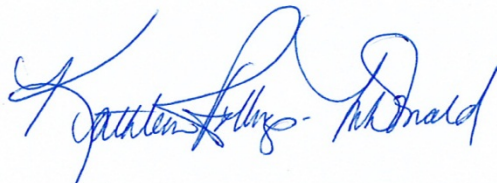


LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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DATE: NOVEMBER 14, 2012



FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer
SAMUEL MARTINEZ, Assistant Executive Officer
MICHAEL TUERPE, Project Manager

TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item #8: Service Reviews for the Morongo Valley Community

INITIATED BY:

Local Agency Formation Commission for San Bernardino County

INTRODUCTION

San Bernardino LAFCO has chosen to undertake its Service Reviews on a regional basis. The Commission has divided the county into four separate regions, with the South Desert region generally encompassing the communities of Morongo Valley, Yucca Valley, Joshua Tree, Twentynine Palms, Wonder Valley, Homestead Valley, Needles, Big River, and Baker.

This report contains a service review and sphere of influence update for the Morongo Valley Community Services District, the community-based agency within the community. This report also includes service reviews for zones to County Service Area 70 that provide water (F and W-3) and television services (TV-2) within the community. Also, a service review is conducted for the Morongo Valley systems of the Golden State Water Company – a private water company.

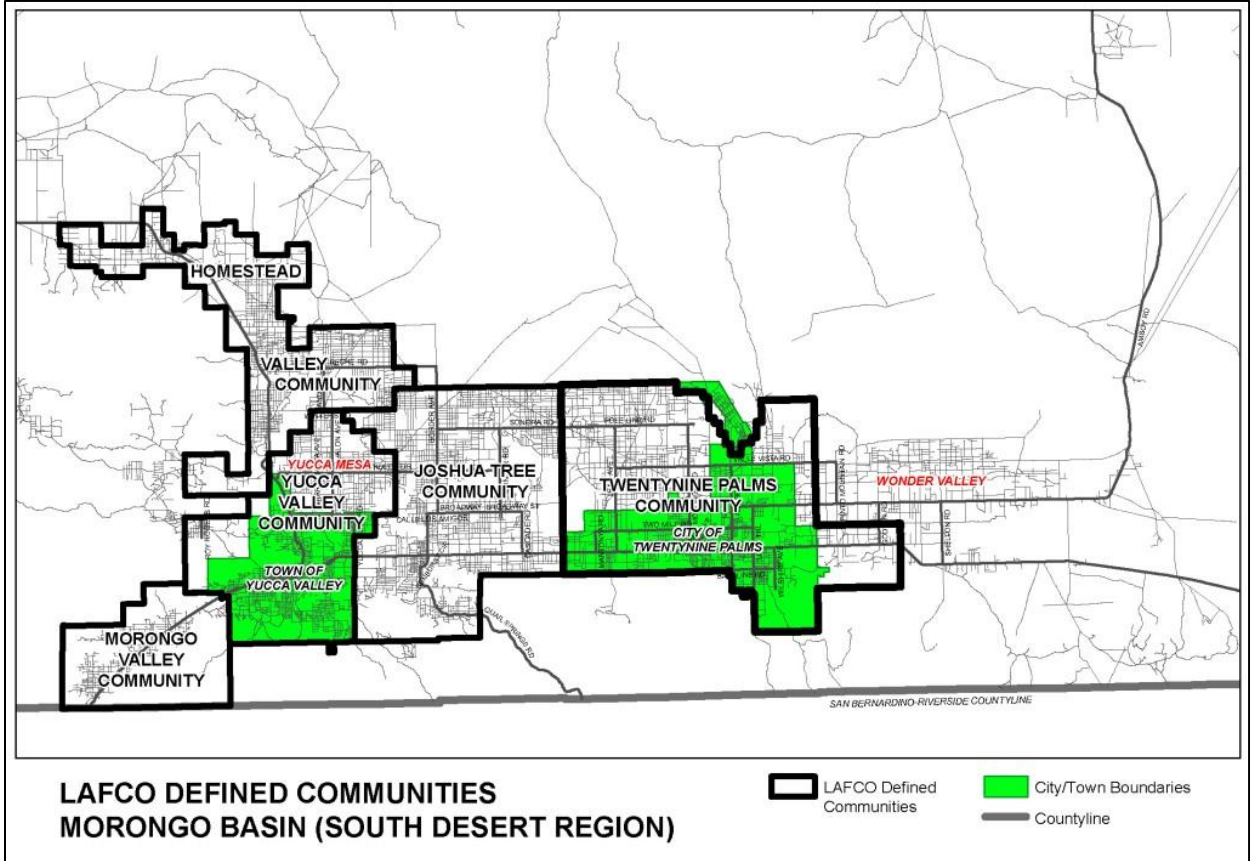
This report revisits the Commission's definition of the Morongo Valley community and is organized as follows:

- Location and Description – describes the study area and the underlying agencies
- Community History – provides a brief history of the community
- Community Discussion – revisits the Commission's community definition with options and staff recommendations
- Review of Regional and Community Services – a summary review of the services not provided by an agency under this review to include water, wastewater, fire protection and emergency services, ambulance, roads, and solid waste.
- Service Review and Sphere of Influence Update - Morongo Valley Community Services District
- Service Reviews
 - County Service Area 70 Zone F
 - County Service Area 70 Zone W-3
 - County Service Area 70 Zone TV-2
 - Golden State Water Agency
 - Information regarding two inactive zones to County Service Area 70
- Additional Determinations
- Recommendations for Commission Action

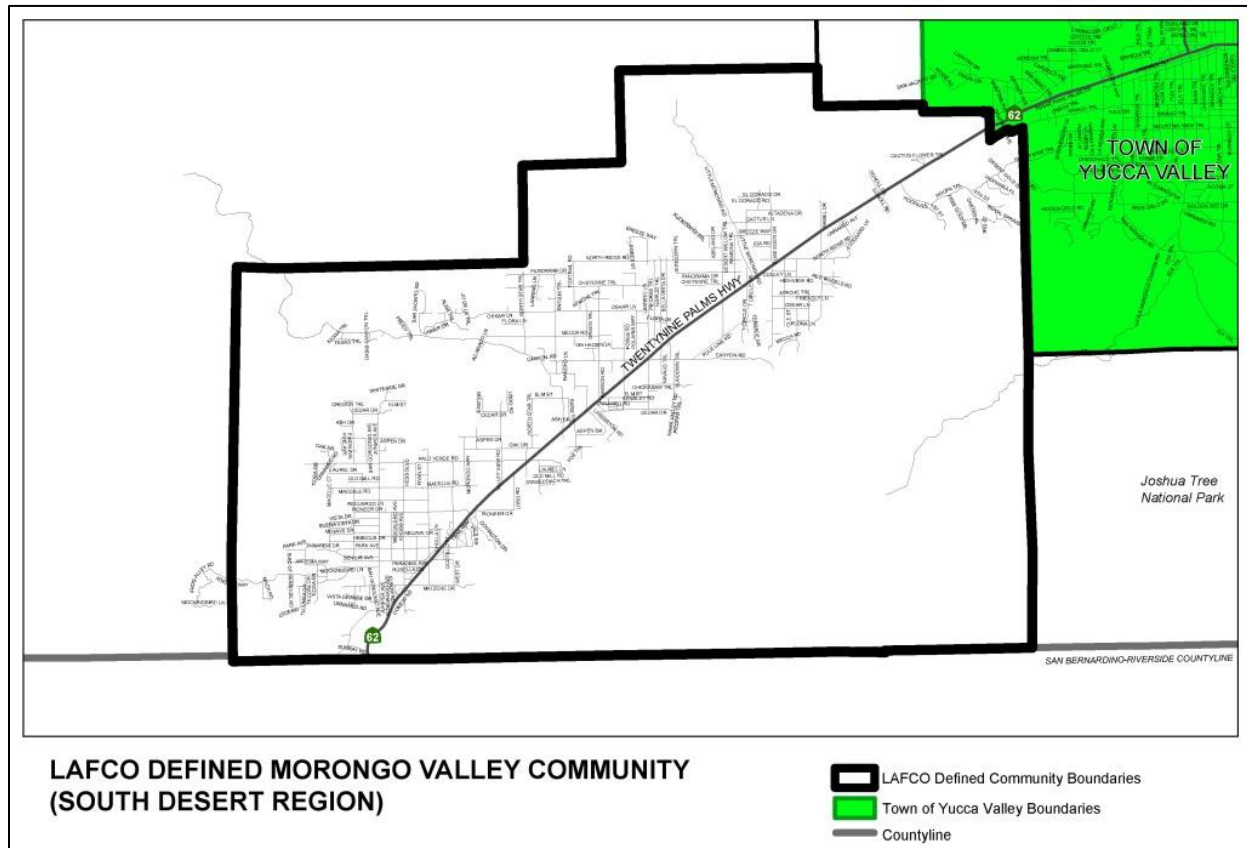
LOCATION AND DESCRIPTION

Location

Below is a map illustrating the LAFCO defined communities in the Morongo Basin area of the South Desert region including the current Morongo Valley community, a copy of which is included in Attachment #1.



The overall service review and sphere study area is generally situated in the Commission’s defined South Desert Region at the southwestern end of the Morongo Basin, approximately 58 miles east of San Bernardino and 23 miles north of Palm Springs by car. State Route 62 (Twentynine Palms Highway) traverses through the community which is south of the Sawtooth Mountains, southwest of the LAFCO defined Yucca Valley community, westerly of the Joshua Tree National Park, north of the Riverside county line, and east of the San Bernardino Mountain Range. The study area includes the unincorporated Morongo Valley community (map below identifies the community).



Characteristics

Morongo Valley is at an elevation of approximately 2,538 feet above sea level. Within the Morongo Valley Community Plan area, three geological faults have been identified: Pinto Mountain, Dry Morongo and the Morongo Valley Faults. All three are considered to be active systems, although no large earthquakes are known to have occurred recently. Geographically the area is chiefly mountainous, but it contains two relatively flat areas in the eastern part. Bowden Flat is in the northeast corner of the community between the mountains and a series of black lava-capped buttes, and a valley is in the southeastern part of the community. Most of the wells are in the valley portion of the community. The study area has no major perennial streams, so groundwater supplies are limited to the natural recharge from intermittent seasonal precipitation. The Big Morongo Canyon Wildlife Reserve is located within the plan area.

Public Service Providers

The community is served by multiple public agencies. Regional service providers include:

- County Service Area 70 (multi-function, unincorporated county-wide) and its various zones for localized service
- Mojave Desert Resource Conservation District
- San Bernardino County Flood Control District

Mojave Water Agency (easterly portion of the community)
San Bernardino County Fire Protection District and its South Desert Service Zone (northerly and easterly portion of the community)

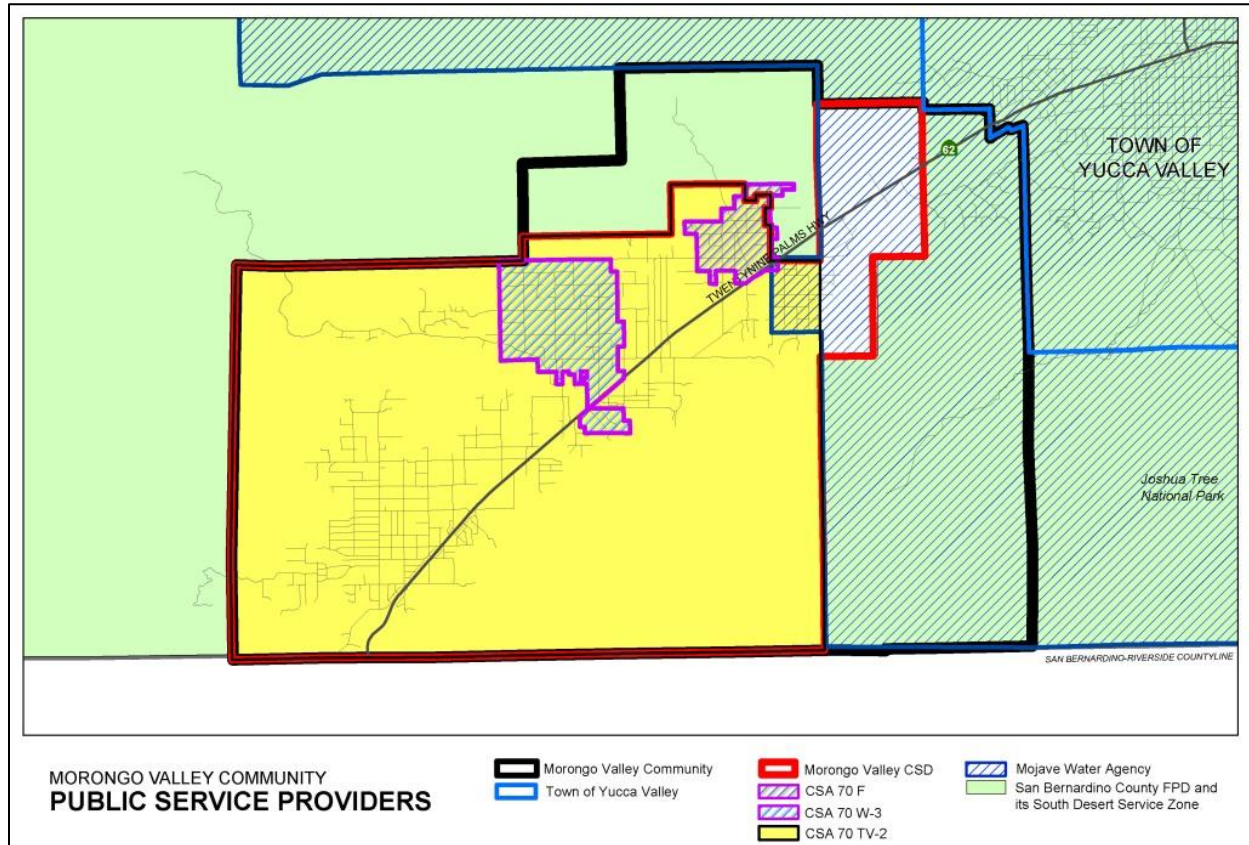
The community-based agencies providing services to the residents and landowners are listed below and shown on the map which follows, organized by area:

Morongo Valley Community Services District – This agency actively provides fire protection, park and recreation, library, and streetlighting services within its boundaries. Its boundaries encompass approximately 27 square miles (shown as a red outline on the map).

County Service Area 70 Zone F – This agency exists as a mechanism to provide retail water service its boundaries (shown as grey hatching with a purple outline on the map). Its boundaries encompass approximately 381 acres.

County Service Area 70 Zone W3 – This agency exists as a mechanism to provide retail water service its boundaries (shown as blue hatching with a purple outline on the map). Its boundaries encompass approximately 1.5 square miles (969 acres).

County Service Area 70 Zone TV-2 – This agency provides high power television translator service within its boundaries (shown as yellow shade on the map). Its boundaries encompass 25 square miles.



COMMUNITY HISTORY

The following narrative provides a historical perspective of the community as described in the Morongo Valley Community Plan¹.

The Serrano Indians and Cahuilla tribe from the Shoshonean division (Takic) of the Uto-Aztecan language family occupied the Morongo Basin until the small pox epidemic decimated the majority of their society in the 1880s. The area was first inhabited by non-Indians in 1873, when the de Crevecoeur family homestead was established. Hans Frederick Briand de Crevecoeur moved into the Morongo Valley with his wife Margarethe Thomsen and their stock of sheep and cattle. Ben de Crevecoeur was born in the house that his father, Hans de Crevecoeur built there. The valley area was sparsely settled by cattle and sheep ranchers due to adequate natural vegetation for grazing.

Homesteading continued in the valley for a number of years after the turn of the century and peaked in the early 1930s. In the last 50 years, however, the area has been primarily residential in nature, attracting a number of retirement-aged residents.

In 1982, the Bureau of Land Management designated Big Morongo Canyon Preserve as an Area of Critical Environmental Concern. The 1992 Landers earthquake was a magnitude 7.3 earthquake that occurred on June 28 with an epicenter near the town of Landers, California, which is located nearby to the northeast. The quake was the largest earthquake to have occurred in the contiguous United States in 40 years. On July 11, 2006 the Sawtooth Complex fire burned portions of Morongo Valley, Yucca, Valley, and Pioneertown. Residents were placed under mandatory evacuations and much of the surrounding desert habitat was damaged.

A brief history of the major governmental events for this community and its relationship with the Local Agency Formation Commission is described below, listed chronologically by end date:

- | | |
|------|---|
| 1958 | The Board of Supervisors and the registered voters approved the formation of the Morongo Valley Community Services District to provide a variety of services to the community. |
| 1962 | The Board of Supervisors and the registered voters approved the formation of the Palm Wells County Water District to provide water to the 400-acre Palm Wells area located in eastern Morongo Valley. |
| 1965 | In early 1965, LAFCO reviewed and approved the annexation of portions of the Morongo Basin to the Mojave Water Agency ("MWA") (LAFCO 161 and 212). Due to opposition from the Morongo Valley Community Services District and Twentynine Palms Water District, the areas of these agencies |

¹ County of San Bernardino. General Plan. *Morongo Valley Community Plan*. 12 April 2007.

were excluded from the annexation proceedings. As a result of the annexations, the remainder of the Morongo Basin was entitled to receive State Project Water from the MWA's "Annual Table A Amount". This began a more than 30-year process to build a pipeline to deliver water from the State Water Project to the Morongo Basin.

1971 County Service Area 70 Improvement Zone F was established by an act of the County Board of Supervisors to provide water service to a portion of Morongo Valley.

1972 The Commission established spheres of influence for the Morongo Valley and Yucca Valley communities. For the Yucca Valley community, the northern, eastern, and southern sphere boundaries were established for community-based agencies. However, the Commission did not establish a western sphere boundary, east of the Morongo Valley community, for the following reasons:

1. The proposed incorporation of Yucca Valley included a reorganization of the Yucca Valley community-based districts and the western boundaries for the proposed reorganization were not set at that time.
2. In between the Morongo Valley community and the Yucca Valley community was the Palm Wells County Water District encompassing less than one square mile. The Commission thought that its governmental structure should be aligned with either the Morongo Valley or Yucca Valley communities. A sphere was not granted to this district and the Commission encouraged it to negotiate with the Morongo Valley and Yucca Valley communities as to its future placement.

For the Morongo Valley community, the sphere was established which left a two-mile gap between the Morongo Valley and Yucca Valley communities (LAFCO 1163).

1976 County Service Area 70 Improvement Zone W-3 was established by an act of the County Board of Supervisors and approved by the electorate to provide water connection and maintenance services to the area previously served by the Hacienda Water Association of Morongo Valley, Inc, thought to be a mutual water company.

County Service Area 70 Improvement Zone TV-2 was established by an act of the County Board of Supervisors to provide television service to Morongo Valley.

