

**LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO**

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DATE: MARCH 8, 2004

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #9: LAFCO #2950: Barstow Park and Recreation District Dissolution

INITIATED BY:

Council Resolution, City of Barstow

District Resolution, Barstow Park and Recreation District

RECOMMENDATION:

1. **Determine** that LAFCO #2950 is exempt from environmental review, and direct the Clerk of the Commission to file a Notice of Exemption within five days;
2. **Approve** LAFCO #2950, Dissolution of the Barstow Park and Recreation District, subject to the following terms and conditions:
 - a) The effective date of this dissolution shall be July 1, 2004.
 - b) The City of Barstow shall be designated as the successor agency to all rights, responsibilities, properties, equipment, contracts, assets and liabilities, obligations, and functions of the Barstow Park and Recreation District; and,
 - c) All property tax revenue attributable to the District prior to calculations required by Section 98.6 of the Revenue and Taxation Code, including delinquent taxes and any and all other collections or

assets of the District to be dissolved, shall accrue and be transferred to the successor agency; and,

- d) All previously authorized charges, assessments, and/or taxes of the Barstow Park and Recreation District shall be continued by the City of Barstow for areas within the boundaries of the dissolved District; and,
- e) The Appropriation Limit for the City of Barstow, as successor agency, shall be increased to include the appropriation limit of the Barstow Park and Recreation District, identified as \$16,968,912 for Fiscal Year 1997-98, as a result of this dissolution; and,
- f) Pursuant to the provisions of Government Code Section 56844(r), the City of Barstow shall continue to provide the current level and range of service now provided by the Barstow Park and Recreation District to those areas outside the corporate boundaries of the City, but within its current District boundaries; and,
- g) Pursuant to the provisions of Government Code Section 56885.5(a)(4), the Barstow Park and Recreation District is prohibited from taking the following actions unless an emergency situation exists as defined in Section 54956.5.
 - 1. Approving any increase in compensation or benefits for members of the governing board, its officers, or the executive officer of the agency;
 - 2. Appropriating, encumbering, expending, or otherwise obligating, any revenue of the agency beyond that provided in the current budget at the time the dissolution is approved by the commission.
- h) All full-time regular employees of the Barstow Park and Recreation District shall be retained by the City of Barstow upon the effective date of this dissolution at their current or better rates of pay and continuation of all civil service rights, seniority, retirement, benefits, and accrued vacation, sick, and holiday leave balances; and,
- i) All existing employee contracts, if any, shall remain in effect through the balance of the contract period, unless the parties mutually agree to a revision of the contracts; and,

- j) Upon the effective date of this dissolution, any funds currently deposited with the Barstow Park and Recreation District and future receipts of revenues shall be transferred to the City of Barstow, as the successor agency, and the successor agency shall separately maintain such funds in accordance with the provisions of Government Code Section 57642; and,
 - k) The City of Barstow and Barstow Park and Recreation District shall defend, indemnify, and hold harmless the San Bernardino Local Agency Formation Commission in making these determinations.
 - l) Authorize the actions to complete these proceedings pursuant to Government Code Section 56839.1, without an election, unless 25 to 50% of the registered voters within the District submit written protest to this proposal.
 - m) In future fiscal years, the ratio of property tax revenue attributable to the City of Barstow shall be adjusted within the corporate boundaries so that the amount distributed to the City will include the amount that would have been distributed to the Barstow Park and Recreation District, excepting those Tax Rate Areas transferred to County Service Area 70 Improvement Zone W (Hinkley).
3. **Adopt** LAFCO Resolution #2812 setting forth the Commission's findings and determinations.

BACKGROUND:

The governing bodies of the City of Barstow and the Barstow Park and Recreation District have jointly initiated a proposal to dissolve the Park District and assign the City of Barstow as the successor entity. This proposal is the culmination of several years of discussions between the entities in an effort to resolve problems associated with the dwindling resources of the park and recreation district.

