanto and Victorville and their spheres of influence, east of section lines approximately one mile west of Highway 395 and northeast of the Bureau of Land Management (BLM) El Mirage study area, southwest of the City of Barstow sphere of influence and the community of Hinkley, and west of section lines which are west of Interstate 15. The general vicinity is shown below:



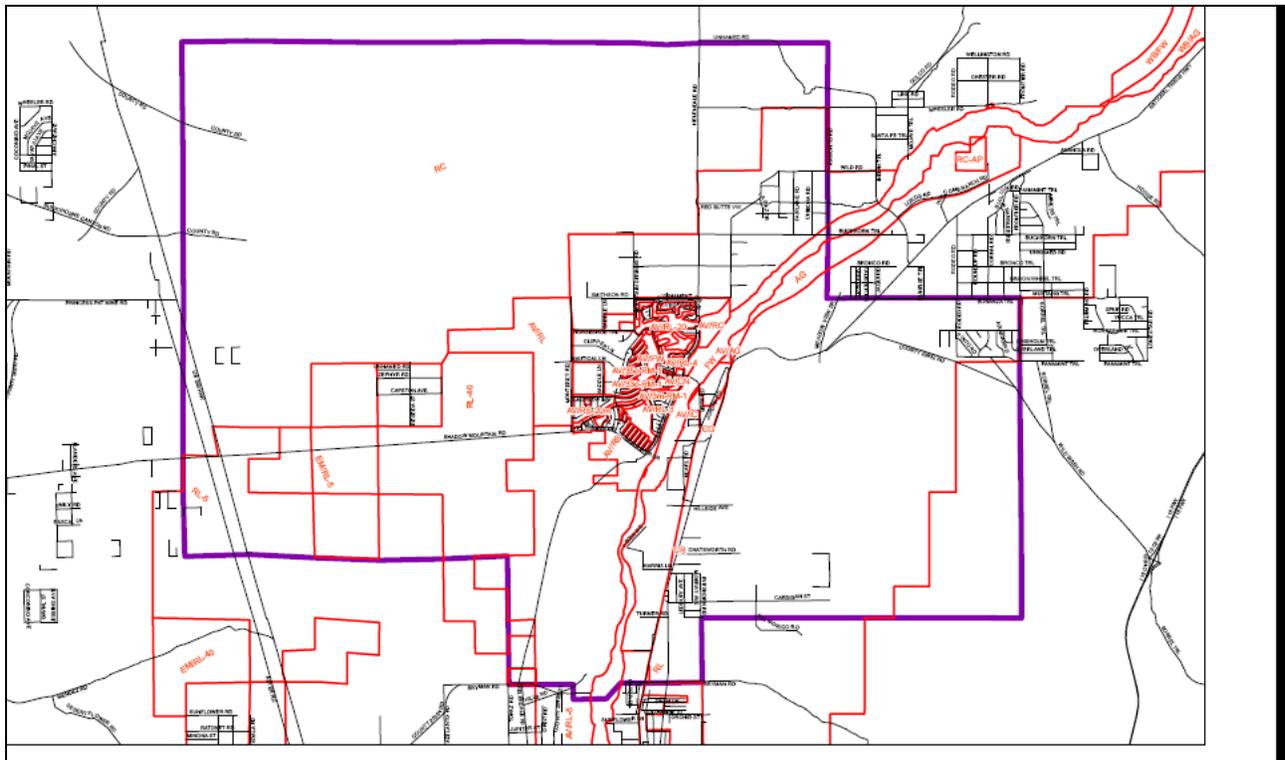
In order to better understand the implications of this choice, a brief background of the history of the Helendale community overall, and its resort-community of Silver Lakes, is provided. The Helendale community began, as many desert communities did, as a Santa Fe Railroad way station in the 1880s. On December 15, 1887, the station’s name was changed to “Helen” in honor of Helen A. Wells, daughter of railroad executive Arthur G. Wells. On September 12, 1898, the name was officially changed to Helendale. Route 66, a major transcontinental highway, was paved and officially opened in the Helendale area in 1926. That roadway is now known as National Trails Highway and bisects the community of Helendale.

The current Helendale community is diverse in its land uses, ranging from large ranches along the Mojave River producing alfalfa or grazing cattle, to an urban enclave of high-density development, commonly known as Silver Lakes. The 2006 population estimate for the overall community is 8,916 residents.

The largest population concentration in the Helendale community is associated with what was once billed as the resort-community of Silver Lakes, as illustrated on the land use map below. This development was proposed during the 1960s as a master planned resort community by a single developer, Dart Industries, from lands associated with a large ranch holding along the Mojave River. In 1969, after five years of planning, construction of the two manmade lakes, a golf course, and home sites began. Services for this community, such as domestic water, irrigation water, and sewer service, were originally provided by the developer, Dart Industries. However, in 1971 the formation of CSA 70 Zones B and C was

approved by the Board of Supervisors, at the request of the developers and landowners, in order that public entities could assume the operation and maintenance of the water and sewer facilities installed by the developers of Silver Lakes for service to the Master Planned Development. In 1990, at the request of landowners and the community, the County formed Assessment District #90-2 within Zones B and C to sell bonds to install water and sewer improvements to accommodate the rapid growth being experienced. At the present time there are approximately 2,989 single-family lots and 199 condominiums within Silver Lakes, with an estimated 996 lots (1/3 of the total) unimproved. However, the sewer and water master plans developed for these agencies in 2002 anticipate a full buildout of both Phase I and Phase II of this master planned project at 7,751 equivalent dwelling units (EDUs) for sewer and water service (identified in the 2002 Water and Sewer Master Plans submitted as a part of the application). Current services, based upon estimates by the County Special Districts Department are for 2,670 water connections with 2,629 EDUs utilized for sewer service. In addition, streetlighting of public right-of-ways has been provided through CSA 70 Zone B.

COUNTY LAND USE DESIGNATIONS WITHIN LAFCO 2996



Also, as a part of this master planned development there was created a Homeowners Association, now known as the Silver Lakes Association, which has responsibility for implementation of the Conditions, Covenants, and Restrictions (CC&Rs) for the project and maintenance and operation of the golf courses, the club house, the private parks within the community, and the streetlights not paid for by CSA 70 Zone B. There will be no effect to this entity through the formation

of the Helendale CSD; nor will there will be a transfer of the privately-owned properties, appurtenances, or facilities.

As a part of the County’s Development Review process, LAFCO staff participates in the review of proposals for development to provide for a discussion of service delivery issues. At the present time, discussions of potential development interests surrounding this community for contemplated projects known as Palisades Ranch, Silver Butte and Silver Mountains have begun. These projects are within the boundaries of the proposed Helendale CSD, but outside the boundaries of CSA 70 Zones B and C (with the exception of a portion of Palisades Ranch). In these discussions, creation of new homeowner associations and new improvement zones through CSA 70 has been discussed as a method for providing needed services. The possibility of annexing the properties to CSA 70 Zones B and C for service is also an option under consideration.

As noted above, the formation of CSA 70 Zone B occurred in June of 1971 and its stated and authorized purpose was to provide the services of: sewer (construction, maintenance, collection and treatment), streetlighting, roads (construction maintenance and operation), park and recreation and parkways, fire, and police protection. The only functions actively provided by the District at the present time are sewer collection, maintenance and operation and treatment and streetlighting on public roads and right-of-ways. Formation of CSA 70 Zone C occurred in August of 1971; its stated purpose was to provide for water service production, storage and distribution within the area; and it only provides this service at the present time.

The balance of the developed portions of the larger Helendale community has developed with minimal levels of service provided by a government. They have developed their homesites or commercial facilities with their own wells or non-public water system; utilize on-site septic disposal systems; and any existing streetlighting has been funded by the private landowners.

PURPOSE OF THIS HEARING

The purpose of today’s hearing is to consider a number of issues required by the Community Services District Law (Government Code Section 61000 et seq.) and Cortese-Knox-Hertzberg Local Government Resorganization Act of 2000 (Government Code Section 56000 et seq.), as well as a number of Commission policy issues relevant to the review of the formation of a new form of government for the community of Helendale.

The rewrite of Community Services District law became effective on January 1, 2006 and defines the purposes of these agencies through Section 61001(b), which reads as follows:

“The Legislature finds and declares that for many communities, community services districts may be any of the following:

- (1) *A permanent form of governance that can provide locally adequate levels of public facilities and services.*
- (2) *An effective form of governance for combining two or more special districts that serve overlapping or adjacent territory into a multifunction special district.*
- (3) *A form of governance that can serve as an alternative to the incorporation of a new city.*
- (4) *A transitional form of governance as the community approaches cityhood.”*

While the Commission has had a general discussion of this proposal at the April hearing regarding its controversy related to boundaries with the Cities of Adelanto and Victorville, this will be its first in-depth review of the formation proposal itself.