Special districts were seated on San Bernardino LAFCO. As a part of this process all special districts were limited to the functions/services actively provided at that time and required an application process to activate any other function/service in the future. The affected districts responded to

LAFCO's request to list their active functions and services by providing the following:

- The Morongo Valley Community Services District identified to LAFCO that the active functions were fire protection and prevention, recreation, streetlighting, library, and weather reporting.
- The Palm Wells County Water District identified to LAFCO that the active function was retail water.

Pursuant to adoption of the *Rules and Regulations of The Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts* in 1976 and amendments thereafter, the active functions and services for the districts have been determined. The policies and procedures adopted at the same time outlined the requirements to apply to the Commission for activation of any other latent powers.

- 1978 The Morongo Valley Community Services District initiated an application to add the functions of water and roads as active services. At that time, the Morongo Valley had six water providers and it felt that there should be a valley-wide coordinating body. For roads, the district desired to assume responsibility for the roads not maintained by the County. The Commission approved the District's application as submitted (LAFCO 1800).
- 1981 The Morongo Valley Community Services District requested that the Palm Wells County Water District be dissolved since the water district was not providing service to the area, had no legally constituted board of directors, and had not utilized its corporate powers since at least 1978 (LAFCO 2093A). The Commission modified the proposal to include annexation of the territory to the Morongo Valley CSD and approved the proposal, which also transferred all of the water district's assets to the Morongo Valley CSD. The proposal also dissolved County Service Area 70 Improvement Zone I, which was formed in 1971 when it became apparent that Palm Wells did not have the resources to develop its own water services. Zone I was entirely within Palm Wells County Water District, it did not provide any service and was for financing purposes only.
- 1986-87 The Morongo Valley Community Services District submitted an application to expand its sphere of influence easterly to the ridge line along the top of the Twentynine Palms Highway grade (LAFCO 2422) and to annex 1.9 square miles to the east (LAFCO 2421).

The placement of the sphere of influence was chosen to define the division between the two communities taking into consideration the drainage and flood paths in the area, the geography of the ridge, and establishing an easily recognizable and identifiable community division. The Yucca Valley Recreation and Park District and Yucca Valley Fire Protection District overlaid a portion of the proposed Morongo Valley CSD sphere expansion area, and

these districts along with the Yucca Valley Municipal Advisory Committee opposed the sphere expansion proposal. As with the sphere establishments in 1972, there was no interagency consensus on the exact ultimate service boundaries that should be established.

The review by the Commission of the sphere of influence assignment for the Morongo Valley CSD in 1987 considered and defined the larger questions of the placement of these communities. The Commission approved the sphere expansion on the basis of its established sphere policy of a community-by-community approach to spheres of influence, weighing service capabilities and communities of interest in a given area. In this case, it was determined that in the long-run the Morongo Valley CSD would be capable of providing the same level of services and the community division generally at the top of the ridge would be a readily identifiable and recognizable division. The spheres of influence for the Morongo Valley CSD and the Yucca Valley community represent the economic, environmental, geographic, and social divides of the Morongo Valley and Yucca Valley communities.

As for the annexation proposal, the Commission approved the annexation proposal of 1.9 square miles to Morongo Valley CSD, which included a detachment of 420 undeveloped acres from the Yucca Valley Recreation and Park District, CSA 45 (streetlighting), and CSA 38 (fire protection).

1988 The sphere realignment action from the year before placed the Yucca Park (owned by the Yucca Valley Recreation and Park District) within in the Morongo CSD sphere, and it was agreed that there should eventually be a transfer of ownership of the park site from Yucca Valley to Morongo Valley. The Yucca Park consisted of 40 acres and contained a shooting range and picnic sites. The operations and maintenance of the range was provided by the Hi-Desert Rod and Gun Club, which leased the facility from the Park District. In 1988, the Morongo Valley CSD initiated an application as a follow-up proposal to implement that decision by annexing the Yucca Park to the Morongo Valley CSD and detaching that area from the Yucca Valley Recreation and Park District. The proposal also transferred park ownership and responsibility to the Morongo Valley CSD. Both agencies agreed to the terms and the Commission approved the proposal (LAFCO 2488).

1990-91 The Hi-Desert Water District initiated an application to expand its sphere of influence and annex the territory of the former Yucca Water Company, a private water company, (LAFCO 2655 and 2656 respectively). The sphere of influence proposal aligned the Yucca Valley community (Hi-Desert Water District, Yucca Valley Fire Protection District, Yucca Recreation and Park District, and County Service Area 45) and Morongo Valley community (Morongo Valley Community Services District) spheres of influence. The net effects of the sphere adjustments were eight acres removed from the Morongo Valley sphere and added to the Yucca Valley sphere and 25 acres removed from the Yucca Valley sphere and added to the Morongo Valley sphere. In 1991, the Commission approved the sphere of influence

expansion and annexation. The annexation to Hi-Desert Water District comprised 5.5 square miles, including the entirety of the Yucca Water Company.

2005-06

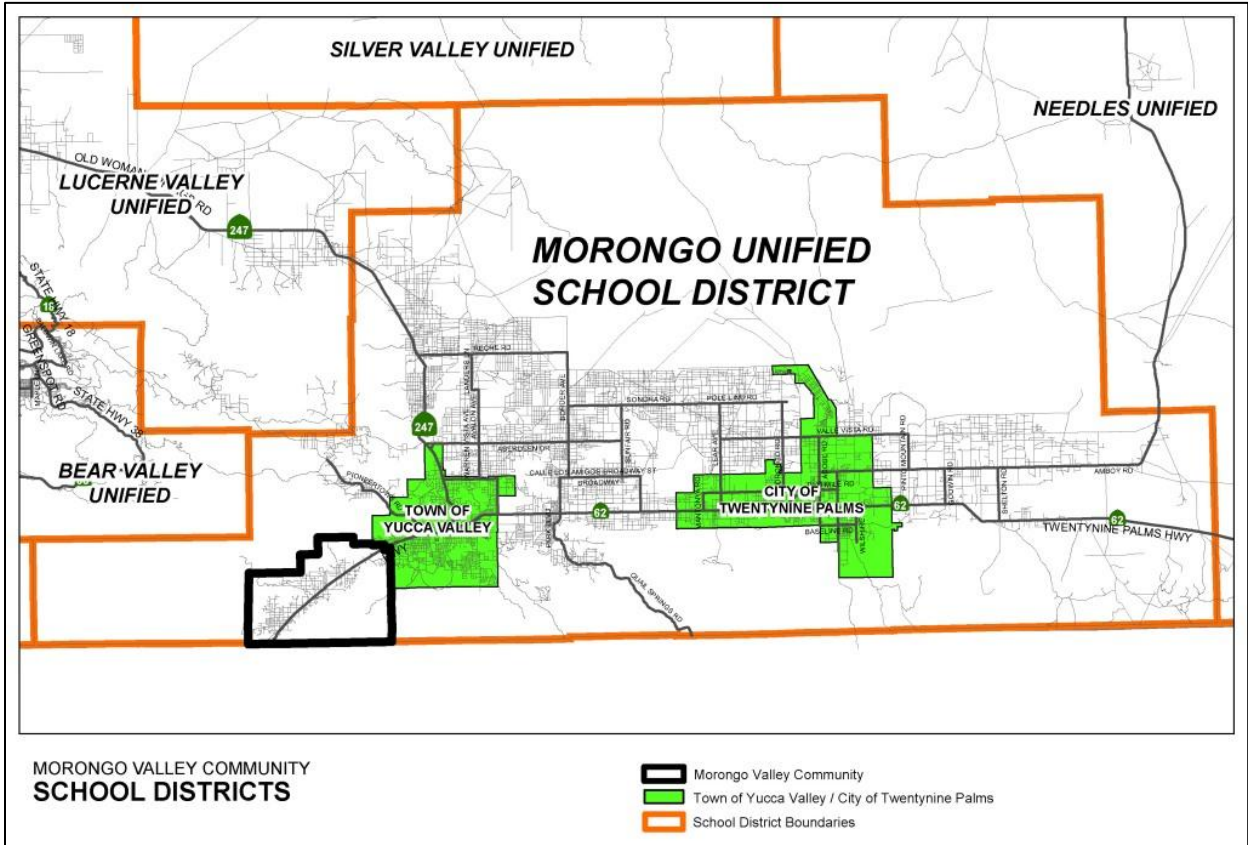
LAFCO staff notified all the community services districts within the county of the rewrite of Community Services District Law (Senate Bill 135), effective January 1, 2006. The update of Community Services District Law included new provisions related to governance and latent powers for community services districts.

Pursuant to the 2006 re-write of Community Services District Law, those functions that LAFCO determined that a district did not actively provide prior to January 1, 2006 were to be designated as a "latent power". The Morongo Valley CSD identified that it actively provided fire protection, park and recreation, streetlighting, and library services. The District identified that the functions of water, streets (roads), and weather reporting were not actively provided. On January 18, 2006, these functions and services were removed from the Commission's adopted *Rules and Regulations of The Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts*.

COMMUNITY DISCUSSION

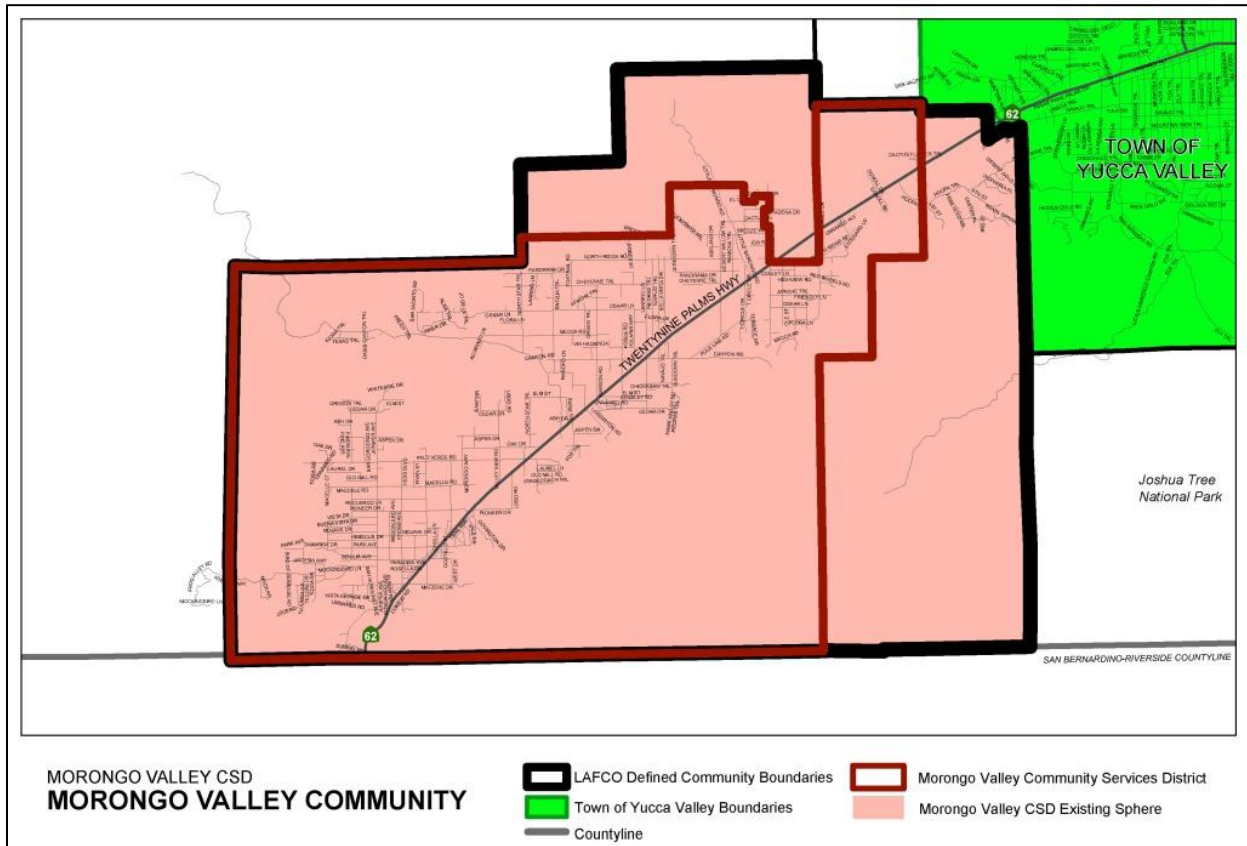
The Commission’s policy guidelines for spheres of influence outline its strategy to utilize a “community-by-community” approach to consideration. This practice requires the Commission to look at the whole of the community as defined by the existence of inter-related economic, environmental, geographic and social interests. The Commission’s concept is to define a community and adjust the spheres of influence for all related service providers to that community. Such a determination provides direction to both current and future residents as to the agencies designed to serve them.

School districts are social focal points for many communities, and the Morongo Unified School District (USD) overlays the entirety of the Morongo Valley community as well as other areas surrounding the community (see map below).



Due to the regional nature of the USD, it does not provide additional information in relation to the definition of the communities; except to note that it serves within and beyond the LAFCO defined Morongo Valley community.

Since 1972 the Commission has defined the Morongo Valley community as the sphere of influence assigned the Morongo Valley Community Services District and that definition remains today.

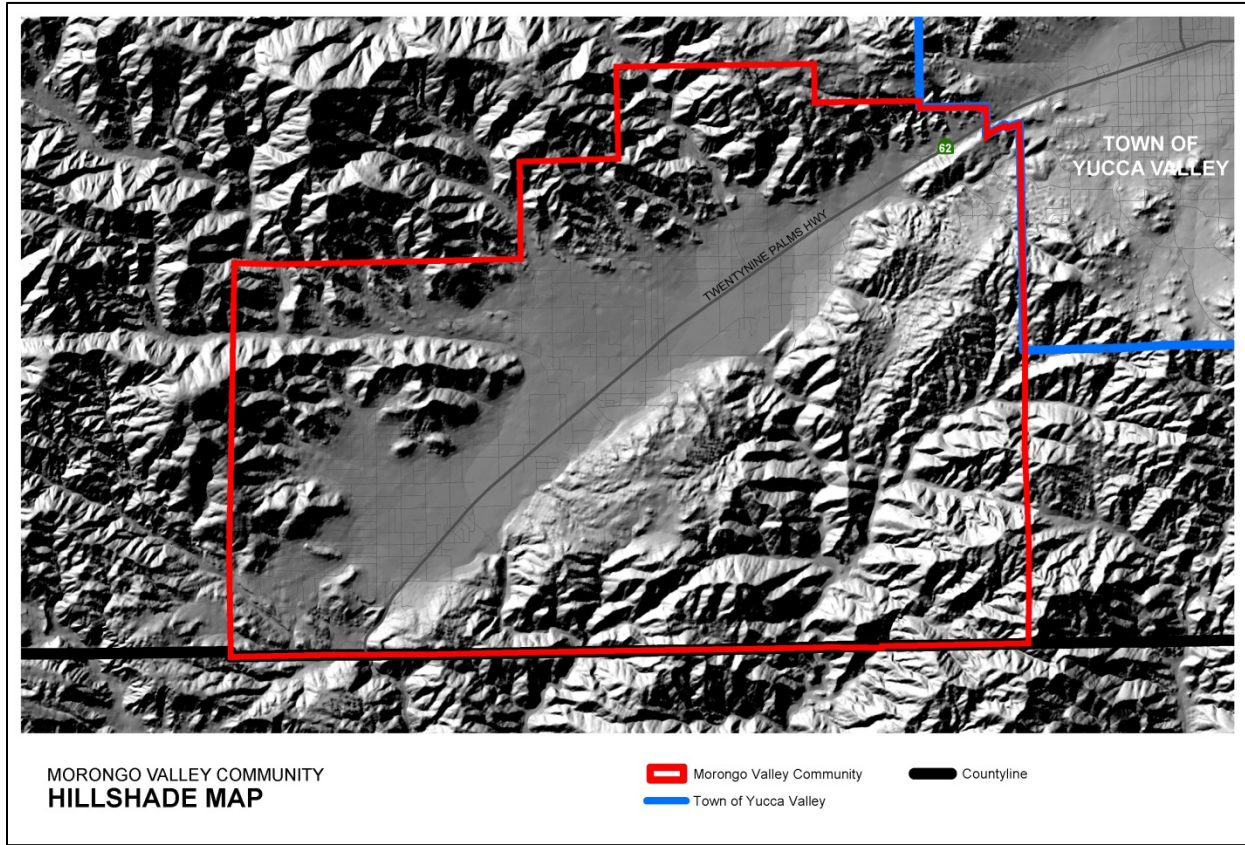


Revisiting the Commission’s Community Definition

To reflect the Commission’s policy direction to address its sphere of influence program on a community-by-community approach and to address actual service provision within the Morongo Valley community, the possibility of redefining the community should be considered. Staff’s analysis indicates there are three parameters that the Commission should use to evaluate the existing Morongo Valley community definition:

Parameter 1 – Topography

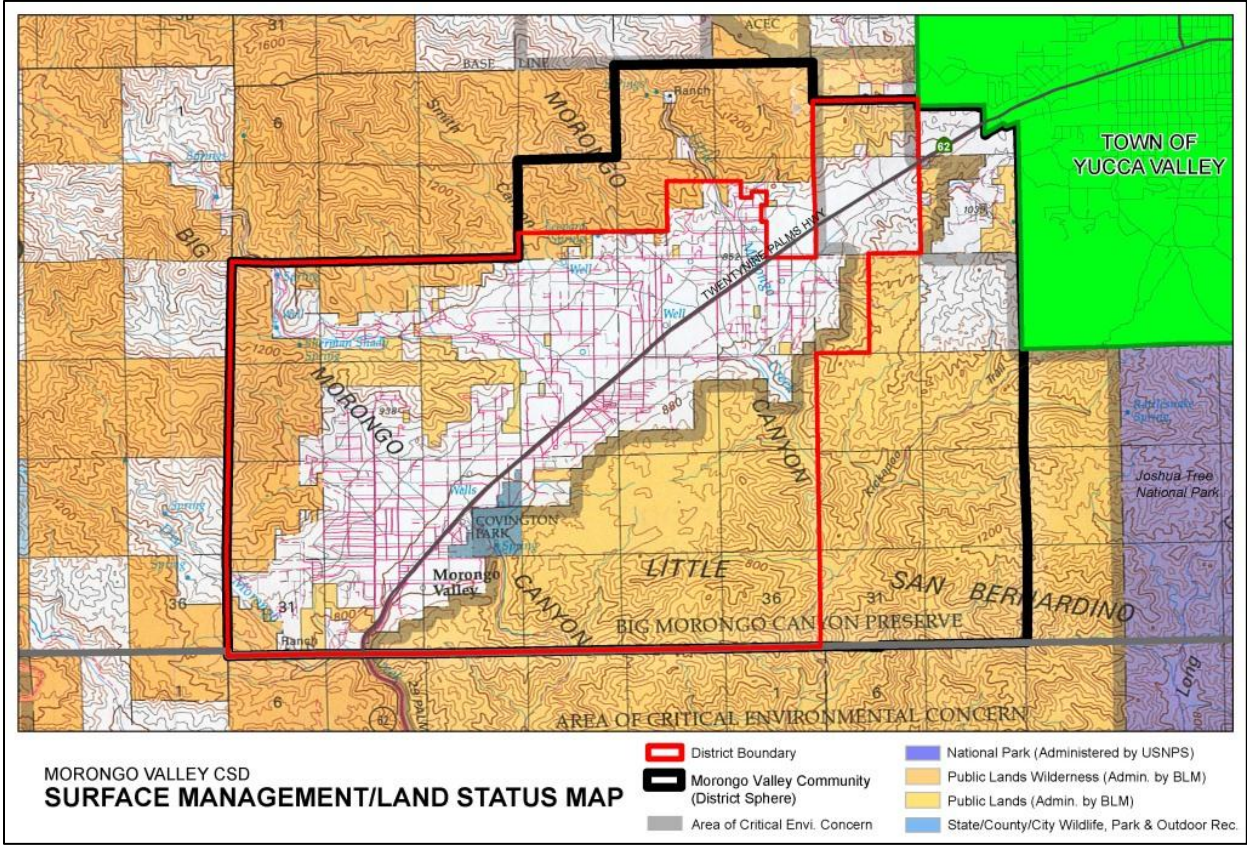
The community is bisected by Highway 62 along Morongo Canyon that runs on a southwest/northwest direction. The canyon creates a constraint along the north/northwest portion of the community (part of the San Gorgonio Wilderness) and along the south/southeast portion of the community (along the Little San Bernardino Mountain range), that is characterized by gentle to very steep slopes. The relief map below outlines these topographic features.