The Barstow Park and Recreation District was originally formed in 1947 as an entity governed by the County Board of Supervisors, the same year the City of Barstow incorporated. At the present time it is the fourth largest district in the State covering 503 +/- square miles (322,165 +/- acres). This area includes the City of Barstow and the majority of its sphere of influence, as well as all or portions of the communities known as Lenwood, Hinkley, Barstow Heights, and Fort Irwin. Approximately five years ago, the District became an independent special district with its Board of Directors appointed

by the City Council for Barstow and the County Board of Supervisors. This change in governance occurred after attempts to pass a special assessment as a supplemental source of funding for the District failed. It was felt that an independent body with strong ties to the City could address the long-term funding questions of the agency. At present, the City Council selects three members of the Board of Directors and the County selects two.

However, as further erosion of the funding sources for this entity have occurred through state transfers of property tax revenues, and increases in costs for insurance and utilities, downsizing of the District's operations have occurred. As outlined in the materials submitted for this application, "Absent new taxes or grants or intervention by the City, the District is likely to face serious financial constraints in the future." The District and City have focused on the preservation of recreation and park services as a quality of life issue for the residents of the District as well as the City.

As in any proposal to dissolve a district, the Commission hearing will need to focus on four primary issues: The Commission will need to focus on boundary issues related to the City and the District; it will need to consider the financial implications of the proposed dissolution; it will need to consider the service effects of the proposal, and it will need to consider the positions of the District, the City, and the residents of the community. These issues, along with other information, are presented below.

CITY/DISTRICT BOUNDARIES:

As outlined above, the Barstow Park and Recreation District currently consists of approximately 503 +/- square miles. Approximately 23.7 square miles of that territory are within the corporate boundaries of the City of Barstow, while an additional 111.5 square miles of the District are included within the unincorporated area of the City of Barstow sphere of influence. A map showing the boundaries of the City and the District is included in this report as Attachment #1.

Although the boundaries of the Park and Recreation District are substantially larger than the boundaries of the City, 7,505 of the District's 10,927 registered voters reside within the City's boundaries (approximately 69%). Of the eight (8) park facilities owned by the District, seven (7) are within the boundaries of the City. They include the following: Dana Park and its community center, Lillian Park, Foglesong Park, Waterman Park, Sturnacle Park, Soccer Fields, and a vacant parcel identified as being at 500 South Avenue "H". The District-owned facility outside the boundaries of the City is identified as Jasper Park, within the Lenwood Community. In

addition, the District has a contract with the Barstow Heights Community Services District, due to expire in 2010, to provide maintenance of the CSD's two parks. The District has contracts with the Barstow Unified School District and others for joint operations. The City's interest in preserving and enhancing park and recreation activities is very clear, despite the significant difference in the land areas of the City and the District. In the City's view, it is a quality of life issue for its residents, and one which they wish to maintain.

The Commission has considerable experience in evaluating the dissolution of districts that are significantly greater in size than a city or town that is proposed to succeed to the operations. Over the years, the Commission has approved the dissolution of the Apple Valley Park and Recreation District, the Twentynine Palms Recreation and Park District, and the Yucca Valley Recreation and Park District, as well as the Needles Hospital District, and the Needles Cemetery District. In each instance the related city or town was designated as the successor agency to that district. In the majority of these cases, the amount of district territory that was outside the corporate boundaries of the successor city or town greatly exceeded the amount of territory that is within the Barstow Park and Recreation District relative to the territory of the City of Barstow. In terms of boundary considerations, then, there is nothing unusual about this proposal.

These dissolutions, through their conditions of approval, required that the successor city or town continue to provide at least the same level and range of services to residents and landowners within the boundaries of the district to be dissolved, but outside the boundaries of the successor agency. From all accounts, the Cities of Needles and Twentynine Palms, and the Towns of Apple Valley and Yucca Valley have all successfully implemented those conditions, and staff is not aware of any problems encountered by either the residents of the formerly-dissolved districts or the successor agencies in terms of service provision within outlying areas.