At the outset, this review needs to be placed in context regarding timing of future decisions. The key component to today’s hearing is that if the Commission believes that the formation of a CSD for this community is appropriate and that the matter should be decided at the November 7, 2006 general election, this is the last Commission hearing available to allow that to occur. The reason is that the last date to place an item on the November consolidated election, by action of the Board of Supervisors, is July 27, 2006. If consideration is deferred, a special election is available, or a November 2007 general election date. Special elections are quite costly, \$20,000 versus the estimated cost of \$6,000 for a general election and are, therefore, not supported by the Taskforce. Costs for an election for formation of an agency are apportioned to the new agency if successful or to the County if the item fails.

The following outlines the timeline necessary to get to a Board of Supervisors decision to place the matter on the November ballot:

- The Commission must take action on June 21, 2006, to approve the proposal and adopt its resolution setting forth the terms and conditions;
- The adoption of the Commission’s resolution starts the 30-day reconsideration period required by Government Code §56895 – June 21 through July 21st; then,
- Upon completion of this reconsideration period, the Board of Supervisors, at its meeting on July 25, 2006, can request that the Registrar of Voters place the item on the November 7, 2006 ballot at the request of the Commission.

Therefore, it is evident that a determination as to whether or not this proposal should move forward for a decision by the registered voters requires an immediate resolution by the Commission. In doing so, the Commission is legally obligated to evaluate a number of factors that bear little relationship to the popularity of the issue, nor do these determinations require a complete and indisputable list of

financial figures because of the variety of factors that are required for this study. This study is a snapshot in time, based upon financial and service information available and provided to the staff and proponents, which in the present case has been difficult to come by.

However, in making its determinations, State law requires that the Commission's ultimate decision shall be based upon answers to the following questions:

1. Do the boundaries of the proposed new district make sense from a service delivery perspective for current and future growth? Are the boundaries reasonably recognizable? Do they promote efficient service delivery? Do they represent a community of interest? Do the proposed boundaries infringe on other established spheres of influence that might impede achievement of Commission goals in those areas?
2. Would the formation of the new district impair the ability of any other agency to continue providing services? Would there be any adverse financial or service impacts on other agencies that would damage their ability to maintain service levels in other areas?
3. Is the proposed new district financially feasible? Can it, at least, maintain the pre-formation service levels that are currently provided within the study area?
4. Does the proposed formation represent the best available service option for the community? Are there better alternatives for the provision of the range of services within the study area? Does the proposed formation provide for a more efficient and accountable form of government?
5. Would the proposed formation have any adverse environmental effects that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

Although the Commission's response to some of these questions may not be politically popular, the unique role defined for the Commission in State law requires that the answers to these be the focus of its consideration. Each of these areas will be discussed in turn in the narrative which follows.

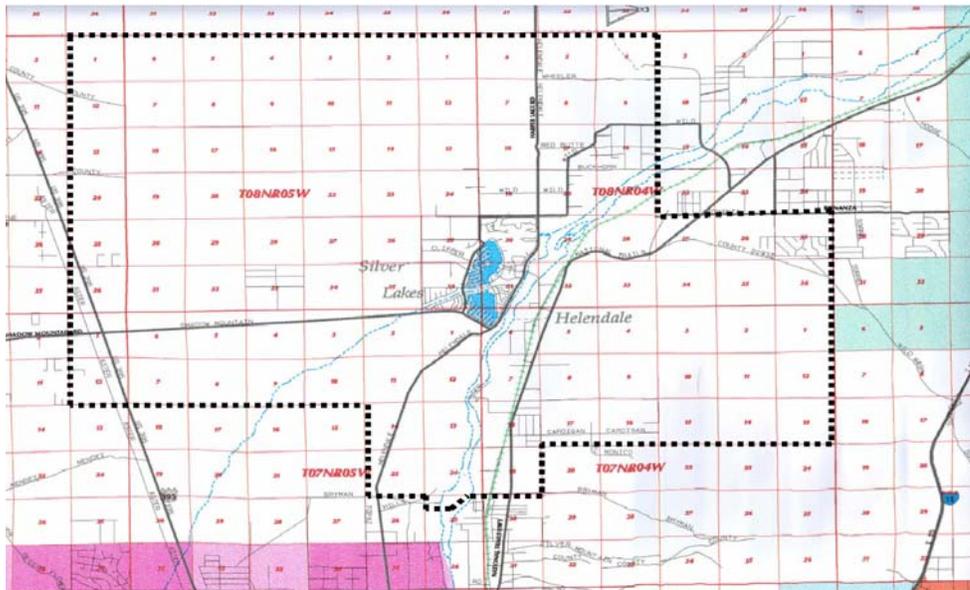
THE STUDY AREA

At the April hearing, the controversy surrounding the boundaries of the proposed Helendale CSD was reviewed with the Commission and direction was provided to staff to utilize the December revision, proposed by the Task Force, in the evaluation of the application. This boundary has been developed as a compromise in response to concerns expressed by the Cities of Adelanto and Victorville regarding the Southern California Logistics Airport (SCLA) safety zones and noise contours; however, it did not defuse the opposition of these agencies. At that

hearing, the Commission directed that three additional questions regarding the boundary be responded to at this hearing:

1. Provide an outline of the relationship of school district boundaries in the area and a discussion of the effect of the formation on these entities;
2. Does this boundary represent a sustainable boundary for a potential city in the area for the future?
3. Provide an outline of the public lands included within the proposal boundary and provide an outline of the effect of the formation on these land holdings.

The map that follows represents the boundary to be evaluated by the Commission at this hearing:



As noted in the staff report for the April 15, 2006 discussion of the modification of the boundary for the Helendale CSD, it represents the community of Helendale by including the majority of the Helendale School District (hereinafter HSD) boundary; it was drawn to include lands to the south that represent the entirety of the development interest known as the Palisades Ranch and the roadways of Helendale Road and National Trails Highway, gateways to the community; it included lands easterly of National Trails Highway along the crest of the ridge which drain toward Helendale and included one mile west of the western HSD boundary in order to include the intersection of Shadow Mountain Road and Highway 395. The Helendale Taskforce's rationale in presenting this boundary was first to address the concerns expressed by the Cities of Adelanto and Victorville to exclude the lands associated with the Safety Review Area of SCLA; then to include the gateways to their community from the south along Helendale Road and National Trails Highway, as well as the whole of the Palisades Ranch;

and then to exclude that portion of the HSD boundary which was currently associated with agriculture through assignment of Williamson Act Agricultural Preserves and contracts.

The boundary, as revised, in the staff's opinion, does represent the community of Helendale; it does provide for a reasonably recognizable boundary for this desert community; and the boundary as presented does make sense from a service delivery perspective, both in the near term and for the future.

The boundary as presented does not infringe upon any other established or presently-proposed sphere of influence determinations. The existing agencies within the area and/or whose sphere of influence includes the area are:

- County Service Area 70 (which includes the entirety of the County's unincorporated territory), whose sphere is coterminous with its boundaries.
- CSA 70 Zones B and C, which have no sphere of influence designation by the Commission.
- County Service Area 38, whose sphere of influence is the unincorporated territory of the County of San Bernardino, overlays the majority of the area for fire protection purposes.
- County Service Area 60 overlays the entirety of the area for purposes of financing the operations of the Apple Valley Airport and is within its sphere of influence.
- Mojave Water Agency overlays the entirety of the area and is included within its sphere of influence.
- Mojave Desert Resource Conservation District overlays the entirety of the territory and is included within its sphere of influence.

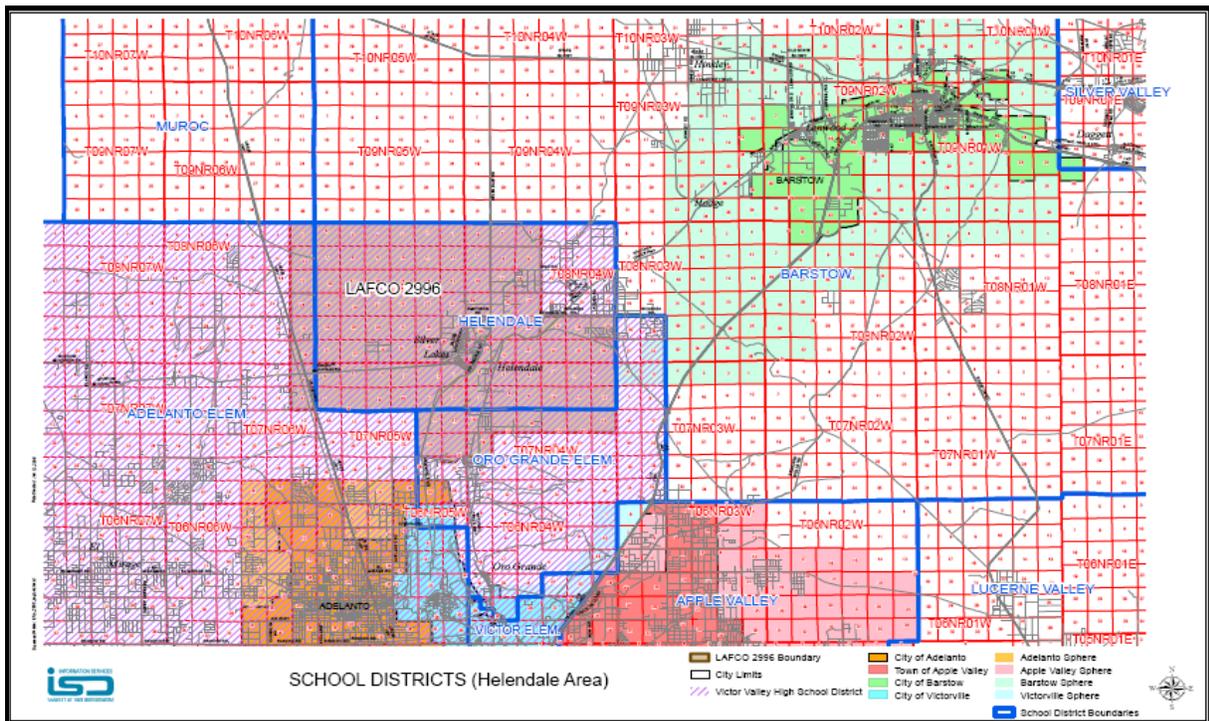
The County of San Bernardino is currently processing a proposal to create Improvement Zone FP-5 of County Service Area 70 to provide for an increased level of fire protection and emergency medical response, including paramedics, for the Helendale community. This agency includes the entirety of the Helendale CSD except for the one mile west of the existing HSD boundary, including the Shadow Mountain Road/Highway 395 intersection.