Service delivery, especially in the hilly areas, can be constrained by topography. Therefore, the use of a topographic constraint, such as a ridgeline or a canyon, is a key factor in defining a community.

Parameter 2 – Land Ownership

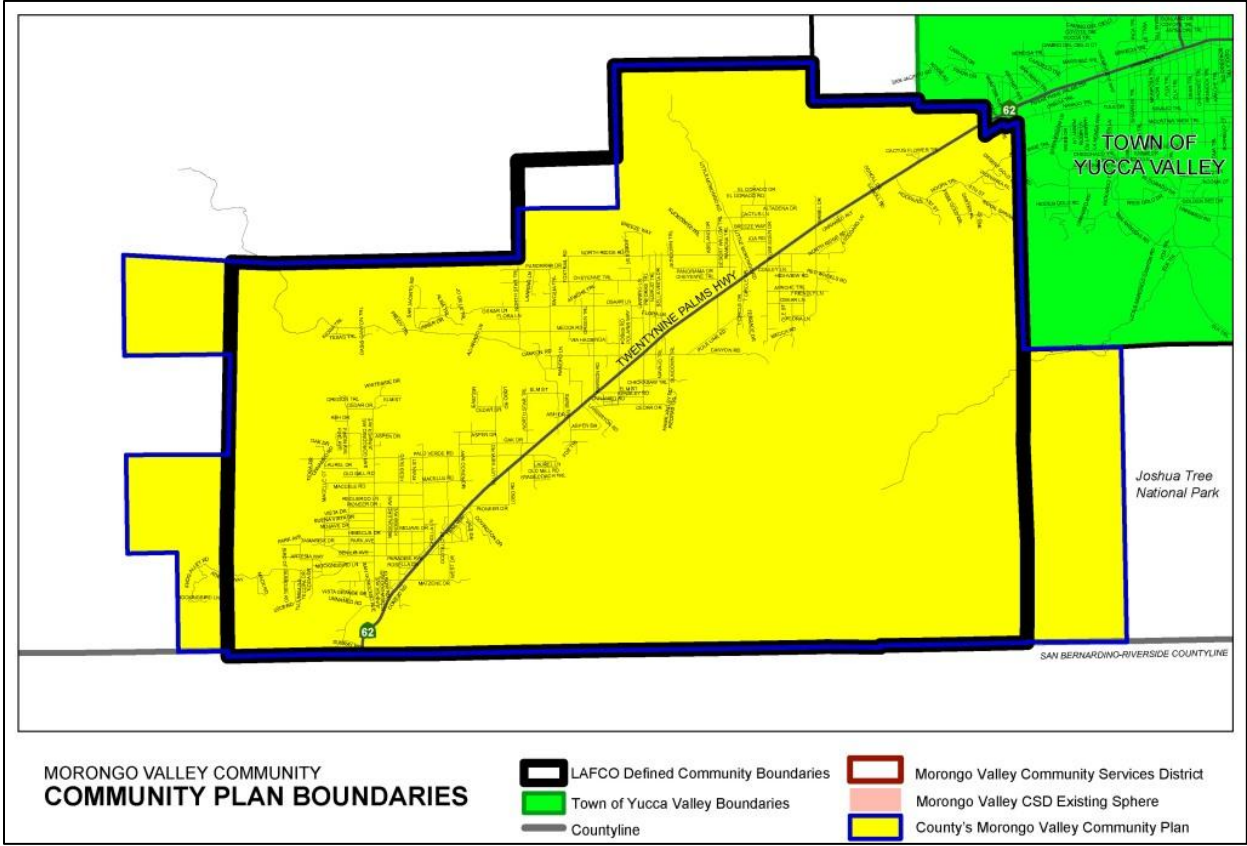
The Morongo Valley community, because of its topographic features, encompasses public lands that are managed by either the Bureau of Land Management (BLM) or the US Forest Service (USFS). The map below illustrates the public lands within the community and the respective entities that manage these lands:



It should be noted that the BLM has designated the Big Morongo Canyon Preserve as an Area of Critical Environmental Concern, which lies partly within the community. The Big Morongo Canyon Preserve is well recognized as an important wildlife corridor that links the San Geronio Wilderness with the San Bernardino National Forest and Joshua Tree National Park.

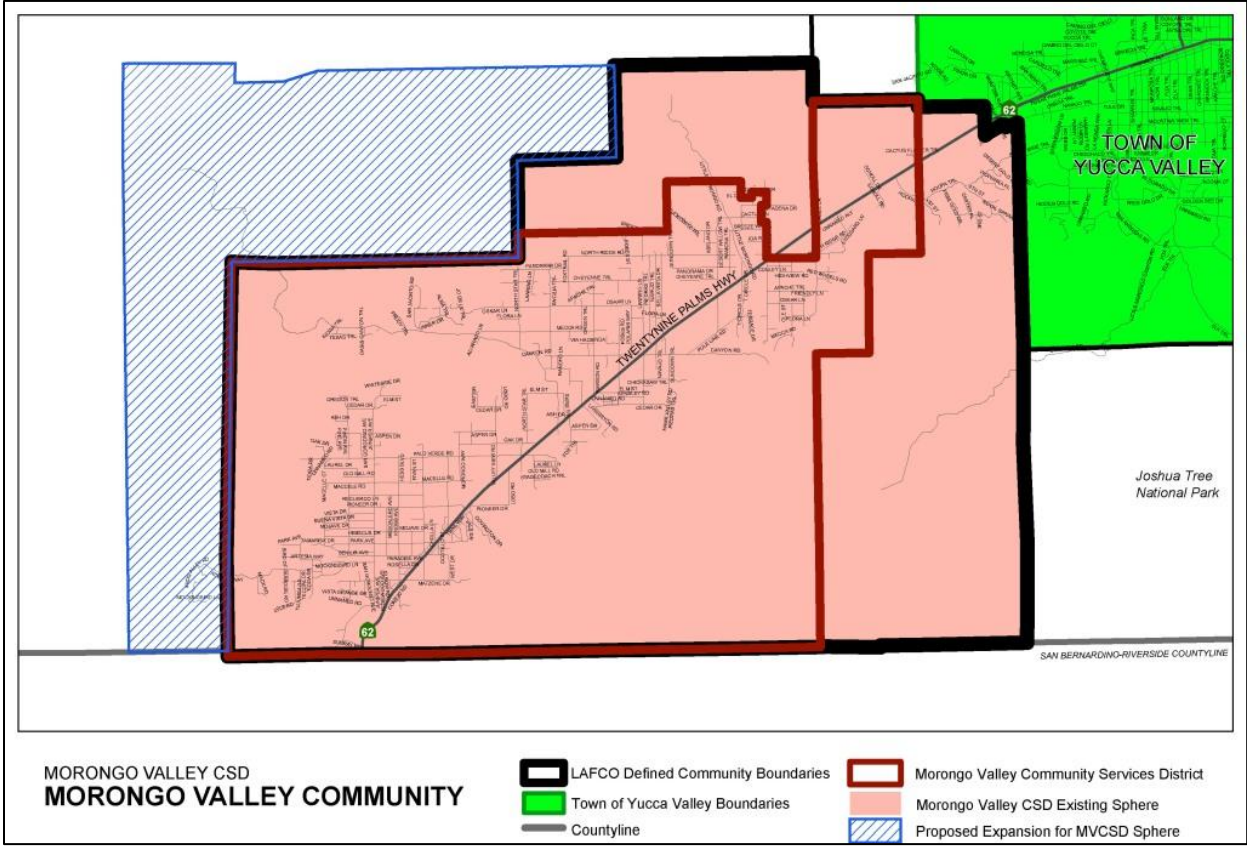
Parameter 3 – County Community Plan

The Commission could also use the County’s adopted *Morongo Valley Community Plan* to define the community. However, as staff has identified on numerous occasions, when the County developed the Community Plan boundaries, it did not take into account the boundaries of existing service providers for the area. In the case of the *Morongo Valley Community Plan*, it includes areas outside of the Morongo Valley Community Services District boundary and/or sphere of influence.



Community Definition

As mentioned earlier, the Commission has defined the Morongo Valley community as the sphere of influence for the Morongo Valley Community Services District. Given the parameters identified above and their limitations (i.e. constraints to service delivery due to topography, the public land within and around the community, and the Community Plan boundary that does not match the current LAFCO defined community), it is still staff's position that the Commission's historical Morongo Valley community definition remain – as the sphere of the Morongo Valley Community Services District, with a modification (expansion of approximately 8,130 acres) west and northwest of its existing sphere to include the area where the CSD currently provides fire and medical emergency services within the San Gorgonio Wilderness.



This recommendation is utilized as the study area for the following service review and sphere of influence update for the Morongo Valley Community Services District presented by staff. To accomplish the Commission’s policy directives to incorporate the community definition into the sphere of influence program, LAFCO staff recommends modifications to the CSD’s sphere in the “Sphere of Influence Update” section of this report.

Government Code Section 56076 defines a sphere of influence as a “plan for the probable physical boundaries and service area of a local agency, as determined by the commission”. Regardless of which option the Commission chooses, it would not affect any agency’s current boundary or service delivery as no change in jurisdiction would take place.

REVIEW OF REGIONAL AND COMMUNITY SERVICES

Fire protection, park and recreation, streetlights, and library services are discussed in the service review for the Morongo Valley Community Services District. The following provides summary information that is regional in nature on the other services that are provided within the community.

According to the Community Plan, the key concerns which residents of Morongo Valley have identified relative to future growth of the community include: (a) preservation of community character, and (b) provision of adequate infrastructure. The community's rural character is further defined by the natural setting, open vistas, abundant wildlife, dark skies, predominance of large lot residential development, lack of traffic congestion, and tranquility. The community's primary concerns center on water supply, inadequate water pressure, sewage disposal, alternate emergency routes and traffic and circulation.

A. Water

Regional Water

Typical of the desert, the community has no major perennial streams, thus groundwater supplies are limited to the natural recharge from intermittent, seasonal precipitation percolating into the interior Morongo groundwater sub-basin.

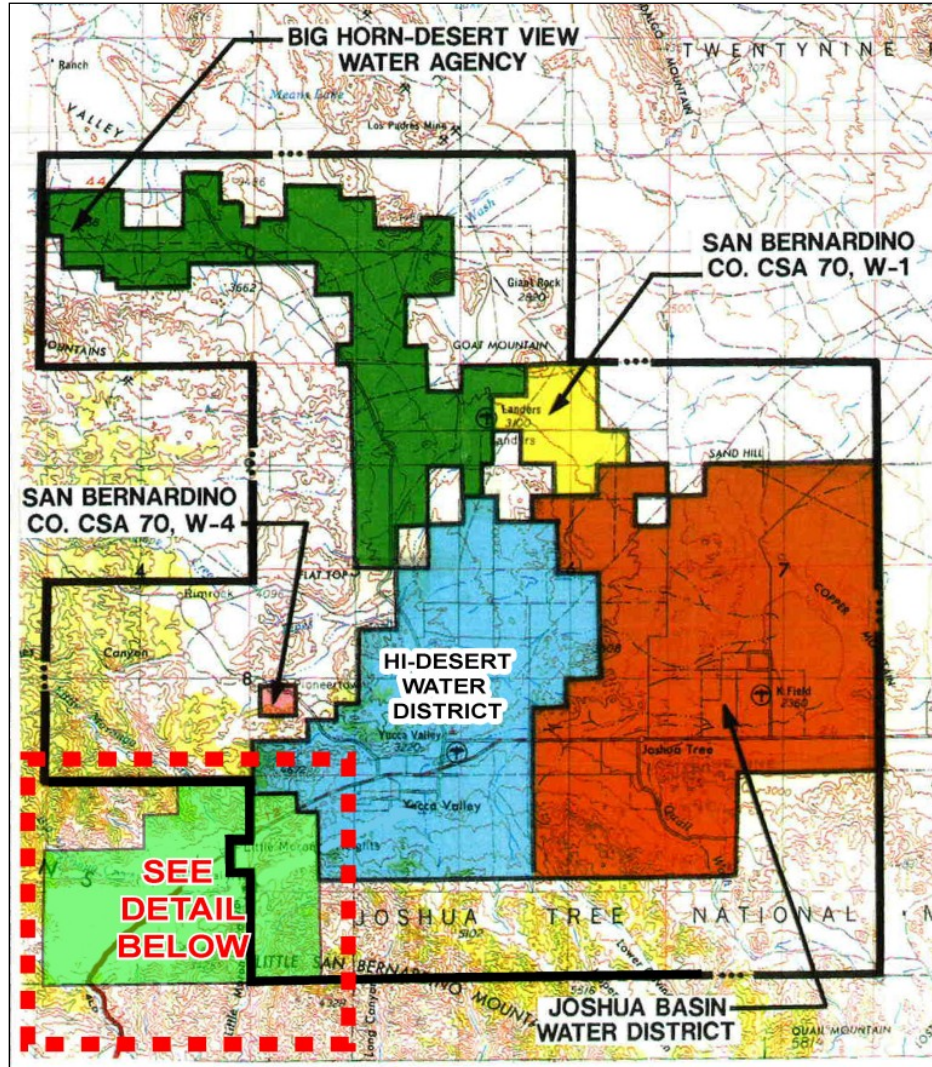
The Morongo Valley sub-basin underlies the Morongo Valley Community Plan area. There is little information on this sub-basin and although it bears the same name, it is not part of the Morongo/Johnson Valley water basin area.

The Mojave Water Agency (MWA) is the State Water Contractor that overlays portions of the Morongo Basin, which includes the Homestead Valley community, the Yucca Valley community, the Joshua Tree community, and a small portion of the Morongo Valley community.

Issue Related to Access to State Water Project:

The Morongo Valley sub-basin lies outside the boundaries of the MWA adjudicated service area, which means they are not able to receive water allocations from Mojave Water Agency, except in the event of an emergency. Of concern to LAFCO staff is the lack of accessibility to State Water Project water for those residents in areas in the Morongo Basin portion of the MWA not within the territory of a water retail provider. The map below shows the retail water providers within Improvement District M of the MWA.

Additionally, this map shows the portion of the CSD's boundary that extends into Improvement District M as discussed below.

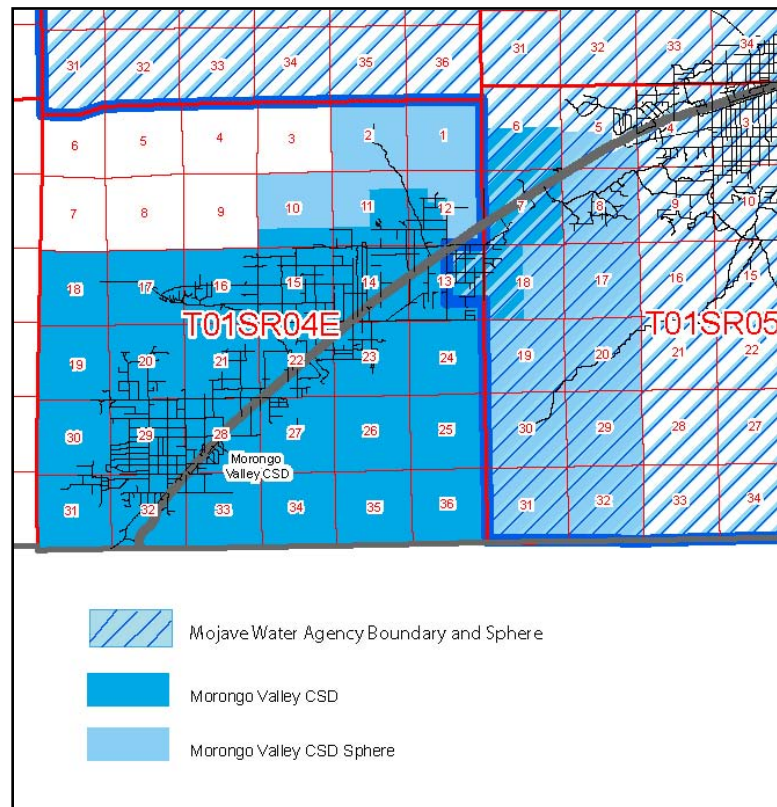


The area was annexed to MWA in 1965 conforming to judicial boundaries. However during processing of the proposal, the communities of Morongo Valley and Twentynine Palms (as defined at that time) were excluded at their request. The sphere establishment for MWA in 1973 included only the existing territory of MWA in this area. In 1990, voters within the Morongo Basin portion of MWA (including the defined communities of Pioneertown, Landers, Joshua Tree, and Homestead Valley and the Town of Yucca Valley among others) approved two ballot measures:

- Formation of Improvement District M (conforming to MWA boundaries) which defined financing responsibilities for landowners within the areas for repayment of their fair share of the extension of the pipeline (defined as 75% of the bond cost); and,
- A bond measure to fund a pipeline to deliver water to recharge basins to be located in Yucca Valley.

The result is that landowners within MWA territory in the Morongo Basin that are not a part of a retail water provider are subject to all the MWA assessment as well as the Improvement District M assessments, yet have no governmental mechanism to receive the water service.