In their joint resolutions of initiation for this proposal, the City of Barstow and Barstow Park and Recreation District have specifically asked the Commission to impose a similar condition if it approves this dissolution. The City is indicating through these measures that it will improve or, at a minimum, maintain the level and range of services within all of the territory of the Barstow Park and Recreation District after dissolution.

Based on this specific certification from the City, the Commission's statutory ability to apply conditions to this proposal, and on the Commission's record in similar situations, staff's position is that the Commission can proceed to

evaluate the proposal without concern related to the disparity in sizes of the two agencies.

FINANCIAL CONSIDERATIONS:

The effect of the proposed change would transfer existing revenues, contracts, assets, and liabilities of the Barstow Park and Recreation District to the City of Barstow. The Plan for Service, cooperatively developed by the City and Park District, identifies the transfers required by this application and it is included as a part of Attachment #2 to this report. Some specific elements for Commission consideration are as follows:

1. Effective Date:

The City and District have requested that, if approved, the proposed completion date of the dissolution be deferred to July 1, 2004. This will allow the District and City to set up accounts, work through the necessary paperwork for employee transition, etc. in a comprehensive manner. In addition, the budget information for the new fiscal year can be reviewed with the City Council.

One additional element for consideration, if the deferral of the completion date is contemplated, is that there will be certain restrictions on the activities of the Park District Board of Directors. Government Coded Section 56885.5 prohibits certain actions from being taken by the Board during this interim period unless an emergency situation exists. These identified actions include increasing the compensation of staff and/or the board of directors, and expending revenues outside the approved budget at the time the application is approved. The staff's recommendation includes this restriction as a condition of the Commission's approval.

2. Property Tax Revenue:

Upon successful completion of the proposed dissolution, the majority of the property tax revenues derived within the current boundaries of the Barstow Park and Recreation District will be transferred to the City of Barstow. The City and County have adopted resolutions specifying the transition of these revenues.

In this case, the County's policy regarding the standard transfer of revenues generated to the succeeding entity has been modified slightly. This exception is for those Tax Rate Areas (TRAs) currently

within the Barstow Park and Recreation District as well as County Service Area 70 Improvement Zone W (Hinkley). CSA 70 Zone W provides park and recreation services to the Hinkley community. The Park District revenues in these three TRAs will be transferred to CSA 70 Zone W for its park purposes. This “negotiated exchange” was approved by the County Board of Supervisors on February 10, 2004, and the City of Barstow on February 17, 2004, pursuant to the provisions outlined in Section 99 of the Revenue and Taxation Code.

In addition, the joint resolutions of the City and Park District identify conditions on the transfer of this funding, noting that the City agrees to separately account for the funds so that “such funds are to be used for the purpose of providing an equivalent level and range of Park and Recreation services.” The City will be able to determine the actual amount attributable to the District for the first year following completion of this proposal; however, the transfer of property tax revenues, if this application is approved, will actually occur in two phases:

First, since the proposal--if it is approved--will be completed after the beginning of what is classified by the State Board of Equalization as the new year (filing period closes December 1 of each calendar year); the change to the tax roll for the agencies will not appear on the local Tax Roll for FY 2004-05. The District’s share of property tax revenues will be calculated and then transferred to the City of Barstow for administration as the successor agency. This will establish the basic funding level for park functions within the City for the future. Thereafter, for FY 2005-06 and forward, the City’s share of property tax revenues will include its previous tax share and that of the District. The City will then need to calculate the growth in park revenues over the prior year’s revenues.