The Cities of Adelanto and Victorville have indicated that they have not submitted their Municipal Service Review/Sphere of Influence Update materials as requested in June 2005 because of this application. These agencies have indicated that they are going to jointly submit applications to address northerly expansions of their spheres of influence and those of the Victorville-based special districts. As of the preparation of this report, no official documents or applications related to such an expansion have been received by LAFCO staff; therefore, it is the staff's

determination that the proposed boundary does not infringe upon a sphere of influence assigned by the Commission, thereby impinging upon the achievement of Commission sphere of influence goals and policies. Therefore, no agency within the Commission’s purview has been assigned the responsibility to plan for delivery of services to this area in a comprehensive manner or as development is contemplated.

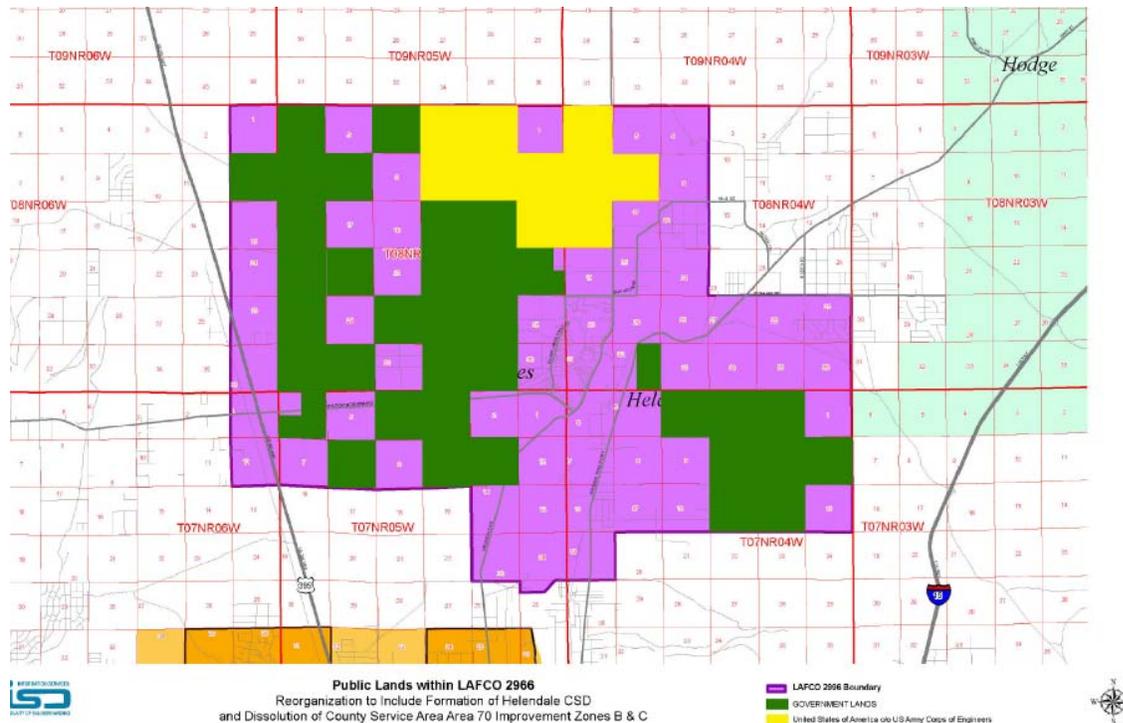
In addition, it should be noted that service delivery within this area at present is provided in response to development activity only. The service needs are primarily addressed through creation of individual improvement zones to encompass the range of services necessary for development approval without regard for an overall community master plan and resident input. Even CSA 70 Zones B and C have no officially-assigned representation through either a Municipal Advisory Council or other mechanism utilized by the County. This is one of the reasons that formation of a local government with elected representatives has been sought for the community.

The Commission raised the question at the April hearing regarding the relationship of the CSD to the school district boundaries within the area. The map below illustrates the boundaries of these agencies. No effect on the school district boundaries will take place through formation of the Helendale CSD; however, the creation of an entity with park and recreation powers will allow for partnering with the school districts to provide for after-school programs and other programs which may be jointly developed.



The Commission also raised the question regarding the sustainability of the boundary for any future incorporation which corresponds with the mandatory determinations of whether or not the boundaries as presented represent a logical and efficient service delivery pattern for the delivery of the full range of services contemplated for this agency. As noted above, the modification in boundary proposed by the Helendale Taskforce took into account drainage patterns within the area primarily addressing the delivery of water service and sewer collection services. The balance of the services contemplated for this agency, park and recreation service, streetlighting, refuse collection and graffiti abatement, can be easily delivered without consideration of topography. Staff believes that the inclusion of the major entry points to the Helendale community, National Trails Highway, Helendale Road and the intersection of Highway 395/Shadow Mountain Road, will allow for a diverse land use pattern, which developed over time could support a potential future city.

The final question related to the inclusion of public lands within the modified boundary. The figure below identifies the public lands within the boundaries of LAFCO 2996:



As indicated in the environmental documents for this review, within the 66,020 +/- acres of LAFCO 2996, approximately 28,880 (43.7%) are public lands, most being managed by the BLM with minor amounts shown for the Army Corps of Engineers. BLM has for a number of years proposed to consolidate its land holdings within the North County into a more cohesive pattern of ownership. Portions of the northwestern BLM lands within LAFCO 2996 are located within the areas proposed as the retention zone, while the eastern areas are within the

disposal zones. Through the central portion are lands identified as “consolidation zones” which indicate a desire to trade lands to consolidate the holdings. If the Commission were to pursue exclusion of these public lands, it would represent the creation of an agency with large islands and peninsulas within its boundaries. It is staff’s position that the inclusion of the lands associated with the retention and consolidation zones does no harm to BLM’s pursuits for these lands; while it may assist in its efforts within the “disposal” zones.

Based upon these determinations, it is the staff’s position that:

1. The modified boundaries presented to the Commission represent the community of interest for a community of Helendale.
2. The modified boundaries as presented represent a reasonable service boundary for current and future growth within the Helendale Community.
3. The boundaries represent an efficient service delivery pattern for the full range of services contemplated for the agency.
4. The boundaries do not infringe upon the established sphere of influence for any agency.

FINANCIAL CONSIDERATIONS

The Helendale Taskforce has submitted a Feasibility Study as a part of its application and has supplemented that document with additional information on the proposed three-year budget for the District, as additional information was received from the County. These materials are included within Attachments #2 (application) and #3 (supplemental information) to this report.

The Commission is required to review the proponent’s materials and the responses provided by staff in order to make its determination that the formation of the District is financially feasible; that it has the ability to maintain the pre-formation service levels; and that it will have a reasonable reserve for the first three years of its existence.

In order to answer these questions, the staff first was required to determine what the property tax transfer would be for this proposal. The following outlines that process:

Property Tax Transfer:

Government Code Section 56810 governs the process for the transfer property tax revenues for the incorporation of a new city and the formation of a new special district. Pursuant to these provisions, LAFCO staff contacted the County Auditor/Controller-Recorder and requested information regarding the property tax revenues attributable to the affected agencies, CSA 70 Improvement Zones B and

C, which would be dissolved or transferred to the new district. The Auditor's response indicated that only CSA 70 Zone B received a share of the general ad valorem tax and would be affected by this action. The second part of these provisions is to determine whether or not the entirety of the agency would be transferred, which is the case for LAFCO 2996 as it proposes to dissolve the agency and transfer its responsibilities and revenues to the Helendale CSD as the successor agency. Since this is the case, the full amount of property tax revenues, estimated to be \$90,000 for CSA 70 Zone B, shall be transferred upon successful completion of this proposal.