Of particular concern is the southwestern most corner of Improvement Zone M, where approximately 11.3 square miles of MWA's boundary, sphere, and Improvement District M extends into the CSD's territory and sphere (as shown below). This area is comprised of sections 7, 8, 17 - 20, and 29 - 32 and portions of sections 5 and 6 of T01SR05E and a portion of section 13 of T01SR04E.

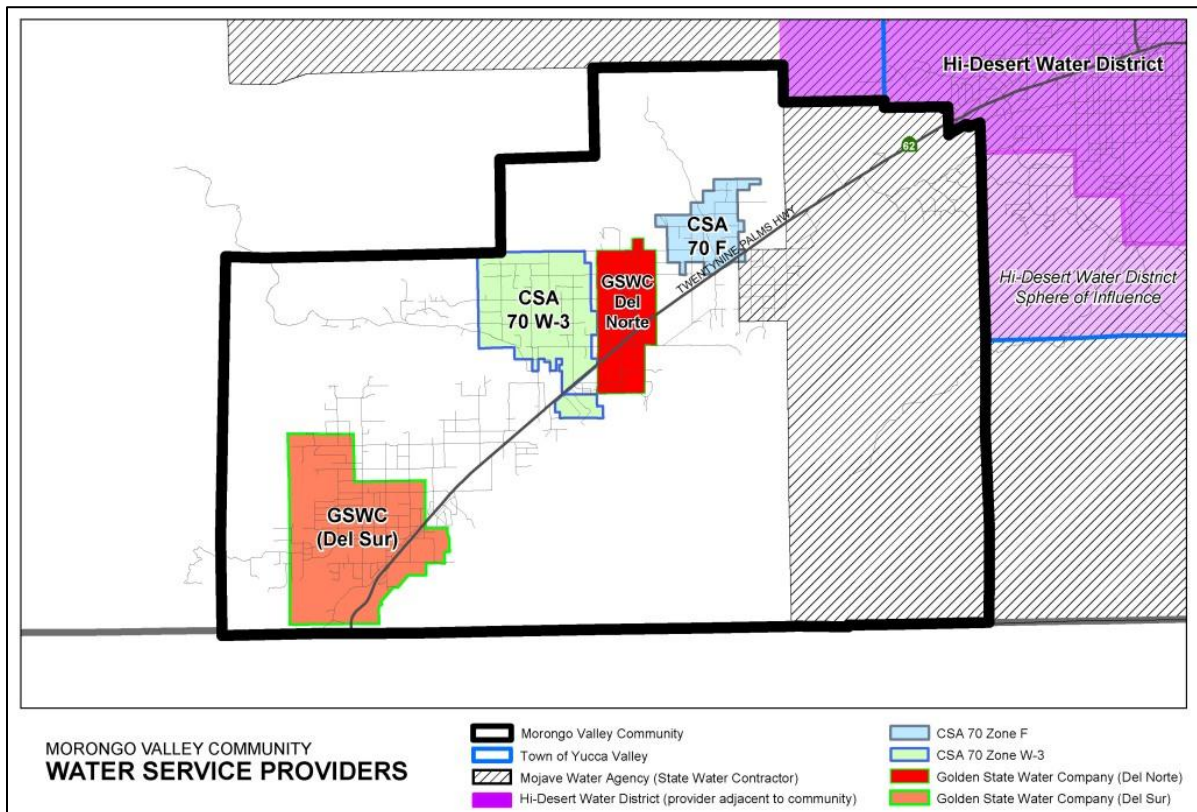


In addressing this circumstance, staff wants to make the Commission aware that delivery of State Water Project water to this area would require the formation of a new entity such as an Improvement District to the CSD or a Zone to County Service Area 70. Such a scenario would possibly allow for the importation of treated wastewater to the community. It is documented that the community has adequate water supply but the quality of the water is of concern as noted above. Given the need for better water quality, or should a future need arise for increased water quantity, the CSD (as the multi-purpose community agency) could coordinate with the Hi-Desert Water Agency (“HDWD”) to the east. Such a cooperative effort could entail purchasing the HDWD’s treated wastewater for blending with the community’s groundwater. At the outset, there would be many issues to overcome such as whether or not treated wastewater that originated as water from the State Water Project could be exported outside of the boundaries of the state water contractor. If so, then the HDWD could potentially purchase additional state water project water with the proceeds of

the sale of wastewater to the Morongo Valley. Additionally, such an effort would require LAFCO approval to activate the CSD's latent water function.

Local Water Service

There are three primary water purveyors for the Morongo Valley community. County Service Area ("CSA") 70F, CSA 70 W-3, and Golden State Water Company (Morongo Del Sur and Morongo Del Norte water systems) supply their specific areas as shown in the map below.



As identified in the Community Plan, according to Special District staff, groundwater supplies in the plan area are good, but water quality is poor. Most of the local groundwater does not meet drinking water standards. The lack of connections, which is a function of available infrastructure and poor water quality, will provide constraints for future development within the plan area. Another factor for this area is that there is minimal water service if there is no power. Water services can experience loss of water pressure during power outages. Customers are reminded that they should limit water usage when there is no power available.

Those residents residing outside of a water purveyor have their own on-site methods such as wells or springs. The yield from these sources will vary dependent on the amount of snowmelt and rainfall and the individuals are responsible for monitoring the quality of the water they use.

Uranium

A review of the water quality reports for all of the retail water systems indicates that there are high levels of uranium in the community's groundwater. According to the 2011 Consumer Confidence Report (water quality report) for CSA 70 Zone F, the source water is in violation uranium by exceeding the maximum contaminant level. The report reads that the likely source of contamination is from the erosion of natural deposits. Further, the report states that, "the District (Zone F) will continue to work with the County Health Department and the community to resolve the ongoing water quality problems that relate to uranium and gross alpha radiation. The formal notification for uranium advising customers to use bottled water for consumptive purposes remains in effect." LAFCO staff has confirmed with Special Districts Department staff that the formal notification is still in effect.

Within CSA 70 Zone W-3, uranium levels are bordering the maximum contaminant level. For Golden State Water Company's Del Norte system, as identified in the County's EHS inspection report the Elm well has been removed from service and placed on standby due to its high uranium content. Those residents who have their own on-site wells are susceptible to high uranium levels as well, especially in the northeastern portion of the community.

Options exist for uranium removal, but the best treatment system or combination of systems for a given situation will depend on several factors. For community water supplies, there are at least five options for removing or reducing uranium concentrations in drinking water:

1. locating and developing a new source of drinking water;
2. purchasing drinking water from another water system;
3. blending water from a contaminated source with water from an uncontaminated source(s);
4. building and operating a treatment plant to remove uranium; and
5. installing and maintaining point-of-use (POU) treatment devices at each drinking water tap.

For the Morongo Valley water providers, options 1, 2, and 3 may be infeasible due to the basin-wide contamination that is occurring – unless the new water source, the water to be purchased, or the water to be used for blending, comes from outside of the Morongo basin.

For non-community water systems (i.e. schools, restaurants, churches, motels, etc., served by their own supply of water), treatment to remove uranium might be accomplished safely and economically with a point-of-entry (POE) system. A POE system is a small-scale water treatment unit that treats all of the water that enters the facility. POE systems for uranium removal often make use of anion exchange technology because of its comparatively lower cost. However, reverse osmosis POE systems are becoming more affordable.

For the residents that are served water by individual wells, the most feasible treatment alternative to remove uranium in their water supplies is the use of a point-of-use system (POU). A POU system is usually placed under or near one faucet and treats only the water coming out of that tap for drinking or cooking. While no POU system is certified to remove uranium at this time, documentary proof exists to show that reverse osmosis, distillation, special adsorbent media (such as titanium dioxide) and anion exchange remove uranium and a variety of other contaminants.

Bulk Hauled Water

In remote areas of the south desert, the hauling of domestic water is the sole means for domestic water. In a joint letter to the county planning and building departments in 2003, the California Department of Health Services² and the California Conference of Directors of Environmental Health specify that, "bulk hauled water does not provide the equivalent level of public health protection nor reliability as that provided from a permanent water system or from an approved onsite source of water supply." This statement is based on five potential public health risks for hauled water:

1. The potential for contamination exists when water is transferred from tanker trucks to water storage tanks.
2. Storage tanks are often the source of bacterial contamination.³
3. There is no assurance that licensed water haulers follow State guidelines at all times.
4. The future reliability of hauled water is susceptible to economic conditions.
5. There is generally a higher risk for contamination.

The letter further states that hauled water for domestic purposes should only be allowed to serve existing facilities due to a loss of quantity or quality and where an approved source cannot be acquired. A copy of this letter is on-file at the LAFCO staff office.

The County of San Bernardino recognizes the potential health hazards with hauled water. Future development will be restricted unless there is access to an individual well or domestic water system. Therefore, new development could not be approved without verification of access to a domestic water system. However, existing units without connection to a domestic water system or without individual wells on their property must rely on hauled water for domestic and other uses. County Code of San Bernardino Section 33.0623 (last amended in 1996) under Health and Sanitation and Animal Regulations reads:

Water furnished by a domestic hauler shall not be used as a source of water by any public water supply system unless it has been demonstrated to DEHS (Department of Environmental Health Services) that there are no reasonable means of obtaining an acceptable quality and quantity of groundwater, and that water treatment

² The California Department of Health Services has been reorganized since 2003 and water related health issues are coordinated under the California Department of Public Health.

³ The Agency states that it provides bacteriological monitoring to any bulk hauler that would desire to obtain such a service.

methods have been approved by DEHS. Exception: During an officially declared state or local emergency, a public water system may utilize hauled water as a temporary source of supply.

Water Rates

Due to the limited size and type of outdoor landscaping that is prevalent throughout the South Desert, the average water usage is comparatively lower than other water agencies in the San Bernardino County area. A comparison of the residential water rates charged by the agencies within the Morongo Basin is identified in the chart below.

Water Agency Rate Comparison (as of July 2012) (rates measured in units, or one hundred cubic feet)

Agency	Water Use Fee				Monthly Meter Charge (3/4" Meter)	Monthly Average Cost (10 units of water)
	Tier One	Tier Two	Tier Three	Tier Four		
Bighorn-Desert View Water Agency ¹	\$3.00	-	-	-	\$27.50	\$57.50
CSA 70 Zone F (Morongo Valley) ¹	\$4.51	\$5.02	\$5.73	-	\$57.25	\$102.35
CSA 70 Zone W-1 (Landers) ¹	\$3.98	\$4.44	\$5.71	-	\$24.59	\$64.39
CSA 70 Zone W-3 (Morongo Valley) ¹	\$3.31	\$3.68	\$3.76	-	\$42.07	\$75.17
CSA 70 Zone W-4 (Pioneertown)	\$5.86	\$7.31	\$9.88	\$10.87	\$31.05	\$89.65
Golden State Water Company (Morongo)	\$2.47	-	-	-	\$28.15	\$52.85
Hi-Desert Water District ^{1,2}	\$3.59	\$5.69	\$6.89	\$9.08	\$11.80 ⁴	\$60.30
Joshua Basin Water District ^{1,3}	\$2.14	\$2.39	\$2.57	\$2.75	\$23.82	\$46.47
Twentynine Palms Water District ³	\$2.33	-	-	-	\$11.00 ⁵	\$34.30

¹ Receives a share of the one percent ad valorem general tax levy
² District also charges monthly a pipeline surcharge and capital replacement charge
³ District also charges a standby charge
⁴ Charge is for 5/8" and 1" meter with 5/8" demand
⁵ Charge is for 5/8" meter

Note: Standby charges are not included or referenced in this chart as they are not related to active connections.

B. Wastewater

The entire Morongo Valley community has been developed with on-site wastewater disposal systems such as septic tanks and leachfield systems. There are an unknown number of private systems as some properties may have multiple systems.

The Morongo Valley Community is located within the Colorado River Water Basin regulated by the Colorado River Regional Water Quality Control Board. The regulating document for this region is the Water Quality Control Plan, which was adopted by the Board in 1993, and last amended in November 2002. For groundwater, the Morongo Valley is located within the Lucerne Valley watershed planning area. For surface water, Morongo Valley is located in the Morongo Valley hydrologic sub-unit and located

adjacent to the Warren Valley and Joshua Tree sub-units. The Water Board is currently in the process of developing and updating various regulatory requirements concerning urban runoff, septic systems, groundwater and surface waters in their jurisdiction.

The Colorado Regional Water Quality Control Board is currently using 1981 and 1997 guideline requirements for sewage disposal for both single and grouped or community sewerage systems. The Colorado Regional Board is planning on addressing septic usage in their Basin Plan update, which at this time is in the very early stages. It is not known when the plan will be completed.

Current regulations do not require a single-family residence of less than five units to report on domestic sewage use and maintenance. If a property has more than five single-family units, 20 mobile home spaces, 50 recreational vehicle spaces or exceeds 5,000 gallons per day, then an annual waste discharge report is required.

Currently, for larger, non-residential systems, the Colorado Board requires that “no part of the subsurface disposal systems shall be closer than 150 feet to any water well or closer than 100 feet to any stream, channel, or other water source.” The Board also requires that a sufficient amount of land shall be reserved for a possible 100 percent replacement of the septic system. The Colorado Board also defers to the local agency for structural setback guidelines. There are no guidelines for single-family residences; however, County guidelines do limit two septic systems per acre. The County Department of Environmental Health utilizes the requirements developed by each particular water board.

Implementation of a treatment plant for the community seems unlikely since development is not dense, the population is low and the capital costs would be borne by the very limited population resulting in a cost that could not be paid by the community.

C. Fire Protection and Emergency Response

Fire protection, flood protection and emergency services are among the most crucial of community needs. Residents’ primary concerns regarding safety in their community revolve around fire protection and the need for improved evacuation routes. The quality of life within the community is dependent on the adequacy of these services.

Fire protection and emergency response within the Morongo Valley community is provided primarily by the Morongo Valley Community Services District (“CSD”). The CSD has two fire stations located within the community, outlined as follows:

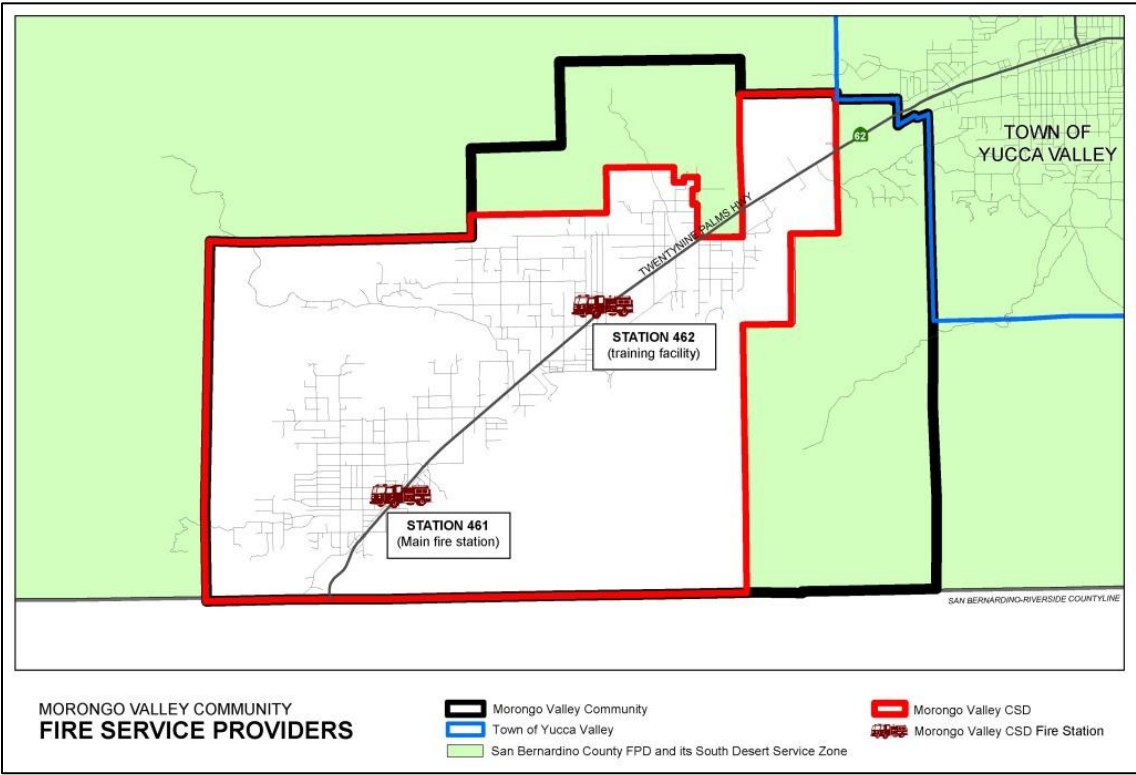
- Station 461 (West Morongo Valley Station) – 11207 Ocotillo Street, Morongo Valley

This station is the main fire station and command center for the CSD. It provides office space and living quarters for the firefighters, EMTs, and paramedics. The bay area houses Fire Engine 461, a Type III Bush Engine with a 500 gallon tank, and Command Vehicle. The fenced yard area holds a Water Tender, a Utility Vehicle, and an 8’x40’ steel cargo container.

- Station 462 (East Morongo Valley Station) – 9492 Sundown Trail, Morongo Valley

This station is located in the eastern section of Morongo Valley. In the past, it was used for paid call response and provided a bay for the Sheriff’s Citizen Patrol unit. At present, it is used for training purposes only. The bays are used to house Fire Engine 462 and a Water Tender but no staffing is provided.

The portion of the community that is not within the CSD’s boundaries is within the San Bernardino County Fire Protection District (“County Fire”) and its South Desert Service Zone. Administrative offices for County Fire’s South Desert Service Zone are located in the Town of Yucca Valley. The CSD and County Fire have entered into an automatic aid/mutual aid agreement “to provide the most expeditious response to suppress fires and render other emergency services”.⁴ The agreement identifies that neither party shall be obligated to reimburse the other for its response. The term of the agreement is until June 30, 2017 with a 90-day termination notice. The map below identifies the fire service providers within the Morongo Valley community and the location of the fire stations that serve the community.