3. Appropriation Limit:

As a condition of the Commission’s approval, the “Appropriation Limit” (or “spending limit”) for the Barstow Park and Recreation District will be added to that of the City of Barstow following completion of the dissolution. In 1997-98, the County Board of Supervisors adopted the appropriation limit for the Park District, as it was then a board-governed special district. That appropriation limit was established as \$16,968,912. In the ensuing years, the County has continued to calculate this appropriation limit; however, the Board of Directors for the Park District has not taken an official action to adopt the limit, nor

has it been acknowledged in the District's annual audit. Therefore, for purposes of transferring the amount to the City of Barstow, staff is recommending that the Commission use the last official appropriation limit established for the District in 1997-98.

4. Budgetary Information Regarding the Barstow Park and Recreation District:

The adopted total budget for the Barstow Park and Recreation District for Fiscal Year 2001-02 was \$731,030. The chart below compares the audited financial reports for the District for the year ending June 30, 2002, as presented in its Audit documents. The chart illustrates that the District expenditures have exceeded revenues, with the shortfall in funding made up from the District's fund balance.

BARSTOW PARK AND RECREATION DISTRICT—AUDITED 2002			
SERIES NAME	BUDGETED	ACTUALS 6/30/02	OVER (UNDER) BUDGET
Expenditures:			
Salaries and Benefits	\$406,123	\$415,381	\$9,258
Operating Expenses	\$317,407	\$329,679	\$12,272
Capital Expenditures	0	\$97,960	\$97,960
Debt Service	\$7,500	\$12,120	\$4,620
Totals	\$731,030	\$855,140	\$124,110
Revenues:			
Property Taxes	\$470,000	\$481,618	\$11,618
Special Assessments	0	\$2,202	\$2,202
Interest	0	\$259	\$259
Recreation, Park and Developer Fees	\$135,000	\$134,846	(\$154)
Rents, Concessions, Contributions	\$35,030	\$43,301	\$8,271
Other Includes City of Barstow passthrough	\$4,500	\$149,378	\$144,878
TOTALS	\$644,530	\$811,604	\$167,074
Proceeds of Note		\$19,441	\$19,441
Fund Balance (Cash carried forward from prior year)	\$64,081	\$64,081	0
Difference Revenues to Expenditures Totals	(\$22,419)	\$39,986	

As noted above, the District's budget for the period ending June 30, 2002 (the 2001-02 Fiscal Year) had an unfunded portion identified as \$22,419. The table above shows that the actual receipts and

expenditures exceeded the budget totals, with a significant infusion of revenues from the "Other" category which includes pass through funds from the City of Barstow Redevelopment Agency. It has been noted that over the past several years, due to increasing insurance and utility costs, maintenance funds have been reallocated to fund other expenditure items of the District.

The City of Barstow has indicated in its application that the dissolution will provide for increased levels of maintenance for the parks within the Barstow Park and Recreation District system and provides an outline of how these services could be provided. It is anticipated that the transfer of the Park District to the City will allow for the City to utilize its staff to augment the service delivery for the major deficiency within the District – deferred maintenance. It is anticipated that the combining of these agencies will allow for such things as the City Finance Department to handle payroll, budgeting, processing of payments (rather than District staff); the Public Works Department may assist in park maintenance; and the City Grant Writer will assist in seeking supplemental funding for the park functions rather than the need for the District to hire consultants for this service.

The staff concurs with the City/District's position that fiscal efficiencies can be achieved through consolidation of the District's functions with those of the City.

SERVICE CONSIDERATIONS:

The City of Barstow has submitted a "plan for services" as required by law, which states that the City will demonstrate that the range and level of service currently available will, at a minimum, be maintained. This plan, as required by Commission policy, is attached for review.

Within this plan, the City has provided an outline of its goals and objectives, adopted through its Visioning Sessions, which have focused on improved recreation opportunities within the City. It has also been noted that the Park and Recreation Plan for the District is outdated and will require updating as soon as possible following completion of the dissolution. The City has indicated that for the interim, until a new Park and Recreation Plan can be adopted, the goals and objectives of the 1965-1985 Park and Recreation Plan will be utilized by the City.