However, during the review of the financial information for this proposal, included within the Annual Audits for 2004 and 2005 prepared by an outside audit firm, there were identified property tax revenues for both CSA 70 Zones B and C. Discussions between LAFCO staff and County Special District staff have not been able to ascertain how this has occurred, but a review of more than five years of revenue line items shows the occurrence. Therefore, LAFCO staff has proposed the inclusion of the following condition to accommodate the transfer and address the discrepancy:

“All property tax revenues attributable to either CSA 70 Improvement Zone B or CSA 70 Improvement Zone C, prior to calculations required by Section 96.1 of the Revenue and Taxation Code, including delinquent taxes, return of property tax revenues deducted for ERAF III and any and all other property tax collections or assets of the Districts to be dissolved, shall accrue and be transferred to the successor District, the Helendale CSD, pursuant to the provisions of Government Code Section 56810.”

With a proposed determination of the property tax revenues, the Commission can turn its attention to the Revenue and Expenditure details for this proposal.

Proposed Revenues and Expenditures:

As a function of its review, the Commission is required to determine whether or not a Helendale CSD would be financially feasible; and, according to its policies, whether or not it can, at a minimum, maintain pre-formation service levels. In order to make these determinations, an evaluation of the feasibility study presented by the proponents, with their supplemental documents, needs to be conducted.

Staff has prepared a chart, which follows, that compares revenues and expenditures from three separate sources; the audited revenues and expenditures for CSA 70 Zones B and C for Fiscal Years 2003-04 and Fiscal Year 2004-05 prepared by the outside audit firm of Rogers, Anderson, Malody & Scott, LLP; the County's adopted Budget for Fiscal Year 2005-06 and its Proposed Budget for Fiscal year 2006-07 for CSA 70 Zones B and C anticipated to be adopted on June 27, 2006, prepared by County Special District staff, and the Taskforce's

Projections for the first three years of operation for Fiscal Years 2006-07 through 2008-09.

REVENUE AND EXPENDITURES COMPARISONS

	Audit 2004	Audit 2005	County Adopted Budget 2005-06	County Proposed Budget 2006-07	Helendale Proposed Budget 2006-07	Helendale Proposed Budget 2007-08	Helendale Proposed Budget 2008-09
REVENUES:							
Operating Revenues:							
Water Sales	\$831,859.00	\$1,019,910.00	\$1,076,834.00	\$1,071,796.00	\$1,067,910.00	\$1,257,012.00	\$1,319,862.00
Sanitation Services	\$879,449.00	\$1,113,154.00	\$1,106,899.00	\$1,183,785.00	\$1,197,154.00	\$1,121,306.00	\$1,177,371.00
Connection Fees	\$137,735.00	\$317,225.00			\$377,225.00	\$396,086.00	\$415,891.00
Other	\$83,538.00	\$172,244.00	\$175,961.00	\$158,791.00	\$175,000.00	\$183,750.00	\$192,938.00
Non-operating Revenues:							
Investment Earnings	\$23,535.00	\$66,785.00	\$52,567.00	\$59,279.00	\$70,124.00	\$73,630.00	\$77,312.00
Property Taxes	\$91,410.00	\$95,367.00	\$0.00	\$0.00	\$100,135.00	\$105,142.00	\$110,399.00
Special Assessments	\$86,750.00	\$110,638.00	\$49,219.00	\$34,200.00	\$116,170.00	\$121,978.00	\$128,077.00
Other Taxes	\$4,210.00	\$3,715.00			\$3,901.00	\$4,096.00	\$4,301.00
State Assistance	\$1,277.00	\$1,285.00			\$1,349.00	\$1,417.00	\$1,488.00
Penalties	\$33,924.00	\$36,925.00			\$38,771.00	\$40,710.00	\$42,745.00
Other	\$12,105.00	\$20,430.00	\$226,921.00	\$22,885.00	\$21,451.00	\$22,524.00	\$23,650.00
Contribution from other Govt		\$500,000.00					
Long Term Debt Proceeds			\$2,125,164.00	\$1,294,968.00			
Operating Transfers In			\$1,037,769.00	\$1,383,176.00			
Franchise Fees from Solid Waste Provider					\$64,800.00	\$68,040.00	\$71,442.00
Fund Balance			\$1,017,484.00	\$943,781.00	\$943,781.00		
TOTAL REVENUES	\$2,185,792.00	\$3,457,678.00	\$6,868,818.00	\$6,152,661.00	\$4,177,771.00	\$3,395,691.00	\$3,565,476.00
EXPENDITURES:							
Professional Services	\$87,697.00	\$88,758.00			\$100,000.00	\$105,000.00	\$110,250.00
Salaries and Benefits	\$924,099.00	\$941,940.00	\$972,209.00	\$1,121,645.00	\$1,062,471.00	\$1,115,594.00	\$1,171,373.00
Services and Supplies	\$559,167.00	\$664,126.00	\$1,244,877.00	\$1,451,663.00	\$567,700.00	\$596,085.00	\$625,889.00
Rents and Leases	\$13,711.00	\$15,582.00					
Utilities	\$177,657.00	\$217,847.00			\$211,540.00	\$222,117.00	\$233,222.00
Depreciation	\$369,535.00	\$367,801.00			\$368,000.00	\$386,400.00	\$405,720.00
Other	\$42,766.00	\$65,525.00	\$91,183.00	\$85,678.00			
Central Computer			\$2,298.00	\$4,440.00			
Equipment/Vehicles			\$60,000.00	\$32,000.00			
Operating Transfer Out			\$3,480,767.00	\$2,561,988.00			
Contingencies			\$581,528.00	\$833,966.00	\$60,000.00	\$63,000.00	\$66,150.00
General Reserves			\$435,956.00	\$61,281.00			
Temporary Labor					\$15,000.00	\$15,750.00	\$16,538.00
Directors Stipend & Expense					\$12,000.00	\$12,000.00	\$12,000.00
Start Up Costs(Non-Operating Expense)					\$192,900.00	\$70,600.00	\$55,600.00
TOTAL EXPENDITURES	\$2,174,632.00	\$2,361,579.00	\$6,868,818.00	\$6,152,661.00	\$2,589,611.00	\$2,586,546.00	\$2,696,742.00
Difference between Revenues/Expenditures	\$11,160.00	\$1,096,099.00	\$0.00	\$0.00	\$1,588,160.00	\$809,145.00	\$868,734.00

Revenues:

Staff's concerns regarding the revenues detailed above are as follows:

1. The Special Districts projections for FY 2005-06 and FY 2006-07 do not reflect the receipt of property tax revenues. Staff's review of this question with Special Districts staff indicates that these revenues are deposited into the Capital Replacement Fund separately accounted for by the Department and are not a part of the primary operational budget discussions.
2. Connection charges for both CSA 70 Zones B and C are not identified in the Special Districts projections. These revenues too are deposited into the Capital Replacement Fund accounted for separately by the Department. Connection fees for CSA 70 Zone B are: \$3,190.09 for Fiscal Year 2005-06 and are proposed to be \$3,360.95 for Fiscal Year 2006-07. Connection fees for CSA 70 Zone C are: \$2,137.18 for Fiscal Year 2005-06 and are proposed to be \$2,251.65 for Fiscal Year 2006-07.
3. Standby charges for each of the Districts are set at \$30 per parcel plus a 30 cents per parcel administrative fee. These revenues, as well, are deposited into the Capital Replacement Fund.
4. There is no budget identification for the Special Assessment revenues listed in the Audit Reports and no corresponding expenditure that staff can discern.

The Capital Improvement Program, which includes the Replacement and Expansion Funds, is identified in the Special Districts' Budget Book separately from the operating funds for each of the Districts. The chart below identifies the Capital Improvement Projects and the balance of the Replacement and Expansion funds for both CSA 70 Zones B and C during Fiscal Year 2005-06 and proposed for FY 2006-07:

	FISCAL YEAR 2005-06 APPROPRIATION	FY 2005-06 LOCAL FUNDS FOR PROJECTS	FY 2005-06 LOAN OR GRANT FUNDS FOR PROJECTS	CASH BALANCE AS OF 6/9/2006	FISCAL YEAR 2006-07 APPROPRIATION	FY 2006-07 LOCAL FUNDS FOR PROJECTS
CSA 70 ZONE C (WATER)						
Capital Replacement (WATER)	\$449,638.00			\$420,694.00		
Capital Expansion (WATER)	\$92,511.00			\$40,319.00		
Arsenic Treatment	\$825,000.00		\$750,000.00	\$76,707.00	\$825,000.00	\$586,500.00
Well #10	\$606,424.00			\$624,200.00	\$624,200.00	
Fuel Cell (Completed)	\$7,226.00			\$7,453.00		
Telemetry (Transferred to Operations for Project)	\$200,000.00	\$200,000.00		\$0.00		