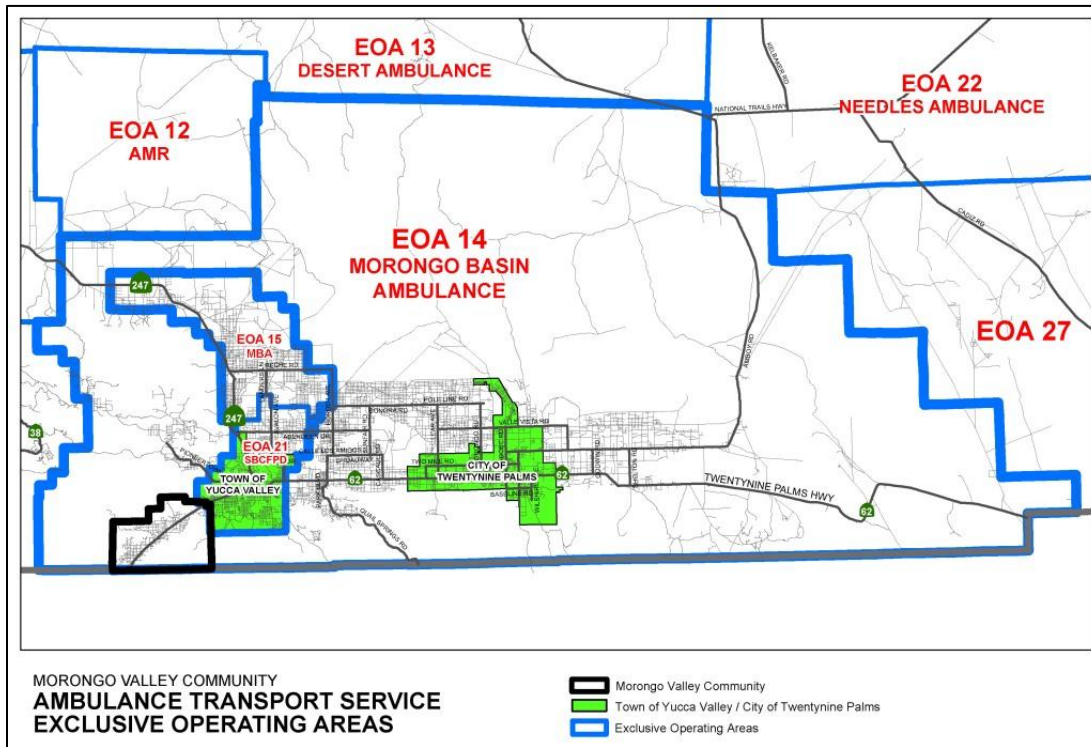
⁴ County of San Bernardino, Board of Supervisors, Agreement No. 12-284, 22 May 2012, Agreement No. 12-284, Agenda Item 79

The entire community is within State Responsibility Area.⁵ Wildland fires are under the jurisdiction of the California Department of Forestry and Fire Protection (Cal Fire) and the U.S. Forest Service, both not subject to LAFCO jurisdiction. The closest fire stations beyond the Morongo Valley community are CDF's Yucca Valley Station (Station #121) and County Fire's Station #41 (Yucca Valley Station). Other stations nearby that could also respond are County Fire's Stations #36 (Joshua Tree Station) and #38 (Pioneer Town Station), the National Park Service Black Rock Interagency Fire Center (Station #608), and the Riverside County Fire Department Stations #36 and #37 (Desert Hot Springs Fire Stations).

D. Ambulance

Medical response and ambulance services in the community are provided by the Morongo Basin Ambulance Association ("MBA"), a community-based, non-profit, non-tax supported association. MBA's Exclusive Operating Area ("EOA") #14 includes the entirety of the community of Morongo Valley. When an emergency call is dispatched through to the fire station, the MBA is also notified at the same time. The MBA has a total of eight ambulance units, five units of which are manned full time in the Morongo Basin area and an additional three ambulances can be manned if needed. Air ambulance service, if necessary to airlift a patient to a hospital, is provided in the area by Mercy Air Service.

⁵ SRA boundaries are those adopted by the California Board of Forestry and Fire Protection. They are the official boundaries recognized by the Board of Forestry and Fire Protection to define the areas where CAL FIRE has financial responsibility for fire suppression and prevention.



E. Roads

Caltrans is responsible for maintaining the highway and the County maintains the remainder of the roads, if the roads are in the county maintained system. A review of the Southern California Association of Governments (SCAG) “2012-2035 Regional Transportation Plan” does not identify any specific plans for the Morongo Valley portion of Highway 62 (Twentynine Palms Highway).

The following is an excerpt from the Morongo Valley Community Plan adopted in 2007 regarding the existing system and the desires of the community.

Roadway System

One of the overriding goals expressed by residents of Morongo Valley is to maintain the existing character of the community. The character of the community can be significantly impacted by roads and the traffic generated from the region and the community.

Goods and people are moved through the Morongo Valley via Twenty-nine Palms Highway (SR-62) and the local street system. Twenty-nine Palms Highway (SR-62) is the only major transportation facility serving the community of Morongo Valley. It provides access from both Yucca Valley to the northeast and Desert Hot Springs to the south in Riverside County. It also provides access to the southeastern portion of the County, Joshua Tree National Park and the Colorado River.

Twenty-nine Palms highway (SR-62) is a two-lane State Highway that originates at the I-10 interchange in Riverside County and travels north into San Bernardino County. After passing through the community of Morongo Valley, it continues eastward along the southern edge of the County, before terminating at Parker Dam Road and the Arizona State Line.

During meetings held by the County, residents expressed concerns regarding the impacts of growth on traffic on SR-62. Residents emphasized that their primary concern was to maintain the rural character of the community and that improvements to the circulation system within the community will need to be compatible with the community's goal of maintaining the area's character and scenic and natural resources.

The operating condition of the roadway system within the plan area was examined in terms of congestion and delay. The table below provides existing and Future 2030 roadway operating conditions for major County roads and highways within the Morongo Valley Community Plan area. The Level of Service data is based on the V/C ratio and helps to categorize and describe the degree of congestion on the roadways.

Table 4: Existing and Future Roadway Operating Conditions

Facility	Begin-End	Existing 2004 Operating Condition			Future 2030 Operating Conditions		
		ADT	V/C	LOS	ADT	V/C	LOS
State Highways							
Twentynine Palms Highway (SR-62)	Riverside County Line to Pioneertown Road	17,550	0.585	C	23,950	0.798	D
Source: Myer, Mohaddes Associates							

According to Table 4, within the plan area, SR-62 operated at an acceptable level of service in 2004. A level of service "C" is described as stable-flow traffic conditions where there are relatively low volumes of traffic with acceptable delays experienced throughout the day. Roadways with Levels of Service "C" may experience some peak hour traffic congestion.

Future 2030 conditions for the Morongo Valley Community Plan area indicate that, within the plan area, SR-62 will operate at a Level of Service "D," which is described as congested but stable conditions where drivers' ability to select speed and maneuverability are significantly affected.

Scenic Routes

Morongo Valley has some very outstanding desert scenery. The rugged mountains and desert landscape are two examples that characterize the scenic values. Scenic routes play an important role in the preservation and protection of environmental assets and encouraging the growth of tourism - both important aspects of the Morongo Valley community. County Scenic Route designation recognizes the value of protecting scenic resources for future generations and places restrictions on adjacent development

including specific sign standards regarding sign placement and dimensions, utility placement, architectural design, grading, landscaping characteristics and vegetation removal. Morongo Valley contains one County Scenic Route, the Twenty-nine Palms Highway (SR-62). With the presence of dramatic and defining natural features, such as the Big Morongo Canyon Preserve, it is important to maintain the quality of views along this scenic corridor.

F. SOLID WASTE

Within the community, the County operates and manages the Trail's End Transfer Station located ½ miles southeast of Highway 62. The County levies Equivalent Single Family Residence (ESFR) fees, applied to property tax bills for developed residential units of 4 or less units per parcel. This fee is used for solid waste purposes, including disposal charges of community residential refuse delivered to the Trail's End Transfer Station by Burrtec. The County issues land use passes to owners of property covered by the ESFR fees. These passes allow weekly deliveries to Trail's End or to a County landfill, where user charges otherwise would be incurred. The single-family levy of \$85.14 is pro-rated for 2, 3 or 4 units and for recreational cabins (50% of the single-family rate).

Burrtec provides curbside garbage and recycling collection service to the residents and businesses within the community. The cost for residential service is \$93.12 every four months. The nearest landfill that Burrtec operates and manages is located in Landers. This service is not mandated for residents within the community. Those choosing not to pay for private trash collection by Burrtec can opt to take their trash to the Trail's End Transfer Station by using the land use passes that are a part of the ESRF fee.

MORONGO VALLEY COMMUNITY SERVICES DISTRICT

Service Review and Sphere of Influence Update

INTRODUCTION:

LAFCO 3151 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for the Morongo Valley Community Services District (“CSD” or “District”).

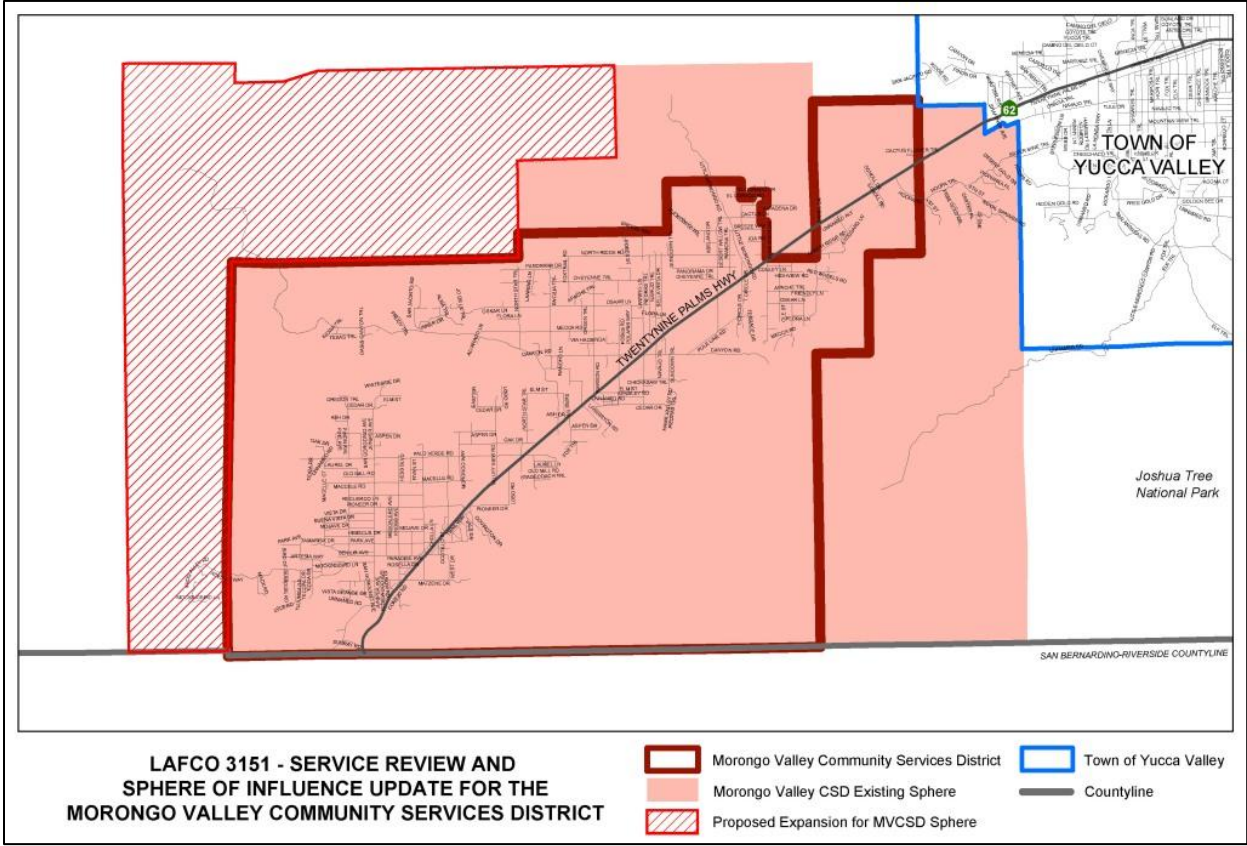
In 1958 the voters approved the formation of the CSD. The CSD is an independent special district with a five-member board of directors elected at-large and operates under Community Services District Law, Government Code Section 61000 et seq. A description of community services districts is included as Attachment #7.⁶ Currently, the CSD is authorized by LAFCO to provide the functions of streetlighting, fire protection, park and recreation, and library service pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*.

As discussed in the “Community Discussion” section of this report, staff is recommending modification of the CSD sphere of influence (expanding the sphere of influence by approximately 8,130 acres).

LOCATION AND BOUNDARIES:

The service review and sphere of influence update study area encompasses approximately 52.5 square miles generally south of the Sawtooth Mountains, southwest of the Town of Yucca Valley, west of the Joshua Tree National Park, north of the Riverside county line, and east of the San Bernardino Mountains. The boundary and/or sphere of influence include portions of the San Gorgonio Wilderness and the Big Morongo Canyon Preserve. A map of the District and its current sphere (including the proposed sphere expansion area) is shown below and is included as a part of Attachment #2.

⁶ Detwiler, Peter. “Community Needs, Community Services”, Senate Local Government Committee, March 2006, pg 8.



SERVICE REVIEW

At the request of LAFCO staff, the CSD prepared a service review pursuant to San Bernardino LAFCO policies and procedures. The response to LAFCO's original and updated requests for materials includes, but is not limited to, the narrative response to the factors for a service review, response to LAFCO staff's request for information, and financial documents (included as Attachment #2). LAFCO staff responses to the mandatory factors for consideration in a service review (as required by Government Code 56430) are identified below and incorporate the District's response and supporting materials.

I. Growth and population projections for the affected area.

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

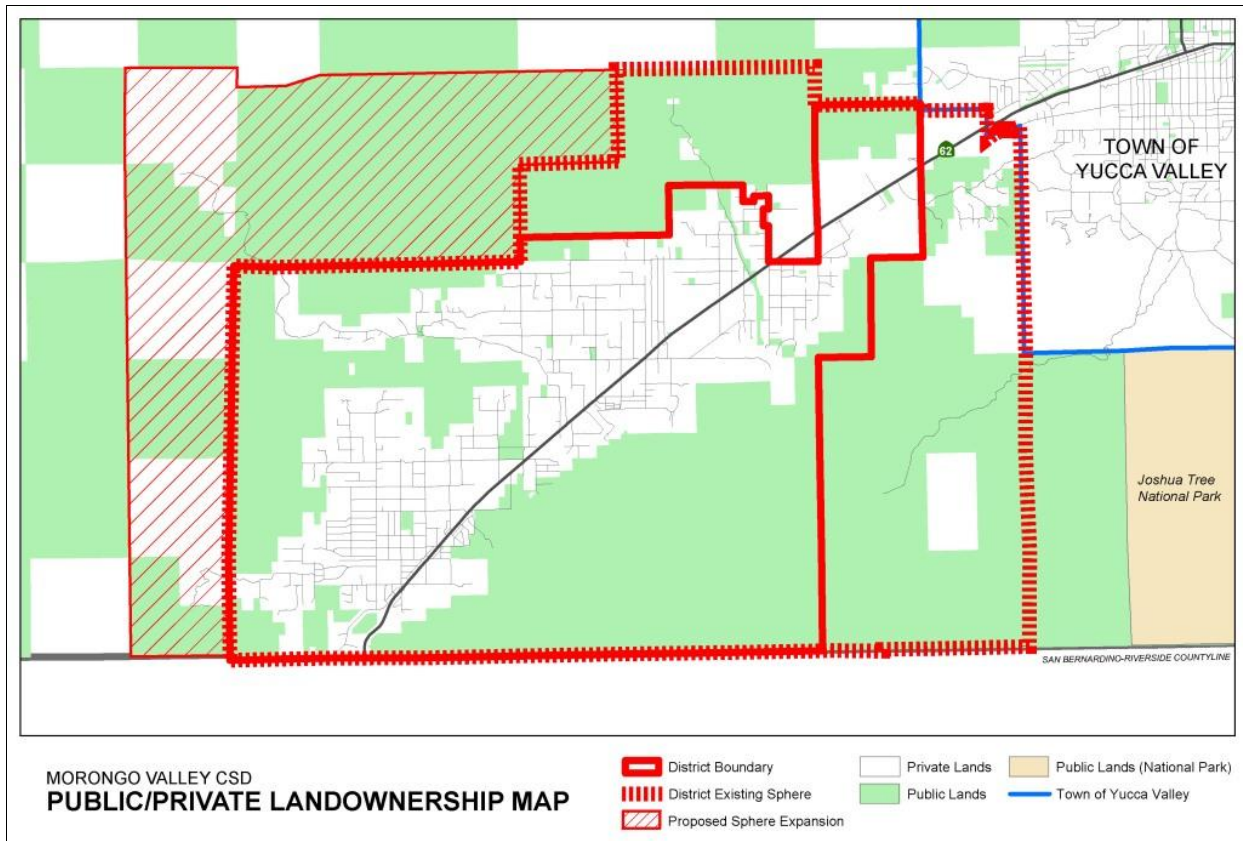
The population projection and maximum potential build-out can be used to assess land use policies, existing infrastructure capacity and the need for additional infrastructure, particularly for roads, water and sewer facilities.