Under the terms of the dissolution, the City of Barstow will absorb the two (2) existing full-time employees of the District, as well as the currently vacant Recreation Superintendent position. The Recreation Superintendent retired in October and has not been replaced. No cost savings are anticipated in these categories since it is required that the City must assume these employees, at a minimum, maintaining their current rates of pay, retirement, leave accrual and other civil service benefits.

The balance of approximately 25 part-time positions identified represent instructors or other seasonal workers which the City will review on an as-needed basis to continued to provide recreation services. Nevertheless, cost savings from the current District operations can be anticipated through greater efficiency in the use of District staff, the availability of a full-time Grants Manager, and better, easier coordination of recreation and park needs within the community. These findings are outlined more fully in the "Financial" section of this report.

Finally, it should be noted that the City's plan for service is not limited to its corporate boundaries. It addresses the entirety of the Barstow Park and Recreation District, with the specific commitment from the City that it will maintain, if not improve, the services currently provided within the whole of the District's boundaries.

RESPONSES TO THIS PROPOSAL:

As noted previously, the City Council of the City of Barstow and the Board of Directors of the Barstow Park and Recreation District have adopted resolutions jointly initiating this change. The City worked on the initial planning stages of this application through creation of a Park and Recreation Subcommittee composed of three members of the City Council as well as members of the Board of the Park District. The end result of this review was that both bodies adopted resolutions initiating this change.

To date, staff has not received a single letter or telephone call from a resident of the City of Barstow or from within the unincorporated portion of the District in support or opposition to this proposal, even though this dissolution has been the subject of a number of newspaper articles in the community. The staff reaction to this lack of response is that it may be explained by the fact that the District is not listed anywhere on the landowners' property tax bills, and the District does not have elections for a seat on the Board of Directors. The existing board of directors is an appointed board, with two representatives appointed by the County Board of Supervisors and three members appointed by the City Council of the City of

Barstow. The City has indicated that the existing board of directors would be retained in an advisory board capacity to assist city staff in providing park and recreation services.

In addition, the Commission is required by Government Code Section 56131.7 to notify the State Department of Park and Recreation of the proposed dissolution. This notification has been provided by staff and a letter from Ms. Ruth Coleman, Director, is included as Attachment #3 to this report. Ms. Coleman notes no objection to the dissolution, but includes an expression that there may be concerns regarding the transition of grants made to the District by the Department. The City of Barstow has been made aware of this statement of concern.

The Barstow Heights Community Services District (CSD) has indicated a neutral position on this application, provided that the City succeeds to the existing contracts between the CSD and Park District (which extends until 2010). A copy of these contracts is included as a part of Attachment #4. Included in the staff's recommendation is a condition which states, "The City of Barstow shall be designated as the successor agency to all rights, responsibilities, properties, equipment, contracts, assets and liabilities, obligations, and functions of the Barstow Park and Recreation District." In the staff's view, this would respond to the concerns expressed by the Barstow Heights CSD regarding the fulfillment of the identified contract obligations.

ENVIRONMENTAL CONSIDERATIONS:

The California Environmental Quality Act and the State Environmental Guidelines provide for a statutory exemption if it is determined that a project will not alter the physical environment. The current proposal will not alter the physical environment and will not alter the geographical area within which services are already provided. The Commission's environmental consultant, Tom Dodson and Associates, has reviewed this proposal and determined that this exemption would apply to LAFCO #2950. This is based on the point that as a condition of approval, the City will be required to continue the current range and level of services now provided within the boundaries of the District after its dissolution.

If the Commission wishes to approve this proposal, it should make the finding that this proposal is statutorily exempt from environmental review, and direct the Clerk of the Commission to file a Notice of Exemption with the appropriate agency within five days.