Valve Replacement Program (Transferred to Operations for Project)	\$100,000.00	\$100,000.00		\$0.00		
Service Line Replacement (Transferred to Operations for Project)	\$100,000.00	\$100,000.00		\$253.00		
Well #11 (Project being deferred to FY 2007-08)	\$548,600.00	\$476,375.00	\$24,225.00	\$46,024.00	\$0.00	\$0.00
Pipeline	\$275,000.00		\$54,900.00	\$225,111.00	\$275,100.00	
DISTRICT TOTALS	\$3,204,399.00	\$876,375.00	\$829,125.00	\$1,440,761.00	\$1,724,300.00	\$586,500.00
CSA 70 ZONE B (SEWER)						
Capital Replacement (SEWER)	\$513,655.00			\$868,325.00	\$859,516.00	
Capital Expansion (SEWER)	\$218,377.00			\$516,790.00	\$511,286.00	
Lift Station #1	\$137,500.00	\$137,500.00		\$0.00	\$140,250.00	\$140,250.00
Wastewater Treatment Plant Tertiary Treatment Upgrade (Removed from Program Listing)	\$1,330,450.00	\$30,450.00		\$0.00	\$0.00	\$0.00
Perc Pond Expansion (Completed)	\$55,449.00			\$27,659.00		
Percolation Pond Rehab (Expected Completion in FY 06-07)	\$100,000.00			\$81,281.00	\$81,281.00	
Standby Generator	\$85,000.00	\$85,000.00		\$0.00		
DISTRICT TOTALS	\$2,440,431.00	\$252,950.00	\$0.00	\$1,494,055.00	\$1,592,333.00	\$140,250.00

No information has been provided regarding the number of connections received during Fiscal Year 2005-06 or proposed for the upcoming year; standby charges (at \$30.30 per parcel) are charged to 803 parcels in CSA 70 Zone B for a total of \$24,331 and are charged to 818 parcels in CSA 70 Zone C at the same amount for a total of \$24,785; property tax revenues are deposited in the Replacement Account with an estimated revenue for Fiscal Year 2006-07 of \$90,000.

If LAFCO 2996 is successful, a condition of approval is proposed to be applied that will require the new District to maintain the funding for accounts which have been impressed with a public trust, such as the capital improvements. However, the allocation of revenues to these accounts in the future will be a determination of a newly-elected Board of Directors.

The line item identified in the Audits for 2004 and 2005 related to Special Assessments have not been specifically identified by Special Districts staff at the time of the preparation of this report. However, if these revenues are attributed to Assessment District 94-2 (Refunding of Assessment Districts) Sub area 90-2, these funds are operated separately by the County rather than through the administration of CSA 70 Zones B and C. Assessment District 94-2 was established by the County to refund a number of existing Assessment Districts into a single bond financing under the auspices of the County. Through the action

anticipated by LAFCO 2996, there will be no change to the responsibilities and administration of AD 94-2 through the San Bernardino County Financing Authority. Staff will clarify this revenue question at the hearing.

The Feasibility Study prepared by the Taskforce anticipates the continuation of all existing fees and charges of CSA 70 Zones B and C upon formation. In addition, the revenues anticipate the receipt of a Franchise Fee from within the boundaries of the District from Burrtec Waste Disposal related to their refuse collection services. This is a current revenue stream which will be removed from the Franchise Fees currently paid to the County from within the larger operating area.

Expenditures:

Staff's primary concern with the expenditure projections presented by the Taskforce relates to anticipated salary expenses based upon the assignment of salary levels. LAFCO staff has contacted the California Special Districts Association and local multi-function Community Services Districts to review the question of the average level of salary for the positions. This review indicates, at a minimum, the need to increase the salaries of the General Manager and Budget Officer for the District. In the early transition of this agency, these positions are critical to the future success of the independent district. The General Manager will be charged with drafting the required ordinances, assessing the needs and developing the capital improvement programs, guaranteeing that the District adheres to the conditions of approval imposed by the Commission, guaranteeing that employees hired or contracted to operate the water and wastewater systems possess the required certificates and credentials, as well as working with the County during the transition period and beyond. The Budget Officer will need to develop a billing program, see to it that the revenues and expenditures are within targets, as well as work with the County during the transition period for the transfer of existing revenues, establishment of required accounts for capital improvement programs, etc. The following chart identifies staff's proposed change to these positions. In addition, staff has increased what is classified as the "burden" to 35% of salaries from the 28% included by the Taskforce. The chart which follows identifies these changes as well as shows the existing charges for County Special Districts Department personnel functions for Fiscal Year 2005-06.

In explanation of the County Special Districts column, the County's current staff structure assigns no employees to CSA 70 Zones B and C. In the typical formation process, much of the discussion would relate to maintenance of employees through the transition, maintenance of contracts, retirement benefits, etc. However, in the present case, no employees will automatically transfer to the new district based upon formation.

The staffing structure for County Special Districts to service its agencies which provide for domestic water service and wastewater collection and treatment is through its Water and Sanitation Division housed at the Victorville Office. All employees are employed by County Service Area 70. This operation allows for a

pooled resource of operators, maintenance employees, and billing personnel which are dispersed to the Districts upon need for maintenance activities or are utilized in a single operation such as billing. Each of the affected County operated Special Districts is charged for Full-time Equivalent (FTEs) positions to fund this operation.

The following chart is a comparison of the Taskforce’s personnel costs, LAFCO staff’s anticipated costs and those of Special Districts:

PERSONNEL	HELENDALE TASKFORCE		LAFCO STAFF		SPECIAL DISTRICTS
		%	TOTAL	%	
A. Administrative					
General Manager	\$80,004.00	6.73	\$ 105,000.00	8.83	
Budget Officer	\$55,020.00	4.63	\$ 75,000.00	6.31	
Receptionist/Sec	\$25,008.00	2.10	\$ 41,680.00	3.50	
Automated Sys Tech	\$40,008.00	3.36	\$ 44,450.00	3.74	
Account Clerk	\$35,016.00	2.94	\$ 35,016.00	2.94	
B. Operations					
Sanitation Plant Operator	\$58,000.00	4.88	\$ 58,000.00	4.88	
Wastewater Tech II	\$45,000.00	3.78	\$ 45,000.00	3.78	
Wastewater Tech I	\$38,004.00	3.19	\$ 38,004.00	3.19	
Mechanic	\$38,004.00	3.19	\$ 38,004.00	3.19	
Apprentice Operator/Laborer	\$25,020.00	2.10	\$ 25,020.00	2.10	
Water Distribution Operator	\$58,000.00	4.88	\$ 58,000.00	4.88	
Water Tech II	\$45,000.00	3.78	\$ 45,000.00	3.78	
Heavy Equipment Operator	\$45,000.00	3.78	\$ 45,000.00	3.78	
Meter Reader/Maintenance I	\$35,016.00	2.94	\$ 35,016.00	2.94	
Apprentice Operator/Laborer	\$25,020.00	2.10	\$ 25,020.00	2.10	
TOTAL EMPLOYEE COST	\$647,120.00		\$ 713,210.00		
Pension Fund 30% annual	\$194,147.00	16.32	\$ 213,963.00	17.99	
Workman's Comp.	\$40,000.00	3.36	\$ 45,000.00	3.78	
Burden (CSD employees) 28% -Taskforce; 35% LAFCO staff	\$181,204.00	15.23	\$ 249,623.50	20.99	
	\$1,062,471.00		\$ 1,221,796.50		\$1,469,575.00
	15 FTE		15 FTE		18.76 FTE
Temp/Contract labor	\$15,000.00	1.26	\$ 15,000.00	1.26	
Director's Stipends	\$6,000.00	0.50	\$ 12,000.00	1.01	
Director's Expenses	\$6,000.00	0.50	\$ 6,000.00	0.50	
SUBTOTAL-ALL CSD EMPLOYEES	\$1,089,471.00		\$ 1,254,796.50		\$1,469,575.00
C. Contract Services					
(Legal Services)	\$50,000.00	4.20	\$ 50,000.00	4.20	
(Engineering Services)	\$40,000.00	3.36	\$ 40,000.00	3.36	
(Accounting Services)	\$10,000.00	0.84	\$ 10,000.00	0.84	
SUBTOTAL Contract Services	\$100,000.00		\$ 100,000.00		
TOTAL Expense All Personnel	\$1,189,471.00	100.00	\$ 1,354,796.50	113.90	

The following chart provides a breakdown of the assignment of FTEs by the Special Districts Department through its Water and Sanitation Division. In addition, there is an administrative charge assigned for the indirect cost for the overall administration of the Special Districts Department. These budgeted costs are billed to the CSA 70 Zones B and C separately on a schedule, quarterly in advance for the FTEs for maintenance and operation, and bi-annually in advance for administrative FTEs. The following chart outlines the costs for Fiscal Year 2005-06 and those proposed for Fiscal Year 2006-07:

STAFFING AND SERVICES VICTORVILLE OPERATION				
FTE ALLOCATION	CSA 70B 2005-06	CSA 70C 2005-06	CSA 70 B 2006-07	CSA 70 C 2006-07
CLERICAL	2.46	2.50	2.45	2.50
MANAGEMENT	0.15	0.15	0.15	0.15
OPERATIONS	3.80	0.00	3.80	0.00
MAINTENANCE	2.40	3.82	2.40	3.82
METER READ	0.00	0.91	0.00	0.91
TOTAL	8.81	7.38	8.81	7.38
	\$513,367.51	\$301,059.72	\$590,372.64	\$346,218.68
AVERAGE FTE COST	\$58,271.00	\$40,794.00	\$67,011.65	\$46,913.10
EQUIPMENT DEPRECIATION	\$53,006.00	\$29,379.00	\$60,956.90	\$33,785.85
SERVICES & SUPPLIES	\$107,677.00	\$106,369.00	\$123,828.55	\$122,324.35
TOTAL ALLOCATED COSTS	\$674,050.51	\$436,807.72	\$775,158.09	\$502,328.88
STAFFING COST ALLOCATION/ ADMINISTRATION				
ADMINISTRATION AND MANAGEMENT	\$71,338.00	\$57,871.00	\$105,918.94	\$86,168.58
INFO SERVICES	\$16,928.00	\$13,937.00		
FTE ALLOCATION	1.42	1.15	1.42	1.15
AVERAGE FTE COST	\$62,159.00	\$62,441.00	\$74,590.80	\$74,929.20
COUNTY COWCAP	\$12,389.00	\$10,050.00	\$12,389.00	\$10,050.00
COMMUNICATIONS	\$3,536.00	\$2,868.00	\$3,536.00	\$2,868.00
SERVICES AND SUPPLIES	\$26,311.00	\$21,344.00	\$26,311.00	\$21,344.00
EQUIPMENT DEPRECIATION	\$1,664.00	\$1,350.00	\$1,664.00	\$1,664.00
TOTAL	\$194,325.00	\$169,861.00	\$224,409.74	\$197,023.78

It is the staff's position that the proposed Helendale CSD has an adequate staffing level to provide for the services contemplated by the formation through comparison with existing staffing structures.

Calculation of Appropriation Limit:

For the formation of any new special district, the Commission is required to establish its provisional appropriation limit. Government Code Section 56811 sets forth the requirement method to be utilized in calculating the provisional appropriation limit for the new Helendale CSD. Under typical circumstances, the appropriation limit of the dissolving entities would be identified and transferred to the new agency with an estimated change in the cost-of-living applied. However, in this case neither CSA 70 Zone B nor Zone C have an appropriation limit assigned. Staff is aware that CSA 70 Improvement Zone B currently receives and has received property tax revenues since its formation in 1971. The Audit Reports prepared for these agencies identifies that Zone C receives property tax revenue but that cannot be validated by the Property Tax Division of the Auditor/Controllers-Recorder's office.

Therefore, in order to comply with Section XIII B of the State Constitution and the requirements of Government Code §56811, staff has utilized the methodology outlined in §56811 to develop a provisional appropriation limit. That calculation includes a determination of property tax revenues attributable to the dissolving entities; in this case, staff has used the audited figures from 2004-05 showing tax revenues identified as follows: Property Taxes of \$ 95,367, and Other Taxes of \$3,715 for a total of \$99,082. Since this audited figure is two years old, staff has applied to it a 10% cost-of-living increase for 2005-06 and 2006-07, bringing the total to \$119,890. Staff then added an additional amount of \$100,000 anticipating new development in the area as the Helendale region is experiencing the same growth pressures as the balance of the North County and payment of prior year taxes from defaulted and resold properties. Therefore, the provisional appropriation limit is recommended to be set at \$219,890.

If the formation of the Helendale CSD is successful, the new District will be required to set its permanent appropriation limit at the first District election held following the first full fiscal year of operation. That would be at the election held in November 2008. The District, at that time, would have audited actual receipts upon which to base their calculation.

In order to fulfill this obligation for the formation, staff has proposed the inclusion of the following condition of approval:

“Pursuant to the provisions of Government Code Section 56811, the provisional appropriation limit of the Helendale Community Services District shall be set at \$219,890. The permanent appropriation limit shall be established at the first district election held following the first full fiscal year of operation and shall not be considered to be a change in the appropriations of the district pursuant to Article XIII B of the California Constitution.”

Financial Effects on other Levels of Government:

Staff outlined in the opening of this section that one of the questions that the Commission is required to respond to is whether or not the formation of the Helendale CSD would have a financial or service impact on other agencies that serve within the area. The impacts of this formation will affect the operation of the County Special Districts Department Water and Sanitation Division, but no specific written information has been provided that such a change would be detrimental to its future. In meetings with Special Districts staff, concern has been expressed over the transition, should the formation take place, as well as whether or not there may be interest on the part of the Special Districts Department to contract for providing service in the future. In meetings last week with Special Districts Department personnel, interest was expressed in the potential for future contracts.

Staff has proposed as a condition of approval that the transition period be until July 1, 2007, allowing for a full seven month transition period. During this time, the condition notes that the Helendale CSD would be obligated to pay for the direct costs for services provided. It is anticipated that this would begin as of the effective date of the proposal, anticipated to be on or about December 1, 2007. Details of the payment schedule, anticipated to be monthly based upon receipt of documentation of costs, still need to be drafted with the County Special Districts Department.

Based upon the determinations outlined above, it is the staff's position that:

1. The formation of the Helendale CSD is financially feasible and would provide for a reasonable reserve within the first three years of its existence.
2. The formation can maintain the pre-formation service levels that are currently provided within the study area as a whole and within the Silver Lakes community with its higher intensity of service, and provide for the long-range planning necessary to provide for a higher level of service in the future as resources become available.
3. The formation would not be adverse financially to other agencies providing services nor would it damage the ability of other agencies to provide their range of services.
4. The formation would not impair any other agency currently serving within the area.

SERVICE ISSUES AND CONSIDERATIONS

Another factor for Commission consideration focuses on the question of whether the proposal represents the best service option for the community. The financial information outlined above shows that a new district can maintain historic service

levels. It is the staff's position that the formation of a Helendale CSD will provide for a more accountable form of government to the local constituents. At present, the operations of CSA 70 Zones B and C do not have an advisory body to provide input to the County Board of Supervisors decisions, nor do they routinely have meetings to discuss the operation of the water and wastewater operations or discuss changes anticipated to fee schedule, connection fees, or preparation of the Capital Improvement programs for the community.

Staff's position that a Helendale CSD would be more accountable is based upon the requirement that it have a five-member elected Board of Directors, elected at-large, which is obligated to conduct meetings within the boundaries of the agency. This elected Board of Directors would discuss the service implications, budget, capital improvement programs, etc. at noticed public meetings within the community. It is, therefore, staff's position that the formation of the Helendale CSD would provide for a more recognizable form of government for the community and would promote citizen understanding of local government decision-making.

Another factor of consideration required of the Commission is to determine whether or not the formation of the Helendale CSD would be detrimental to continuing operations of other agencies within the area. At the outset of the review of this application, staff requested the County and other agencies to respond to the service implications of this proposal. Specifically, staff asked the County to indicate how it might need to reconfigure service delivery through its Water and Sanitation Division in light of the proposed formation. In the early stages of this review, County Special Districts staff expressed reservations regarding the information provided in the Feasibility Report and desired assurances that the understandings of the complexity of the operation of the water and sewer functions was understood by the proponent group. In response to these concerns, the Taskforce membership undertook a detailed review with the County, and regional and state agencies, regarding the responsibilities for operation of water and sewer operation. This culminated in the supplemental data response (included as a part of Attachment #3).

However, as noted above, no specific written response has been provided outlining any need to reconfigure Special Districts services to accommodate this proposed change. In staff level discussions, taking place up until the week prior to this report regarding this proposal, it has been indicated that a shifting of personnel would be required but that could be accomplished through existing vacant position.

Services of the Helendale CSD:

The proponent's application identifies the services to be provided by the Helendale CSD as: water, wastewater, streetlighting, park and recreation, refuse, and graffiti abatement. These are six of the thirty-one services available to be performed by a Community Services District under the provisions within Government Code §61100. It is intended that the balance of services within CSD Law be "latent"

powers, powers which can be activated under a LAFCO process at a future date. The draft resolution presented for Commission consideration includes a condition on the services authorized to be provided.

The Feasibility Study and supplemental documents outline the service to be provided and are not reiterated here. As discussed extensively above, it is the assumption that existing service levels for water and wastewater services within the boundaries of CSA 70 Zones B and C will be maintained and the new District will work with developing areas in need of municipal level services. The Feasibility Study indicates that it is the position of the Taskforce that expansion of water and sewer services beyond existing boundaries would be done under the same standards as currently exist through operation of CSA 70 Zones B and C.