Land Ownership

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

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

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

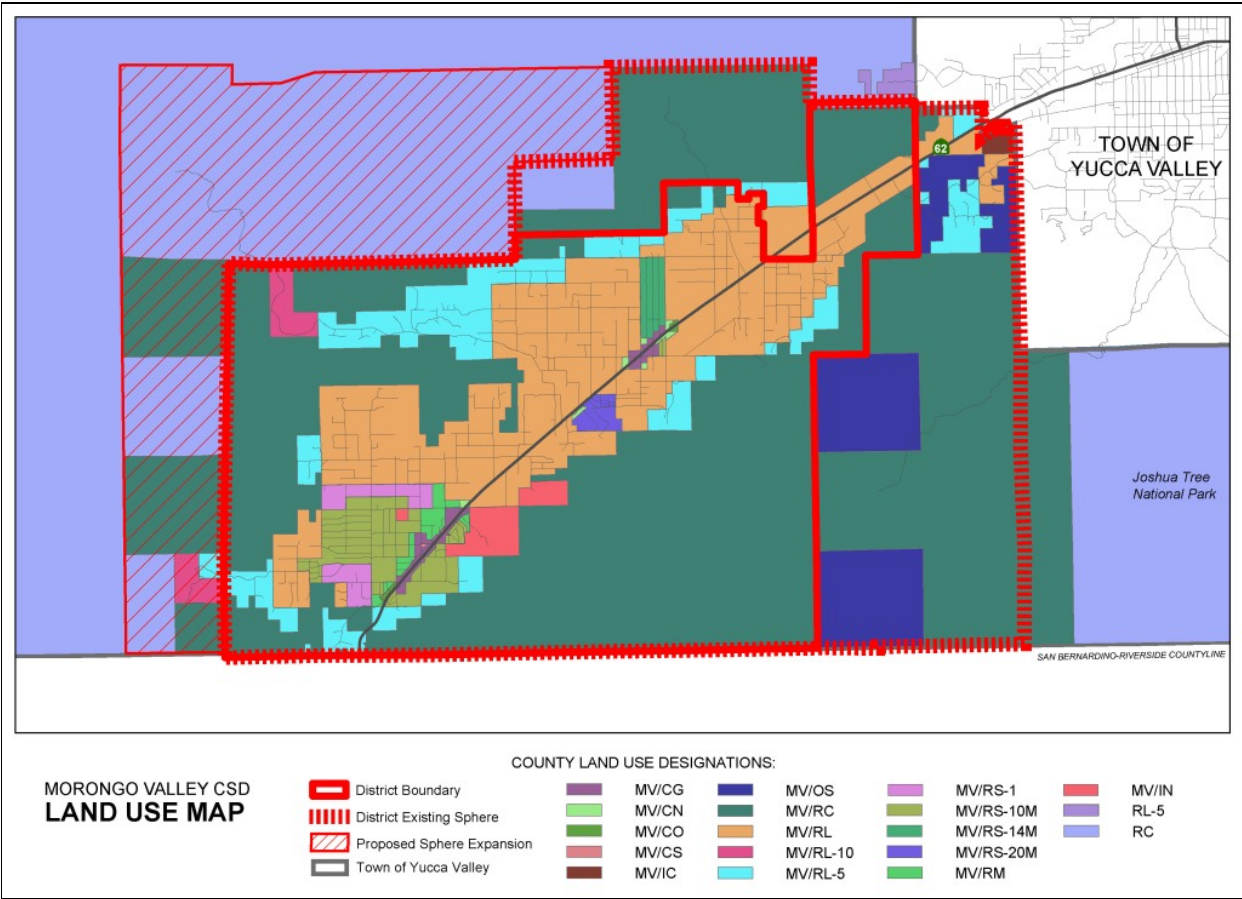


The 64% public lands represent lands that are part of the San Gorgonio Wilderness along the northern edge of the CSD's existing sphere, which are lands administered by the Bureau of Land Management (BLM), as well as lands that are within the Big Morongo Canyon Preserve located along the southeastern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

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

Land Use

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



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

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

Land Use	Boundary	Sphere (outside boundary)	Expansion Area	Total Area
Morongo Valley Community Plan Land Uses				
MV/RC (Resource Conservation)	9,164.9	5,452.2	1,326.0	15,943.1
MV/RL-10 (Rural Living, 10 acres min.)	151.3		477.0	628.3
MV/RL-5 (5 acres min.)	1,568.1	345.2	166.0	2,079.3
MV/RL (2.5 acres min.)	4,686.5	369.6		5,056.1
MV/RS-1 (Single Residential, 1 acre min.)	227.6			227.6
MV/RS-20M (20,000 sq.ft.)	87.9			87.9
MV/RS-14M (14,000 sq.ft.)	122.7			122.7
MV/RS-10M (10,000 sq.ft.)	610.3			610.3
MV/RM (Multiple Residential)	115.1			115.1
MV/CN (Neighborhood Commercial)	28.5			28.5
MV/CO (Office Commercial)	13.6			13.6
MV/CS (Service Commercial)	1.7			1.7
MV/CG (General Commercial)	125.4			125.4
MV/IC (Community Industrial)		54.2		54.2
MV/IN (Institutional)	265.4			265.4
MV/OS (Open Space)		1,702.2		1,702.2
Land Use not a part of the Community Plan				
RC (Resource Conservation)		331.6	6,161	6,492.6
Total	17,169.0	8,255.0	8,130	33,554.0

Population Projections

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

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

**Morongo Valley Community Services District
Population Projection 1990-2040**

Census ⁷			Population Projection					
1990	2000	2010	2015	2020	2025	2030	2035	2040
2,631	3,130	3,543	3,602 ⁸	3,662 ⁹	3,929 ¹⁰	4,216	4,524	4,855

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

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

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

Build-out

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

⁷ Data derived from the 1990, 2000, and 2010 Census for the Morongo Valley CSD area.

⁸ 2015 projection were calculated using Average Annual Growth Rate based on the compounded rate between 2010 and 2020

⁹ 2020 and 2035 population data was taken from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast using local input and latest data from the 2010 Census, the California Employment Development Department, and the California Department of Finance - (published May 2011).

¹⁰ 2025, 2030, and 2040 projections were calculated using Average Annual Growth Rate based on the compounded rate between 2020 and 2035.

**Morongo Valley Community Services District
Land Use Maximum Build-Out**

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

* Excludes public lands

The revised population projections identified earlier indicates that the population within the CSD's territory will be 4,695 by 2040. Based on the maximum residential build-out within the CSD's territory, the projected maximum population is anticipated to reach 19,500¹¹. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the CSD's territory will be 1,752 with a maximum potential build-out to reach approximately 7,276. These imply that the study area will reach 24 percent of its potential household and population capacity by 2040.

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

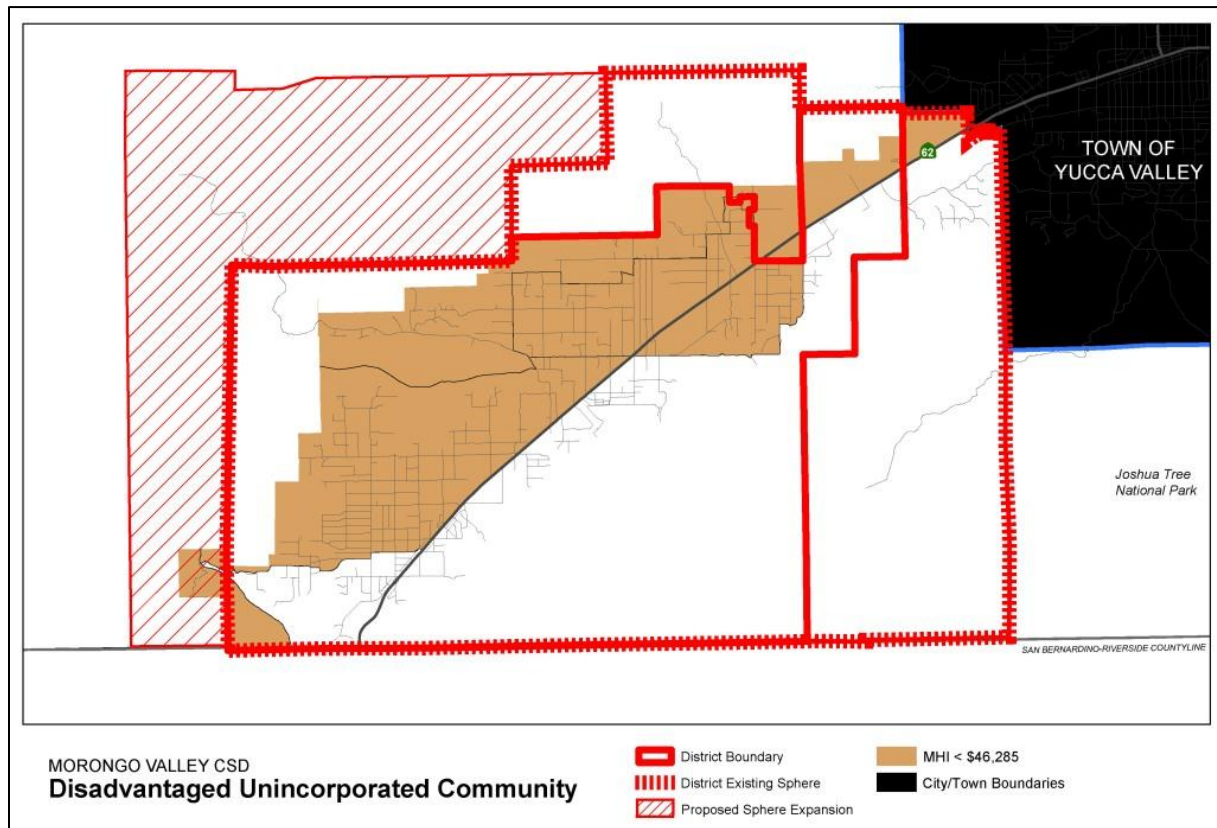
**Population and Household Projection
for the Morongo Valley Community Services District**

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

¹¹ Persons per household @ 2.68 based on the ratio for the Desert Region as identified in the County's General Plan.

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

Beginning January 2012, LAFCO is now required to determine the location and characteristics of disadvantaged unincorporated communities (hereafter shown as “DUC”). DUCs are those communities that have an annual median household income that is less than 80 percent of the statewide annual median household income, which is under \$46,285 (defined by Government Code Section 56302). Based on the 2010 Census Bureau data¹², the map below illustrates the areas within and around the CSD’s sphere of influence that are classified as disadvantaged unincorporated communities.



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

¹² Median Household Income data is taken from the American Community Survey 5 year (2006-2010) summary using the block group level.

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

III. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

For this service review factor, referenced materials include the District's 2007 Master Park Strategic Plan, 2011 Fire Department Annual Report, and the District's narrative response.

Currently, the CSD is authorized by LAFCO to provide the functions of fire protection, park and recreation, streetlighting, and library service. Staffing is comprised of a general manager, a part-time office secretary, a full-time grounds person, and a combination of full-time district personnel supplemented with reserves for fire protection.

A. Fire Protection

For a review of regional fire protection service and ambulance, please refer to the "Fire and Emergency Response" and "Ambulance" portions of the "Review of Regional and Community Services" section of this report, pages 24 and 26.

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

Agreement with ICEMA

The CSD (through its Fire Department) and the Inland Counties Emergency Medical Agency ("ICEMA")¹³ entered into a non-financial agreement in 2008 authorizing the CSD to provide non-transport Advanced Life Support services within District's boundaries and sphere of influence.¹⁴ The agreement was from February 2008 through January 2010 and is automatically renewed for successive two-year periods unless terminated or amended. LAFCO staff has confirmed that the contract has not been terminated or

¹³ ICEMA is a joint powers authority composed of the Counties of San Bernardino, Mono, and Inyo with the San Bernardino County Board of Supervisors as the ex-officio ICEMA Board of Directors.

¹⁴ Inland Counties Emergency Medical Agency, 5 Feb 2008, County Board Agenda Item 52.

amended as of the date of this report. The CSD Fire Chief is administrator of the contract in accordance with its terms and conditions on behalf of the CSD and the CSD Fire Department.

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

Agreement with County Fire

The CSD and the San Bernardino County Fire Protection District ("County Fire") have entered into an automatic aid/mutual aid agreement "to provide the most expeditious response to suppress fires and render other emergency services".¹⁵ The agreement identifies that neither party shall be obligated to reimburse the other for its response. The term of the agreement is until June 30, 2017 with a 90-day termination notice.

Agreement with CAL Fire

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

Fire Station 461

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

Fire Station 462

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

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

¹⁵ County of San Bernardino, Board of Supervisors, 22 May 2012, Agreement No. 12-284, Agenda Item 79.

Incident Statistics

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

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

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

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

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

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

Mutual Aid with Riverside County Fire Department

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

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

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

Training

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

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

Fire Prevention Bureau

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

- Certain types of inspections are normally conducted by CAL Fire, San Bernardino Unit. Agreements in previous years by the CSD and CAL Fire allow the CSD to conduct inspections under the supervision of CAL Fire, which appear to be successful and will be reviewed.
- 2011 was the first year the CSD was able to successfully inspect all residential properties within its jurisdiction and produce an accurate record of inspections.

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

1. The current record keeping system lacks organization to meet current needs requiring a commitment of many hours to reorganize the systems.
2. Documentation for year to year comparison of activities will require revision to the current reporting process.
3. Due to budget limitations, prevention personnel are employed part-time and have dual responsibilities within the fire department.
4. The Bureau currently has limited access to referenced material.
5. There is presently limited storage space available in the fire prevention office.
6. Keys that the Fire Department has obtained to gain entrance to local businesses for emergency purposes will require a revision to the key accountability program.
7. Currently, the Fire Department lacks specialized training associated with fire prevention.
8. Efforts to improve the revenue generation of specialized programs will be reviewed in the coming year to analyze where such improvements may be made.

The District has identified that it is addressing these issues individually. In its response to the draft staff report (letter included as a part of Attachment #2), the CSD states that it has noticed the adoption of an ordinance to incorporate recent changes to the 2009 International Fire Code and the 2010 California Fire Code. The first reading of the ordinance is noticed for November 14, 2012 with adoption scheduled for December 19, 2012.

Disadvantaged, Unincorporated Communities

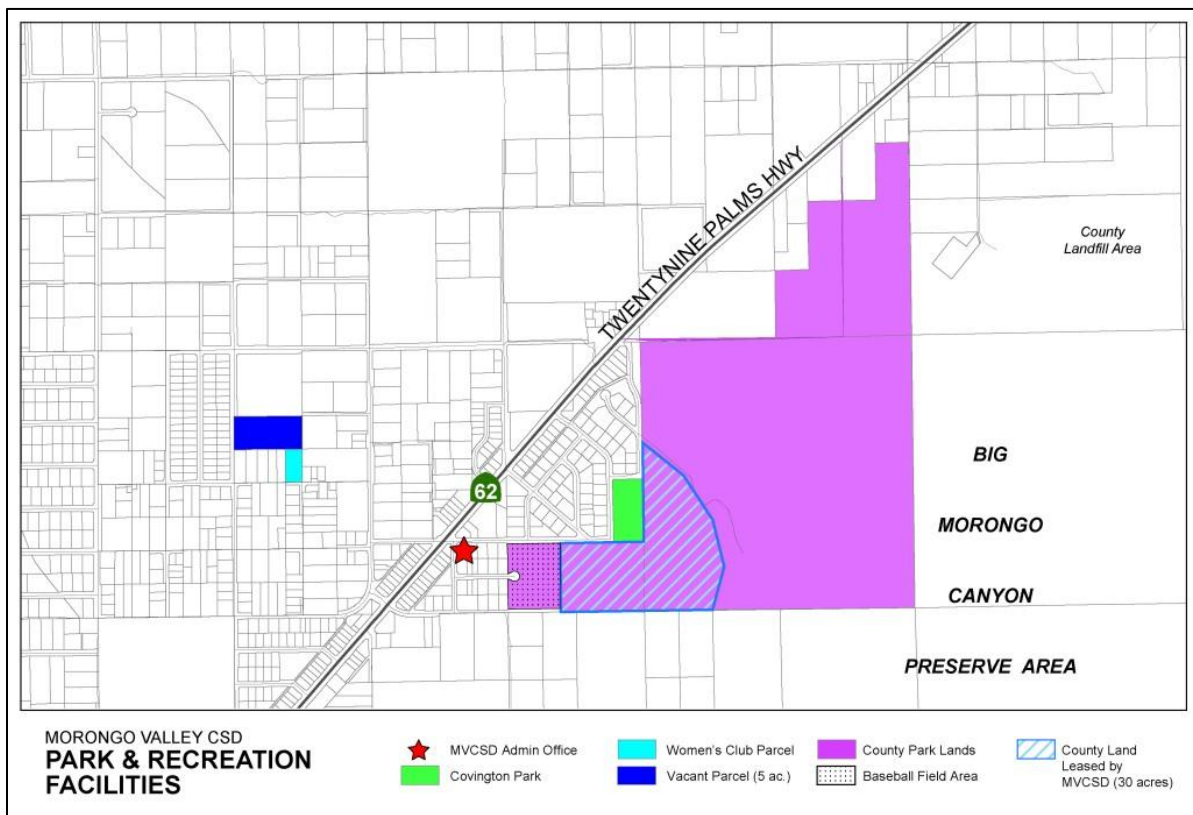
Portions of the CSD's sphere of influence are considered to be disadvantaged unincorporated communities. The community of Morongo Valley itself is considered a disadvantaged unincorporated community comprised of sparse rural residential development with large lot residential development (primarily Rural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

service. The disadvantaged, unincorporated communities within the District’s sphere but outside of its boundaries are within the boundaries of County Fire and its South Desert Service Zone.

There are no disadvantaged unincorporated communities contiguous to the CSD’s sphere of influence. Adjacent to the CSD’s sphere along the west and north, although the map identifies the area as disadvantaged unincorporated community, is the San Gorgonio Wilderness area. Adjacent to the CSD’s sphere along the southeast is the Big Morongo Canyon Preserve. Lastly, adjacent to the CSD’s sphere to the east is the incorporated Town of Yucca Valley. These areas are within the boundaries of County Fire and its South Desert Service Zone.

B. Park and Recreation

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



Covington Park

Covington Park is comprised of five acres deeded to the CSD in 1962 to be used for public park or place of resort and recreation. The park is located at Mojave Drive and

Vale Drive and is contiguous to the Big Morongo Canyon preserve. The park's hardscape includes: two tennis courts, skate park, community building, snack stand, storage area, children's playground, pavilion, grill area, and picnic tables. The park was used as the staging and command center during the Paradise and Sawtooth Complex fires.

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

- Purchase or installation of two vaulted bathrooms, ADA sidewalks, second half of skate park, valley ball court, purchase of two sets of bleachers, water fountain, electric pedestals, and 5000 gallon water tank for emergency use.
- Upgrade or repair to the pavilion concrete floor and stage area, shack and storage building, children's playground, and tennis courts.

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

County Park lands – long term lease

The County purchased, via funds from the 1974 State Bond Act, a 20.8 acre parcel adjacent to Covington Park and the Morongo Regional Park. The purpose of the acquisition was to: 1) secure a buffer between the Wildlife Reserve of an area approximately 12.15 acres, and 2) to provide some land for the CSD to replace a ball field which was obstructed when the Morongo Regional Park was constructed.¹⁶

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

¹⁶ County of San Bernardino. Real Property Division memo to Board of Supervisors. 26 July 1979.

The original lease was from 1979 until 2004¹⁷ and was superseded in 1986¹⁸ with an amendment in 1987¹⁹ (copies of each are included as a part of Attachment #2). The agreement states that the District is to manage the “premises as a public park”, which allows it to develop and operate baseball and athletic fields, concession stand, restrooms, and a parking lot. Additionally, the terms of the agreement required the CSD to pay the County \$1 annually as rent for the premises. At the expiration of the lease, December 31, 2008, all structures and improvements made upon the lease area were to be vested in the County by the terms of the agreement.

LAFCO staff reviewed questions related to the current status of the lease with County Regional Parks staff. It was indicated that in August 2008 the CSD presented Regional Parks with a copy of the draft Master Park Strategic Plan for review and inquired about the pending expiration of the lease. However, no further inquiries from the CSD were made following County Parks’ initial reply nor was there follow up by the County on the extension of the lease. Therefore, the situation is such that the CSD is operating its facilities on County land while lacking a lease.

Originally LAFCO staff recommended to the CSD and County that they immediately begin negotiations to renew the lease and provide the respective adopted documentation to LAFCO staff upon resolution. The CSD has provided its response that it has met with County Regional Parks in an effort to renegotiate the lease and a second meeting is tentatively scheduled for early December (letter included as a part of Attachment #2). The letter identifies that the District is currently seeking a long-term lease, such as a ten year lease with three five-year extensions.

Big Morongo Canyon Preserve

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

The Morongo fault runs through the canyon and causes water draining from the surrounding mountains to form Big Morongo Creek and a riparian habitat. The reserve is a significant and important feature of the community for many local residents and provides a home to many wildlife species, including numerous migratory birds. Native

¹⁷ County of San Bernardino, Board of Supervisors, Contract 79-551.

¹⁸ County Contract 86-790.