FINDINGS:

The following findings are required to be provided by Commission policy and Govt. Code Section 56841:

1. The area in question is legally inhabited, containing 10,927 registered voters, with 7,505 voters within the city limits of the City of Barstow as of November 12, 2003.
2. The County Assessor's Office has determined that the value of land and improvements within the boundaries of the Barstow Park and Recreation District is \$919,104,463.
3. Notice of this hearing has been provided through publication in The Sun, and the Desert Dispatch, newspapers of general circulation in the area.
4. This proposal does not conflict with the City of Barstow's General Plan for areas within its sphere of influence and does not conflict with the County General Plan for those areas outside the City sphere of influence.
5. The Commission's Environmental Consultant has reviewed this proposal and recommends that a statutory exemption be issued for LAFCO #2950. This recommendation is based on the finding that the range and level of services will not be changed within the boundaries of the District as a result of this proposal and no significant physical effect on the environment.
6. The area within the Barstow Park and Recreation District is also served by the following local agencies:

County of San Bernardino
City of Barstow
Mojave Water Agency
Mojave Desert Resource Conservation District
Barstow Fire Protection District
Odessa Water District (City subsidiary district)
Barstow Cemetery District
Barstow Heights Community Services District
County Service Area 40 (TV Translator – portion of area)
County Service Area SL-1 (streetlights -- small area within
Lenwood)
County Service Area 60 (Apple Valley Airport – portion of area)

County Service Area 70 (multi-function) and its Improvement Zones W (Hinkley – fire, park and recreation), S-7 (Lenwood -- sewer), R-42 (Windy Pass – roads)

The only agencies directly affected by this proposal are the City of Barstow and Barstow Park and Recreation District. None of the boundaries of the other overlaying agencies will be affected by this proposal.

7. The City of Barstow has submitted a plan for services addressing the potential for extension of recreation and park services through the City rather than through the Park District under a separate board of directors. This plan is attached for Commission review, and it indicates that the range and level of such services can be maintained or improved through dissolution.
8. The area of the Park District can benefit from the transfer of service responsibilities for the park and recreation function to the City of Barstow.
9. This proposal and its anticipated effects conform with adopted Commission policies.
10. All notices required by law have been provided. As required by Section 56131.7 of the Government Code, notice of this application was provided to the State Department of Park and Recreation. Ms. Ruth G. Coleman, Director, has responded indicating no objection to the proposed dissolution. To date, no protest to this proposal has been submitted.
11. The City of Barstow and the County of San Bernardino have successfully concluded the property tax negotiations required by Section 99 of the Revenue and Taxation Code and adopted resolutions outlining the future distribution of property tax revenues.
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:

One of the key goals of the legislation creating Local Agency Formation Commissions is to promote simplification in government to the extent

practical and feasible. Such direction most assuredly includes the consolidation of services under a single government organization. The opening section of the Cortese-Knox-Hertzberg Act states, “a single governmental agency, rather than several limited purpose agencies, is in many cases better able to assess and be accountable for community service needs and financial resources, and, therefore, is the best mechanism for establishing community service priorities.”

Due to the continuing erosion of the financial capabilities of the Barstow Park and Recreation District to perform its services and to maintain its facilities, it is appropriate to review placing this service with the City. Consolidation of this service under City government will allow for a more effective and efficient use of the resources of the District and allow for the needed maintenance of District facilities.

In the end, approval of LAFCO #2950 is a “good government” action in an era of ever-increasing belt tightening. This action promotes efficiency, promotes a more effective balance for community service needs when weighed against limited financial resources, and promotes more effective service delivery. For these reasons, staff recommends approval of LAFCO #2950.

KRM

Attachments:

1. Maps of City of Barstow and Park District Boundaries
2. Joint Application from the City of Barstow and Barstow Park and Recreation District, Including a Plan for Service
3. Letter from Ruth Coleman, Director, State Department of Parks and Recreation
4. Letter from Barstow Heights Community Services District with Attachments
5. Annual Appropriation Limit for Barstow Park and Recreation District 1997-98
6. Environmental Review from Tom Dodson and Associates
7. Draft LAFCO Resolution #2812