Not specifically discussed previously is the delivery of services for streetlighting, park and recreation, refuse, and graffiti abatement. The following provides a discussion of these services:

1. **Streetlighting** – Streetlighting is currently provided within the boundaries of CSA 70 Zone B. Currently the County budget documents show that it funds 119 streetlights at an estimated cost of \$11,900 per year (\$100 per light) for electricity. The light poles are owned by Southern California Edison, which will remain unchanged upon formation of the CSD. LAFCO staff has reviewed the lights assigned for payment to CSA 70 Zone B accounts and has found that 117 lights are within the boundaries of CSA 70 Zone B, while two lights are currently within County Service Area 29 (Lucerne Valley). Staff has included a condition of approval that will transfer the lights within the boundaries of CSA 70 Zone B to the Helendale CSD and will require the necessary paperwork to transfer the other lights to the appropriate service provider.
2. **Refuse Service** – Refuse Service is currently provided by AVCO/Burrtec Waste Industries under the Solid Waste Handling Franchise Agreement recently renewed by the County of San Bernardino. Upon formation of the CSD, the administration of the franchise agreement will transfer to the CSD and must remain in operation for four more years (the agreements have a term of five years). Prior to the end of the Franchise Agreement term, it will be the obligation of the District to solicit bids for providing the service.
3. **Park and Recreation** – There is no existing park and recreation entity within the boundaries of the CSD. There exists a park owned and operated by the Silver Lakes Association which will be unaffected by this change. The District's application indicates that the primary activity of the new District will be to prepare plans for future community park functions, prepare ordinances regarding supplemental funding activities, and to work to ensure that lands are set aside for future regional parks activities.

- 4. Graffiti Abatement** – There is no existing entity providing the service of graffiti abatement. The District’s Feasibility Study indicates that the service is anticipated to be provided for public facilities and would utilize volunteer services in the beginning. The Study indicates that contingency funds are available to be programmed for providing the service.

Of importance in evaluating the service criteria is the understanding that the entirety of the boundary of the Helendale CSD is within the boundaries and service area of CSA 70. CSA 70 currently is authorized to provide the full range of municipal level services, excluding land use planning, as does a City. Therefore, the services proposed for provision by the Helendale CSD are currently available through the creation of improvement zones of CSA 70. This was the mechanism utilized in the early 1970s to accommodate the growth anticipated in the Silver Lakes community. However, such creation does not increase the accountability or understanding of government by the residents. The creation of improvement zones of CSA 70 are governed by the Board of Supervisors with no mandate that an advisory body for the area or community be formed.

The formation of the Helendale CSD proposes to form a multi-function agency with responsibility for addressing the delivery of service to this growing community. This complies with directives of Government Code Section 56001 which state:

“...The Legislature finds and declares that a single multipurpose government agency is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas. ...”

In addition, the creation of the Helendale CSD provides for community identification for the area. If LAFCO 2996 is approved and is successful at the election in November 2006, the Commission will be required to assign a sphere of influence to this agency within one year. This sphere of influence declaration will indicate to the community what the Commission believes to be the area to be planned for the services of the District, as well as address the future of the community.

Based upon these determinations and those outlined in other areas of this report, it is the staff’s position that:

1. In response to the question of whether the formation represents the best available service option for the community, the staff would respond in the affirmative on the basis that it provides for a single multi-function entity to provide the range of services contemplated rather than a series of single or multi-purpose entities.
2. The alternatives to the formation of the CSD are the continuation of the status quo with the creation of improvement zones to CSA 70 to tailor service delivery to development proposals or formation of a city.

Incorporation of a City is not financially viable for the area at the present time due to questions regarding Motor Vehicle In-Lieu changes at the State and a lack of a significant sales tax base. In the staff's opinion, continuation of the status quo to create multiple improvement zones throughout this area to serve only developments, not the community as a whole, is the wrong approach for the future of the community and contributes to a fragmenting of the community.

3. The delivery of park and recreation services will allow for the planning to provide a regional service to this community. Options for providing this service in the future include working with development interests and the County to receive dedications of land for park purposes, payment of Quimby Act fees through adoption of the necessary ordinances by the CSD through the development process, the development of programs of community interest in working with the residents and the potential for creation of after-school programs working in concert with the School District.
4. The creation of the Helendale CSD does provide for a more efficient and accountable form of government. As outlined above, the creation of the Helendale CSD would provide for a locally accountable form of government in that it would provide for a locally-elected board of directors. As noted in budget documents proposed for the Fiscal Year 2006-07 for CSA 70 Zones B and C, "This District does not utilize an Advisory Commission or MAC. If meetings are required, they are held with residents as needed in the Club House Recreation Room." In the staff's opinion, a community of approximately 7,000 should have a more structured voice in its governance.

In the staff's opinion, the creation of the Helendale CSD would be more efficient for the entirety of the community as a single agency would be responsible for service delivery rather than multiple improvement zones created for distinct development interests.

ENVIRONMENTAL CONSIDERATIONS:

The Commission is the lead agency for review of the potential environmental consequences of this change. In order to fulfill that requirement, the Commission's Environmental Consultant, Tom Dodson and Associates, prepared, and LAFCO staff reviewed, advertised and circulated, an Initial Study and a Negative Declaration for this proposal. The documents were forwarded, by certified mail, to all interested and affected agencies as well as the State Clearinghouse for review by State agencies. The comment period closes at 5:00 p.m on June 12th, the date of final preparation of this report.

As of today's date, the only comments received to the circulation of the materials were indications of no comment to the Notice of Intent to Adopt a Negative Declaration. Therefore, the original Initial Study will be utilized as the description of environmental impacts anticipated by this project. If comments

are received prior to the deadline, they will be reviewed and responded to by Mr. Dodson and LAFCO staff and a copy will be provided to Commissioners at the hearing. A copy of the Initial Study and Negative Declaration, are included as Attachment #5 to this staff report. Mr. Dodson has indicated that the following actions must be taken by the Commission prior to consideration of the proposal:

- a) Certify that the Commission and its staff have reviewed and considered the environmental assessment and Negative Declaration prepared by the Commission’s Environmental Consultant, Tom Dodson and Associates; has reviewed and considered any comments received; and provided a response to those comments;
- b) Adopt the Negative Declaration, including the related De Minimis Impact Finding Statement;
- c) Find and determine that the Commission does not intend to adopt mitigation measures or alternatives for the project; and,
- d) Direct the Clerk to file a Notice of Determination together with a Certificate of Fee Exemption within five (5) days;

FINDINGS:

The following findings are required to be provided by Commission policy and Government Code Section 56668 for all proposals considered:

1. The Registrar of Voters Office has determined that the modified reorganization study area is legally inhabited, containing 2,927 registered voters as of June 2, 2006.
2. The modified reorganization including formation does not conflict with the sphere of influence of any other agency currently providing the services of water, sewer, streetlighting, solid waste, park and recreation or graffiti abatement.
3. The County Assessor has determined that the value of land and improvements within the modified boundary is \$492,458,936 (\$154,467,833 – land; \$337,991,103 – improvements).
4. Notice of this hearing has been advertised as required by State law through publication in The Sun and Daily Press, newspapers of general circulation in the area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies wishing mailed notice.

5. In compliance with Commission policy and Government Code Section 56157, the notice of hearing has been provided by publication of an eighth-page legal ad in The Sun, a newspaper of general circulation, and the Daily Press, a local newspaper. Comments from landowners and any affected local agency have been reviewed and considered by the Commission in making its determination. Opposition has been received and considered by the Commission in making its determination.
6. The proposed reorganization including formation does not conflict with the established County General Plan for the area and has no direct impact on such land use designations.
7. The Commission’s Environmental Consultant, Tom Dodson of Tom Dodson and Associates, prepared and LAFCO staff circulated and advertised, the environmental assessment and Negative Declaration for the reorganization pursuant to the provisions of the California Environmental Quality Act (CEQA), which indicate that approval of the reorganization will not have a significant adverse impact on the environment. No comments were received to the Notice of Intent to Adopt a Negative Declaration. The Commission certifies that it has reviewed and considered the Negative Declaration and environmental effects as outlined in the Initial Study prior to reaching a decision on the project and finds the information substantiating the Negative Declaration adequate for its use in making a decision as a CEQA lead agency.

The Commission hereby adopts the Negative Declaration and the related California Department of Fish and Game De Minimis Impact Finding. The Commission determines that it does not intend to adopt mitigation measures or alternatives for the project. The Commission, as a CEQA lead agency, notes that this proposal is exempt from Department Fish and Game fees because the De Minimis Impact Finding has been adopted. The Commission directs its Clerk to file a Notice of Determination and Certificate of Fee Exemption within five (5) working days.

8. The local agencies currently serving the area are:

- County of San Bernardino
- Mojave Water Agency
- Mojave Desert Resource Conservation District
- County Service Area 38 (fire protection – majority of the area)
- County Service Area 60 (Apple Valley Airport)
- County Service Area 70 (multi-function agency)
- County Service Area 70 Improvement Zone B (sewer and streetlights)
(Silver Lakes area only)
- County Service Area 70 Improvement Zone C (water service) (Silver
Lakes area only)
- County Service Area 70 Improvement Zone FP-5 (fire protection,

emergency medical response/paramedics) – being created at the present time and encompasses a majority of the area.

The only affected agencies are CSA 70 Zones B and C which will be dissolved as a function of this reorganization. None of the other agencies will be affected by this reorganization as they are regional in nature.