¹⁹ County Contract 86-790 (A-1).

wildlife to the valley includes coyote, jack and cocktail rabbits, mule deer, ground squirrels, wood rats, chuckwallas, desert tortoise, owls, eagles, road runners and quail. The Bureau of Land Management designated Big Morongo Canyon as an Area of Critical Environmental Concern in recognition of its value as a natural resource and important wildlife habitat. The vegetation in the area typically includes Joshua trees, yucca and bunchgrass, and some juniper, manzanita, sage, cactus and annual wildflowers.

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

Women's Club

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

The structure is situated on 1.25 acres and is the first community-type building erected in Morongo Valley. The building is not currently open to the public but future plans include reviving the use as a community hall, installing exhibits featuring local history, and developing programs in conjunction with the neighboring elementary school. There is no specified timeline for these improvements, but the District's Parks Commission is currently reviewing these options. The Park Master Plan states that improvements will be financed with grant funds, donated materials, and volunteer labor. Equipment, furniture, and programming needs will be met with donations.

Vacant Parcel

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

C. Streetlighting

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

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

There are no plans at this time to increase the number of the streetlights. The future need for streetlights will increase if the population grows or the land use process requires them dependent upon the implementation of the County's Night Sky Ordinance²⁰, which is applicable in the South Desert region. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. The implementation of this ordinance points toward a limitation of the number of streetlights for the future and may limit them to commercial areas of the community only.

D. Library Services

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

IV. Financial ability of agencies to provide services.

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

A. General Operations and Accounting

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

Depository and Treasurer

CSD Law mandates that the county treasurer shall be the treasurer of the district and shall be the depository²¹ and have custody of all of the district's money. CSD Law further reads that all claims against a district shall be audited, allowed, and paid by the board of directors on warrants drawn by the County. However, a CSD may establish an alternative

²⁰ County of San Bernardino, Development Code Chapter 83.07, Adopted Ordinance 4011 (2007).

²¹ A "depository" is a person to whom something is entrusted, while a "depository" is the place where something is kept for safekeeping.

depository by appointing a district treasurer, which may be the general manager, who shall serve in the place of the county treasurer.

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

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

Reserve Policy

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

Management Discussion in Audit

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of the District has elected to omit the Management Discussion and Analysis information for at least the past five audited years. LAFCO staff has indicated that without an understanding of the context for the agency's operations, as the management discussion provides, it is difficult to assess the financial operations of an agency. In its letter to LAFCO staff, the CSD states that it will include a Management Discussion and Analysis beginning with the June 30, 2012 audit (letter included as a part of Attachment #2) currently being prepared.

B. Long-term Debt

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

The District has entered into a line of credit agreement with a bank. Under this agreement the District can borrow working capital advances up to \$200,000. The agreement requires

interest only payments. At June 30, 2011 the interest rate was 9.25%, and the balance on the credit line was \$0.

C. Employment Benefits and Post-Employment Benefits

Employment Benefits

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

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

Pension

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

Other Post-Employment Benefits

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

D. Net Assets

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

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

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

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

E. Fund Balance

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

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

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

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

- *FY 2006-07* – This was the first year that the District collected revenues from the 2002 voter-approved Fire Assessment.
- *FY 2007-08* – This was the first year that a paramedic was assigned to an engine.

- *FY 2008-09* - The District received a grant of \$69,535, which was used to purchase fire apparatus and paramedic supply and equipment.
- *FY 2009-10* - In October 2009 the District sold park property (gun range) to a private entity that desired to continue the operation of the gun club. The terms of the sale included: 1) the sale of the property for \$100,000, of which \$50,000 would be a note payable to the District with annual payments of \$3,333.72 until 2040, and 2) \$48,753 in cash to the District (after title and escrow charges). Although, classified as a current asset, the note receivable will be identified as an asset in the financial statements until 2040. As for the \$48,753 in cash, it was placed in the District's general fund.
- *FY 2010-11* – The District received a grant of \$186,044, which was used to make improvements to Covington Park.

General Fund Liquidity

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

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

Unassigned Fund Balance

The Government Finance Officers Association (“GFOA”) currently recommends that governments establish a formal policy on the level of unrestricted²² fund balance that should be maintained in the general fund. The current GFOA policy is vague in stating that the “adequacy of unrestricted fund balance in the general fund should be assessed based upon a government’s own specific circumstances.” Though the existing GFOA policy is not specific, it recommends that regardless of size, general-purpose governments

²² GADB Statement No. 54 removed Unrestricted fund balance and added Unassigned fund balance.

should maintain unrestricted fund balance in their general fund of “no less than two months of regular general fund operating revenues or expenditures.” A General Fund balance of a lesser level exposes the General Fund to the risk of not being able to meet cash flow requirements, economic uncertainties, or other financial hardships.

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

F. Revenues and Expenditures

The primary sources of revenue for the District is its share of the one percent general levy property tax followed by the fire assessment. The District’s average share of the one percent ad valorem general levy is 17.46%.²³ As shown in the Fund Balance figure above, property tax was relatively the same in FY 2010-11 as FY 2006-07, and decreased for 2011-12. However, the fire assessment continues to increase annually resulting in a 43% increase during the timeframe.

Property Tax

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

²³ San Bernardino County Auditor-Controller, Property Tax Division, 2011

Year	Assessed Value		Tax Received	
	Valuation	% change	Total Tax	% change
2007-08	\$ 219,466,184	16.77%	\$ 438,520	15.20%
2008-09	\$ 223,434,153	1.81%	\$ 439,874	0.31%
2009-10	\$ 211,888,756	-5.17%	\$ 420,263	-4.46%
2010-11	\$ 199,152,315	-6.01%	\$ 383,400	-8.77%
2011-12	\$ 191,364,025	-3.91%	\$ 365,916	-4.56%
2012-13	\$ 188,842,644	-1.32%	\$ 365,516	-0.11%
sources:				
County of San Bernardino, Agency Net Valuations (2007/08 - 2011/12)				
District financial statements FY 2007/08 - 2010/11				
District budget FY 2012-13				

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

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

Fire Assessment

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

- Ensure a minimum of two paid fire personnel on duty 24 hours a day, 7 days a week,
- Upgrade Emergency Medical Service from EMT/Firefighter (Basic Life Support) to Paramedic/Firefighter (Advance Life Support),
- Significantly improve response times for Advance Life Support. [At that time, the private ambulance company was allowed up to 30 minutes to respond with a paramedic.] A Morongo Valley Paramedic/Firefighter responds directly with an engine,

- Guard against possible increases in fire and home insurance by protecting the District's fire risk rating, and
- Work towards improving fire risk rating in areas with highest insurance rates by establishing a water haul system.

In 2002-03, the District conducted a special assessment election for fire purposes. Due to a calculation error (reason unknown to the current CSD Board and management), it was determined that the assessment election failed. In 2005-06 the District began contemplating a new assessment for fire protection and determined to request a legal opinion on the outcome of the prior election. In July 2006, the district received a legal opinion determining²⁴ that the prior ballot measure did pass²⁵. The District then commenced collection of the assessment approved in 2002 starting with FY 2006-07.

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

The CSD has identified to LAFCO staff that it has not updated the annual parcel submission to the County Tax Collector. Since parcel use can change, LAFCO staff recommends that the CSD perform an audit of its parcel listing for the next submission to the County Tax Collector of its fire assessment. The District has provided a copy of the engineer's report for the original commencement and in its letter to LAFCO staff has stated that it will perform a complete engineering report prior to next year's assessment process (letter included as a part of Attachment #2).

Expenditures

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

As for park and recreation, when excluding the revenues and expenditures from grant funds, the annual expenditures are generally constant. However, the general government and fire operation activities have increased significantly. The figure below is based on the Fund Balance figure above, but shows the net cost of the District's four activities for the

²⁴ The CSD sought a legal opinion (dated 1 June 2006) which states that based on the information provided that the CSD can commence collection of the assessment. CSD Resolution 07-10 declared the results of the protest proceeding and took certain related action (18 July 2006).

²⁵ The measure passed \$53,323 to \$52,597 through a method of weighted dollar amounts of assessments.

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

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

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

G. Post-Audit Revenues and Expenditures

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

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

H. Appropriations Limit

Article XIII B of the State Constitution (the Gann Spending Limitation Initiative)²⁶, mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit.²⁷ Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9(c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of \$0.125 (12 ½ cents) per \$100 of assessed value for the 1977-78 fiscal year. According to the *County of San Bernardino 1977-78 Valuations/Tax Rates* publication (copy included in Attachment #2), the tax rate for the District for FY 1977-1978 was \$1.0653 per \$100 of assessed value. Being over the \$0.125 tax rate, the district does not qualify for an exemption from the requirement of an appropriations limit. Therefore, it must have an appropriations limit. Failure to provide for an appropriation limit calls into question the District's ability to expend the proceeds of taxes (general ad valorem share and special taxes).

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. Further, Government Code Section 7910²⁸ expands upon the Gann Initiative and requires each local government to annually establish its appropriation limits by resolution. Since the District lacks the mandatory appropriation limit, the District's audits and budgets do not identify adherence to the above-mentioned audit and budget requirements and no verification of this requirement has taken place as required by State law and the Constitution.

The District has responded to this information by identifying that it will adopt an appropriation limit at its November 14, 2012 hearing (letter included as a part of Attachment #2). Staff will update the Commission on this matter at the hearing.

I. Filing and Adoption Requirements

Government Code Section 26909 requires all districts to provide for regular audits²⁹; the Agency conducts annual audits and meets this requirement. Section 26909 also requires districts to file a copy of the audit with the county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, the last audit received was in August 2011 for FY 2009-10. LAFCO staff recommends that the CSD forward its subsequent audits to the County Auditor.

²⁶ In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

²⁷ This requirement is reinforced in Community Services District Law, Government Code Section 61113.

²⁸ Added by Stats.1980, c. 1205, p. 4059, §2. Amended by Stats.1988, c. 1203, §1; Stats.2007, c. 263 (AB310), §25.

²⁹ This requirement is reinforced in Community Services District Law, Government Code Section 61118.

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

J. Conclusion to Financial Determination

In reviewing the District's financial statements, net assets have increased by 38% since FY 2006-07. During the past five years Total Assets have increased by 23% and Total Liabilities have decreased by 74%. From the Net Assets perspective, the financial health of the District overall has increased during the past five years. Additionally, the fund balance has increased by 124% since FY 2006-07 with Total Revenues increasing by 25% and Total Expenditures increasing by 63%. The CSD maintains unrestricted fund balance in its general fund of more than two months of regular general fund operating revenues or expenditures. Therefore, given the data provided by the CSD, the CSD is likely to be able to continue providing service at its current level through 2014-15.

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

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

As a part of this service review the District has outlined its efforts to adopt an appropriations limit as required by the State Constitution. LAFCO staff will continue to monitor the District's progress towards adopting an appropriations limit and will update the Commission on this matter.

V. Status of, and opportunities for, shared facilities.

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

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

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

Local Government Structure and Community Service Needs

The CSD is an independent special district governed by a five-member board of directors elected at-large. Members are either elected by the voters at the November election in odd years or are appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms. A review of the election results from the County Registrar of Voters website identifies that competitive elections were conducted from 1997 through 2005 with more people running than open seats. However, the past three elections have not yielded enough interested and qualified candidates for a competitive election to be conducted, resulting in appointments in-lieu of election. In a recent edition of its report, *What's So Special about Special Districts*, the state Senate Local Government Committee states that the, "narrow and technical nature of a district's activities often results in low civic visibility until a crisis arises."³⁰ The current board, positions, and terms of office are shown below:

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

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

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

Operational Efficiencies

Operational efficiencies are achieved through the following:

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

³⁰ California Senate Local Government Committee, *What's So Special about Special Districts?*, Fourth Edition, October 2010.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

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

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

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

Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review³¹. The Guidelines address 49 factors in identifying an agency’s government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

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

- A single fire agency for the Morongo Basin. The responsibility of fire protection and emergency services currently provided by the CSD could become the responsibility of County Fire and its South Desert Service Zone. There are benefits to regionally

³¹ State of California. Governor’s Office of Planning and Research. “Local Agency Formation Commission Municipal Service Review Guidelines”, August 2003.

providing services, such as fire protection, through a single entity such as the transfer of existing revenue streams to the larger fire entity for regional use and potential economies of scale that could be achieved through joint administration, joint purchasing, etc. However, without support from all affected agencies this option would not be achievable.

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

SUMMARY OF REVENUE ALLOCATED TO CSA 70*					
Prepared by Bob Wright 2/27/07					
	Assessed Value in CSA 70	1% General Tax Levy	CSA 70 Revenue	Independent District Revenue	# TRAs
Crest Forest Fire Protection District	1,368,861,644	13,688,616.44	323,282.27	3,248,324.64	52
Chino Valley Independent Fire District	438,657,966	4,386,579.66	111,192.51	644,285.16	21
Apple Valley Fire Protection District	919,969,619	9,199,696.19	261,868.80	914,490.28	90
Barstow Fire Protection District	271,329,791	2,713,297.91	59,506.45	663,640.71	25
Rancho Cucamonga Fire Protection District	92,986,681	929,866.81	24,993.45	117,115.79	13
Arrowbear Park County Water District	109,185,352	1,091,853.52	29,580.76	224,409.90	2
Running Springs County Water District	530,926,431	5,309,264.31	134,376.95	1,450,365.16	19
Big Bear Lake Fire Protection District	11,153,693	111,536.93	2,886.69	18,388.82	2
Big Bear City Community Services District	1,886,320,591	18,863,205.91	532,325.71	1,725,718.50	17
Morongo Valley Community Services District	200,630,602	2,006,306.02	52,124.25	363,395.32	21
Twentynine Palms Water District	1,162,534	11,625.34	388.27	0.00	4
Yermo Community Services District	78,014,587	780,145.87	25,277.40	78,008.05	8
Daggett Community Services District	23,336,338	233,363.38	6,439.71	55,730.25	16
Newberry Community Services District	161,113,077	1,611,130.77	52,174.36	162,401.48	14
Baker Community Services District	37,565,171	375,651.71	11,182.79	66,264.78	1
	6,131,214,077	61,312,140.77	1,627,600.37	9,732,538.85	305
REMAINING UNINCORPORATED AREA			4,534,982.00		

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

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

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

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

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

This option was presented to the CSD as a part of its review of a draft of the report and discussed with the District at the meeting held on October 22, 2012. In response to these discussions, the CSD indicates that its preference is to have the water and television functions remain the responsibility of the County (letter included as a part of Attachment #2).

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

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

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

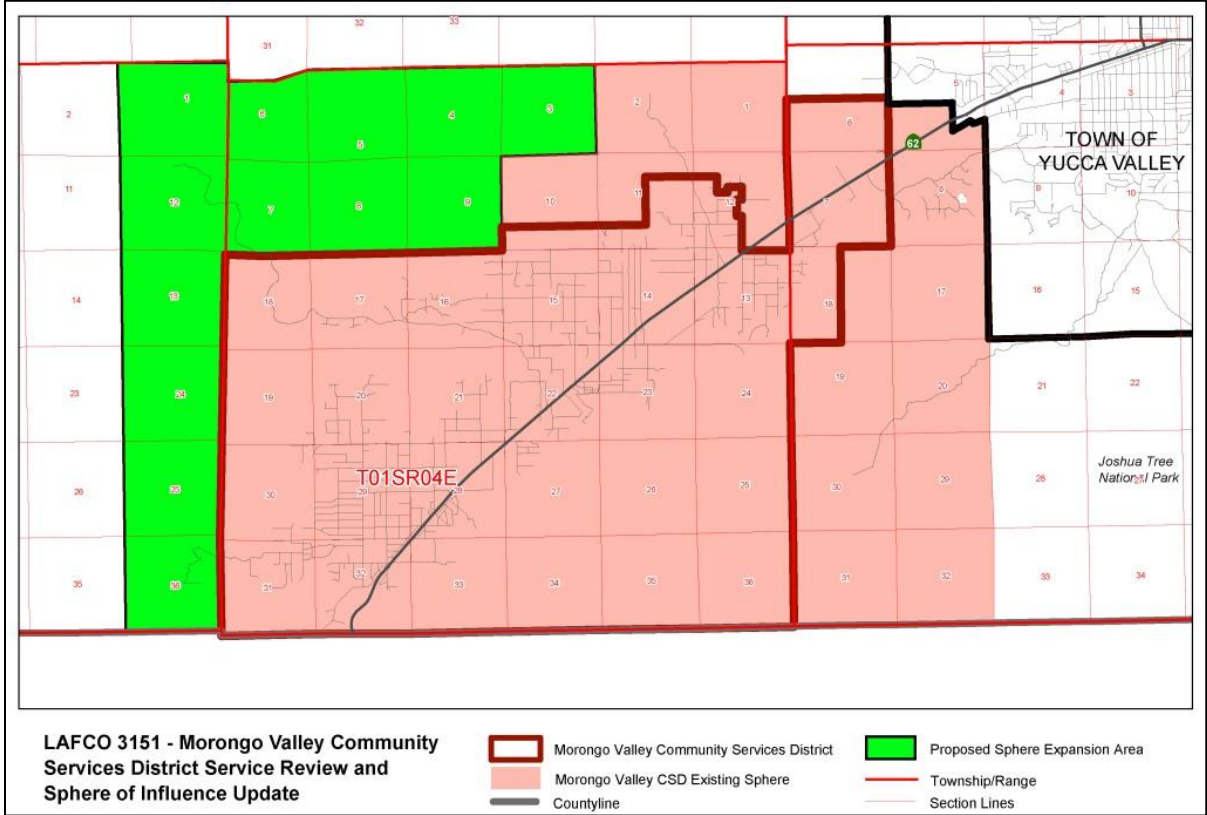
SPHERE OF INFLUENCE UPDATE

Sphere of Influence

In 1972, the Commission established the sphere of influence for the Morongo Valley Community Services District. Since that time, there have been few changes to the District's sphere. As discussed in the "Community Discussion" section of this report, staff is reconfirming the Commission's historical Morongo Valley community definition as the sphere of influence for the Morongo Valley Community Services District.

The District indicated in the materials submitted that it is requesting an expansion of its sphere by approximately 8,060 acres to include the area where the District already provides emergency medical services within the San Gorgonio Wilderness. The area includes gentle to very steep slopes that is only accessible from within the Morongo community. The sphere expansion request would allow the District to continue to plan and provide services within the area.

Therefore, as part of this sphere of influence update, LAFCO staff recommends that the Commission expand the sphere of influence for the Morongo Valley Community Services District by approximately 8,130 acres to include Sections 3, 4, 5, 6, 7, 8 and 9 of Township 01 South, Range 04 East, and Sections 1, 12, 13, 24, 25, and 36 of Township 01 South, Range 03 East.



Authorized Functions and Services

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)).

The current service description for the Fire Protection function does not adequately reflect the services that the District provides. Additionally, staff is recommending that the service description be amended to more clearly identify the range of services provided.