9. The proponents of LAFCO 2996 have submitted a Feasibility Study which addresses the issues required in a plan for the provision of services as required by Government Code Section 56653. This document, including its amendments and supplements, shows that the Community Services District has sufficient revenues to provide its active range of services (water, sewer, and streetlighting) upon formation and has the ability to plan for the extension of the balance of its requested services through franchise fee revenues or implementation of development impact fees authorized the agency. The Feasibility Study and its supplements have been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The Commission finds that such Study and its supplements conform to those adopted standards and requirements.
10. The reorganization area can benefit from the availability and extension of services, as evidenced by the Feasibility Study and its supplements.
11. This proposal complies with Commission and State policies that indicate the preference for the creation of multi-purpose agencies to serve growing communities. This position is taken in order that areas proposed for development at an urban-level land use can be planned, funded, services extended and maintenance funding put in place for the full range of service needs.
12. The map and legal description, as revised, are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's Office.

CONCLUSION:

Throughout this staff report, staff has presented information regarding the proposed formation of the Helendale CSD through approval LAFCO 2996. There are many areas of agreement between the various factions on this proposal: such as the Helendale community is a growing community with many individuals seeking relocation to this area. There are many areas of disagreement on this proposal; such as the opposition of the Cities of Adelanto and Victorville to the inclusion of territory that they indicate they will ultimately propose to be included within their jurisdictions and the opponents from the community indicating that the proposal is not financially viable and will not increase the level of service.

Staff has attempted to outline throughout this report, that the Commission's requirements are that the pre-formation levels of service, at a minimum, be maintained and service levels increased wherever possible. It is the staff's position that such will occur through the consolidation of overall service delivery into a single multi-purpose agency. Therefore, it is the position of staff that the formation of the Helendale CSD through approval of LAFCO 2996 should be the action taken by the Commission.

RECOMMENDATION

For the reasons outlined above, the staff recommends that the Commission approve LAFCO 2996 by taking the following actions:

1. With respect to environmental review:
 - a) Certify that the Commission and its staff have reviewed and considered the environmental assessment and Negative Declaration prepared by the Commission's Environmental Consultant, Tom Dodson and Associates; it has reviewed and responded to any comments received;
 - b) Adopt the Negative Declaration, including the related De Minimis Impact Finding Statement;
 - c) Find and determine that the Commission does not intend to adopt mitigation measures or alternatives for the project;
 - d) Direct the Clerk to file a Notice of Determination, together with a Certificate of Fee Exemption within five (5) days.
2. Approve LAFCO 2996, Formation of the Helendale Community Services District (CSD) and Dissolution of County Service Area 70 (CSA 70) Improvement Zones B and C, as modified by the Commission at its April 19, 2006 hearing to include approximately 66,020 +/- acres (103 +/- square miles) as shown on the map attached to this staff report, with the following terms and conditions:
 - a. Pursuant to the requirements of Government Code Section 61014, the Commission finds that the Helendale CSD has sufficient revenues to perform the services as outlined in its application and to provide for a reasonable reserve for the next three years.
 - b. Pursuant to requirements of Government Code Section 56301, the Commission determines that existing agencies cannot provide the range and level of services contemplated to be provided by the Helendale CSD in a more efficient and accountable manner.

- c. The effective date of this reorganization shall be the date of issuance of the Certificate of Completion, which should occur on or about December 1, 2006 in the event the electors approve LAFCO 2996 on November 7, 2006;
- d. If approved by the electorate at the November 7, 2006 general election, the County Board of Supervisors through its County Special Districts Department shall continue to provide for the administration of water and sewer services within the previous territory of CSA 70 Zones B and C within the Helendale CSD for a transition period until July 1, 2007. Nothing in this condition precludes a future Board of Directors of the Helendale CSD to contract for an extended period of time for the provision of administration, maintenance, operation, billing, etc. services through the County Special Districts Department;
- e. The Helendale CSD shall be designated as the successor agency to all rights, responsibilities, properties, equipment, contracts, assets and liabilities, and functions of CSA 70 Zones B and C;
- f. The Board of Directors of the successor agency, the Helendale CSD, shall consist of five members, elected at-large, pursuant to the provisions of Government Code Section 61020, as outlined in the petition initiating the proposal;
- g. The Helendale CSD shall be authorized the following functions and services as active powers:
 - i. Water Supply water for any beneficial use as outlined in the Municipal Water District Law of 1911 (commencing with Section 71000) of the Water Code.
 - ii. Sewer Collect, treat, or dispose of sewage, waste water, recycled water, and storm water, in the same manner as a sanitary district formed pursuant to the Sanitary District Act of 1923 (commencing with Section 6400) of the Health and Safety Code.
 - iii. Streetlighting Acquire, construct, improve, maintain and operate streetlighting and landscaping on public property, public rights-of-way, and public easements.
 - iv. Refuse Collection Collect, transfer, and dispose of solid waste and provide solid waste handling service, including, but not limited to, source reduction, recycling, composting activities, pursuant to Division 30

(commencing with Section 40000), and consistent with Section 41821.2 of the Public Resources Code.

- v. Recreation and Parks Acquire, construct, improve, maintain, and operate recreation facilities, including, but not limited to, parks and open space, in the same manner as a recreation and park district formed pursuant to the Recreation and Park District Law (commencing with Section 5780) of the Public Resources Code.
- vi. Graffiti Abatement Abate graffiti.
- h. All property tax revenues attributable to either CSA 70 Zone B or CSA 70 Zone C, prior to calculations required by Section 96.1 of the Revenue and Taxation Code, including delinquent taxes, return of property tax revenues deducted for ERAF III and any and all other collections or assets of the Districts to be dissolved, shall accrue and be transferred to the successor District, the Helendale CSD, pursuant to the provisions of Government Code Section 56810;
- i. All previously authorized charges, fees, assessments, and/or taxes of County Service Area 70 Improvement Zones B and C currently in effect shall be continued and assumed by the Helendale Community Services District as the successor agency in the same manner as provided in the original authorization pursuant to the provisions of Government Code Section 56886(t);
- j. Upon the effective date of this reorganization, any funds currently deposited for the benefit of CSA 70 Zones B and C and future receipts of revenues or refunds which have been impressed with a public trust, use or purpose shall be transferred to the Helendale CSD, as the successor agency, and the successor agency shall separately maintain such funds in accordance with the provisions of Government Code Section 57462;
- k. Pursuant to the provisions of Government Code Section 56811, the provisional appropriation limit of the Helendale CSD shall be set at \$219,890. The permanent appropriation limit shall be established at the first district election held following the first full fiscal year of operation and shall not be considered to be a change in the appropriations of the district pursuant to Article XIII B of the California Constitution.
- l. All streetlights currently the responsibility of CSA 70 Zone B shall be transferred to the Helendale CSD upon successful formation of the Helendale CSD. The County Special Districts Department shall

prepare the appropriate documentation to transfer the lights; LAFCO staff shall verify the data, and forward the signed authorization form requesting Southern California Edison to transfer the specific lights to the Helendale CSD accounts upon successful completion of LAFCO 2996;

- m. Pursuant to the provisions of Government Code Section 56885.5(a)(4), the County Board of Supervisors, as the governing body for CSA 70 Zones B and C, is prohibited from taking the following actions unless an emergency situation exists as defined in Section 54956.5:
 - i. Approve any increase in compensation or benefits for members of the governing board, its officers, or the executive officer of the agency;
 - ii. Appropriating, encumbering, expending, or otherwise obligating, any revenue of the agencies beyond that provided in the current budget at the time the dissolution is approved by the Commission.

The Commission identifies that the budget to be utilized in this condition shall be the proposed budget for Fiscal Year 2006-07 anticipated to be adopted by the County Board of Supervisors on June 27, 2006.

- n. All lands, buildings, appurtenances and equipment held by County Service Area 70 for the purpose of providing services within the boundaries of Zones B and C shall be transferred to the Helendale Community Services District upon its formation. The Helendale Community Services District shall assume complete maintenance and operation responsibilities for these facilities.
 - o. Pursuant to Government Code Section 56886.1, public utilities, as defined in Section 216 of the Public Utilities Code, have ninety (90) days following the recording of the Certificate of Completion to make the necessary changes to impacted utility customer accounts.
 - p. The standard terms and conditions of approval that include the “hold harmless clause for potential litigation.
- 3. Submit the item to the Board of Supervisors of San Bernardino County with the request that the election be consolidated with the November 7, 2006 General Election as required by Government Code Sections 57077(b)(1) and 57100 et seq.; and,
 - 4. Adopt LAFCO Resolution #2927 setting forth the Commission’s findings, determinations and conditions concerning this proposal.

KRM/

Attachments:

- 1 -- Maps – Vicinity, Location, and Proposal Maps for the Helendale CSD and CSA 70 Improvement Zones B and C
- 2 -- Application Including Feasibility Study
- 3 -- Supplemental Budget Data Provided by the Helendale Taskforce
- 4 -- Budget Information Received From County Special Districts Department
- 5 -- Letter from Tom Dodson and Associates, [Initial Study and Proposed Negative Declaration](#)
- 6 -- Draft Resolution No. 2927