Staff recommends that the Commission modify the Fire Protection service description for the CSD in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* identified in ~~strikeout~~ and underline below.

FUNCTION	SERVICE
Fire Protection	Structural, watershed, <u>suppression</u> , prevention, emergency first aid, maintenance of emergency phone service , paramedic, <u>rescue</u>
Park and Recreation	Local park development, operation, maintenance
Streetlighting	Streetlighting
Library Service	Library service

FACTORS OF CONSIDERATION

Government Code Section 56425 requires the Commission to make four specific determinations related to a sphere of influence update. The staff's responses to those factors are as follows:

I. Present and Planned Uses in the Area, Including Agricultural and Open-Space Lands.

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

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

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

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

II. Present and Probable Need for Public Facilities and Services in the Area.

Fire Protection:

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

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

Also, plans for future training consist of live burn classes through the Twentynine Palms Marine Corps Base Fire Department, wildland training classes by the San Bernardino County Training Officers Association, and neighboring training drills in Yucca Valley through County Fire.

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

Park and Recreation:

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

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

- Purchase or installation of two vaulted bathrooms, ADA sidewalks, second half of skate park, valley ball court, purchase of two sets of bleachers, water fountain, electric pedestals, and 5000 gallon water tank for emergency use.
- Upgrade or repair to the pavilion concrete floor and stage area, shack and storage building, children's playground, and tennis courts.

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

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

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

Streetlighting:

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

Library Services:

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

III. Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide.

Fire Protection:

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

- Fire Station 461

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

- Fire Station 462

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

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

Park and Recreation:

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

- Covington Park

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

- County Park lands – long term lease

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

- Big Morongo Canyon Preserve

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

- Women's Club

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

- Vacant Parcel

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

Streetlighting:

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

Library Services:

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

IV. Existence of any Social or Economic Communities of Interest in the Area if the Commission Determines that they are Relevant to the Agency.

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

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

Portions of the CSD's sphere of influence are considered to be disadvantaged unincorporated communities, as defined by Government Code Section 56033.5 and Commission policy. The community of Morongo Valley itself is considered a disadvantaged unincorporated community comprised of sparse rural residential development with large lot residential development (primarily Rural Living, 2 ½ acre lots and 5-acre lots). Within the boundaries of the CSD, residents pay a special tax to supplement the general ad valorem property tax fund fire protection and emergency response services. The disadvantaged, unincorporated communities within the District's sphere but outside of its boundaries are within the boundaries of the San Bernardino County Fire Protection District and its South Desert Service Zone.

CONCLUSION FOR MORONGO VALLEY COMMUNITY SERVICES DISTRICT:

Staff is recommending that the Commission make the following sphere determinations for the Morongo Valley Community Services District:

1. Expand the sphere of influence for the Morongo Valley Community Services District by approximately 8,130 acres to include the area westerly and northwesterly of the CSD's existing sphere (Sections 3, 4, 5, 6, 7, 8 and 9 of Township 01 South, Range 04 East, and Sections 1, 12, 13, 24, 25, and 36 of Township 01 South, Range 03 East);
2. Affirm the balance of the sphere of influence; and,
3. Modify the service description to the Fire Protection function by adding "suppression", "rescue", and "first aid" and removing "first aid" and "maintenance of emergency phone system" and affirm the remainder of the functions and service descriptions for the CSD in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*

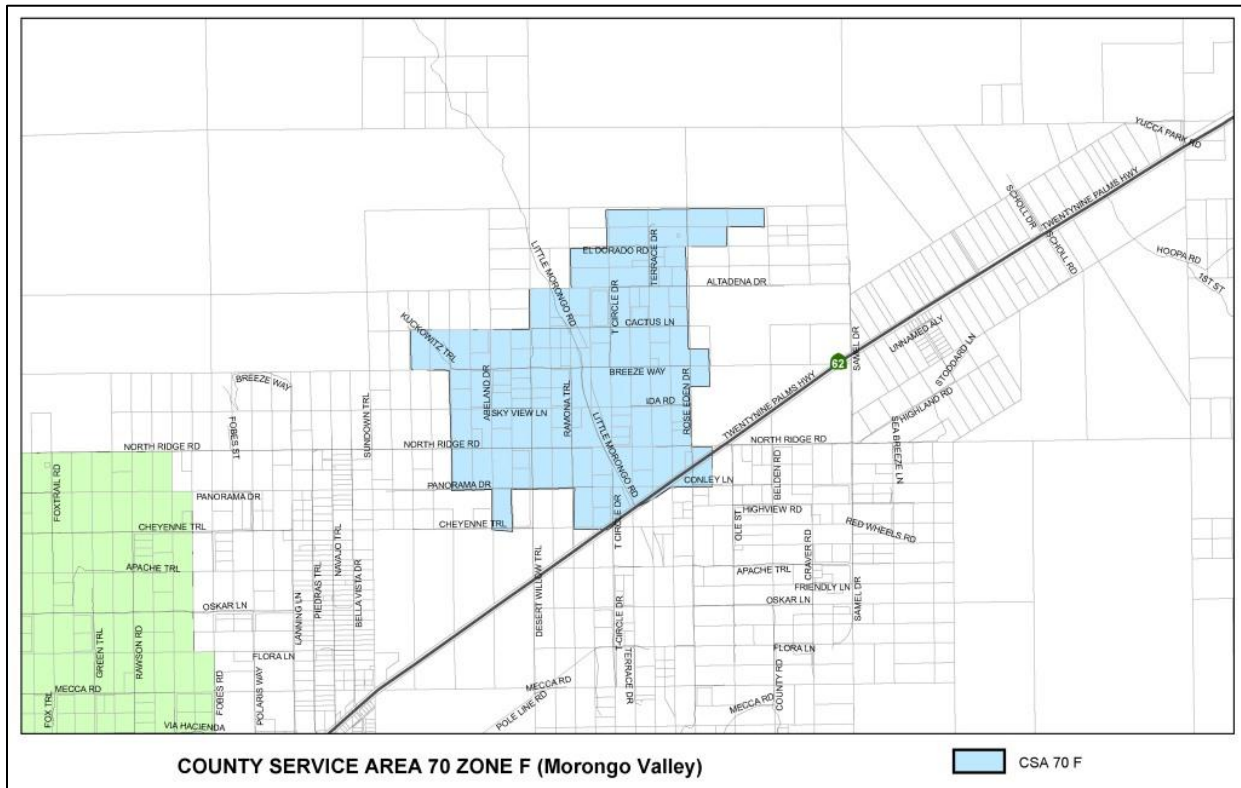
Additionally, LAFCO staff remains concerned regarding the status of the park lease. In response to these concerns, the CSD has identified that it has met with County Regional Parks in an effort to renegotiate the lease and a second meeting is tentatively scheduled for early December (letter included as a part of Attachment #2).

COUNTY SERVICE AREA 70 ZONE F (MORONGO VALLEY) Service Review

INTRODUCTION:

County Service Area 70 Zone F (hereafter shown as “Zone F”) provides water service to an area within the community of Morongo Valley known as Little Morongo Heights. Material was submitted to provide information to the Commission and the public of the broad range of municipal-type services provided within the community. Zone F is not under LAFCO purview and has no sphere of influence; therefore only information related to a service review is provided for this report.

Zone F was formed in 1971 by action of the County of San Bernardino Board of Supervisors and approved by the electorate to provide funding for the water system and ongoing maintenance and operation services to the area. Zone F encompasses approximately 381 acres, generally located north of Highway 62, between Sundown Trail and Rose Eden Drive. Zone F has 89 connections but is currently providing service to approximately 84 water connections. A map showing Zone F is shown below and is included as a part of Attachment #3.



CSA 70 ZONE F SERVICE REVIEW

The County Special Districts Department, administrators for board-governed special districts, prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Department's response on behalf of Zone F to LAFCO's original and updated requests for materials includes, but is not limited to, system and financial information. The information submitted is included as a part of Attachment #3 and are incorporated in the information below.

I. Growth and population projections for the affected area.

Based on the 2010 estimates, the current population within Zone F is 280. The projected growth for Zone F was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the County's unincorporated area for the given periods and the use of average annual growth rate. By 2040, the population within Zone F is estimated to reach 384. This represents a projected annual growth rate of approximately 1.1 percent between 2010 and 2040, which also represents a total population increase of 37 percent from 2010.

Population Projection 2010-2040 Within CSA Zone F

Current Pop Est.	Population Projection					
2010	2015	2020	2025	2030	2035	2040
280 ³²	285 ³³	289	294 ³⁴	299	304	309

However, historic growth within the area has been very limited with no change in connections within the area from 2003 to 2010. This will affect any type of growth projection for this area.

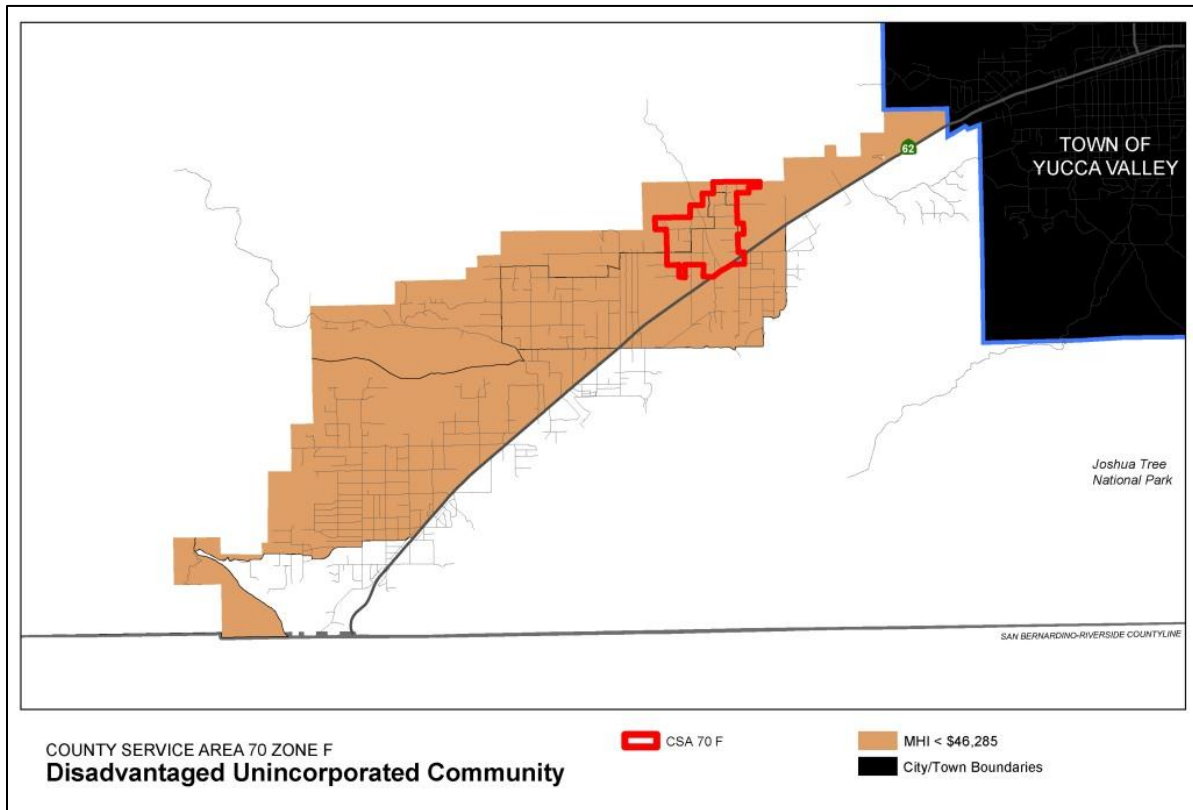
II. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

This determination does not apply since there is no sphere of influence assignment for a zone to a county service area. However, as shown on the map below, the entire Zone F is within a disadvantaged unincorporated community.

³² 2010 population data was derived from the 2010 Consumer Confidence Report for CSA 70 Zone F.

³³ 2015 and 2020 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the unincorporated County area between 2010 and 2020 data.

³⁴ 2025, 2030, 2035 and 2040 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the unincorporated County area between 2020 and 2035 data.



III. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

For this determination, Zone F's 2003 "Water Distribution System" report and 2011 "Consumer Confidence Report" is referenced and incorporated below. Zone F's water system is classified as a community water system regulated by the County of San Bernardino – Division of Environmental Health Services (EHS). The last inspection completed by County EHS on the system was in October 2011.

The water system consists of three vertical wells with a total capacity of at least 310 gallons per minute and two water tanks with a combined capacity of 260,000 gallons. Average daily flow is approximately 81,000 gallons per day.

The problems in Zone F are many and varied. Unfortunately, the proposed capital projects cannot be supported by debt service due to the limited population within the Zone and its income limitations. Only grant funding could provide the necessary funds for the needed improvements.

Water Supply

The table below provides a summary of the system’s overall source of water:

Source	Status	Capacity (GPM)	Comments
Groundwater:			
Well 1	Active	70-80	The surface features of all 3 wells appear in good condition
Well 2	Active	60-65	
Well 3	Active	180	
Total Production		310-325	
Surface Water: (None)			
Connections with other systems: (None)			

The three wells are located very close to each other. Since all the wells are in relatively close proximity to each other, the level of contaminants in the water from each well is very similar. As identified in the County’s EHS inspection report, the system has adequate source capacity given the required source production of 100 GPM.

According to the 2011 Consumer Confidence Report (water quality report), the source water is in violation of gross alpha radiation and uranium by exceeding the maximum contaminant level (included as a part of Attachment #3). The report reads that the likely source of contamination is from the erosion of natural deposits. Further, the report states that, “the District (Zone F) will continue to work with the County Health Department and the community to resolve the ongoing water quality problems that relate to uranium and gross alpha radiation. The formal notification for uranium advising customers to use bottled water for consumptive purposes remains in effect.” LAFCO staff has confirmed with Special Districts Department staff that the formal notification is still in effect. To address Zone F's problems with uranium and alpha activity, a central blending and treatment facility is recommended by the 2003 Water Distribution System report.

Storage Facilities

The system has a total of 0.27 MG of storage capacity, which according to the County EHS report, is adequate to meet current demand for the system. The table below provides a summary of its water storage facilities:

Reservoir Name	Type	Capacity (gal)	Comments
Gravity Storage Tank R-1	Steel bolted	260,000	The surface features of both tanks appear in good condition
Sanding Tank	Steel welded	10,000	
Total Storage		270,000	

The County’s EHS inspection report also indicates that the storage facilities are in good condition.

Water Distribution System

The distribution system pipes are generally made of O.D. steel pipes. Their age is approximately 40 years and their condition is fair to poor. Although leaking is not as severe as neighboring districts, Special Districts Department staff still has had to respond to frequent calls for leaking pipelines. In short, these pipelines are approaching the limit of their service life and they need to be replaced. The existing booster stations are performing well. The District recently completed construction of a replacement booster station in 2000. The layout of the existing water distribution system includes many dead-ends which requires flushing. However, the combination of encrustations in these pipes and accumulations of sediment do not allow for high-flow line flushing. Because of this, a potential for health hazards exists.

Following the 1992 Landers earthquake, the Zone F received grants funds designated for backup equipment within Zone F. The District used this money to: install a replacement booster station, drill and equip well 3, and construct the 250,000 gallon steel reservoir. However, these facilities have over time become the operational, not backup, equipment of Zone F.

According to Special Districts Department, the system meets the fire flow requirements that were in place at the time the water system was constructed. The current required fire flow of 1,000 gpm can be met throughout most of the Zone. Additionally, there are currently no inter-connections with CSA 70 Zone F or Golden State. Special Districts Department had looked at this option; however, it was more expensive than treating the water supply.

According to the Zone F's 2003 "Water Distribution System" report, Zone F is experiencing problems in several areas. First, the pipes of the water distribution system are approaching the limits of their service life. Leaks are being reported more frequently. The entire water distribution system is in need of replacement. The existing service lines need replacement also. Flow is restricted in these rigid galvanized pipes due to encrustation. It is highly recommended that the service lines be replaced along with the distribution pipelines. Finally, Zone F has levels of uranium and gross alpha activity that exceed the Maximum Contaminant Levels (MCL) set by the State Department of Health Services and the Environmental Protection Agency (EPA). As mentioned, Zone F has only 89 connections of which 84 are active. Money to fund these future improvements will not come from water sales and taxes alone. Also, debt service is not a possibility for the scope of the recommendations. Grant funding from an outside source will definitely be required to solve the many water related issues in Zone F.

Both Zone F and Zone W-3 have a budget of \$115,000 for uranium treatment design this fiscal year with \$510,000 scheduled for construction next fiscal year. This is based on an estimate of \$625,000 to design and install a package treatment facility. Both projects are on the State Revolving Fund grant/loan program but previously have not qualified for funding. The Districts received an offer from the state to submit a final application package and Special Districts Department is working on the application package.

IV. Financial ability of agencies to provide services.

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of Zone F has elected to omit the Management Discussion and Analysis information for at least the past five audited years.

Additionally, the most recent audit states that although an annual budget is adopted, budgetary information is not presented because the zone is not legally required to adopt a budget. However, the audits for other CSA zones include the budgetary information. Other CSA and zone audits state that a budget is prepared and adopted pursuant to Government Code Section 29000 – 29143. Furthermore, separate audits are uniformly conducted for each CSA zone so why the statement identified in Zone F's audit indicates so is questionable.

The figure below shows the cash flow activities of Zone F for the past five audited years. As shown, services are funded by service charges and user fees, which have decreased during this timeframe. Additionally, property tax receipts have fallen 30% from its peak, but there is no longer a debt obligation since FY 2007-08. One outlier shown is Intergovernmental Revenue of \$102,887 in 2007-08. Special District Department staff states that this was a transfer of residual funds back to the CSA 70 F water operating fund from a capital improvement project fund due to cancellation of the project.

CASH FLOWS						
	2006-07	2007-08	2008-09	2009-10	2010-11	4-yr Var.
Operating Activities:						
Receipts from customers	99,330	99,777	76,964	89,131	81,274	-18%
Payments to suppliers	(45,783)	(62,245)	(31,364)	(44,319)	(20,273)	-56%
Payments to employees *	(52,583)	(50,650)	(48,358)	(53,172)	(55,442)	5%
Net Cash	\$ 964	\$ (13,118)	\$ (2,758)	\$ (8,360)	\$ 5,559	477%
Noncapital Financing Activities:						
Property taxes	11,237	16,031	13,665	12,317	11,215	0%
Special assessments	5,183	9,258	3,329	2,430	2,098	-60%
Intergovernmental revenue	-	102,887	-	-	-	
Other	4,247	7,833	6,471	4,779	7,341	73%
Net Cash	\$ 20,667	\$ 136,009	\$ 23,465	\$ 19,526	\$ 20,654	0%
Capital & Investing Activities:						
Debt obligations	\$ (22,500)	\$ (9,590)	\$ -	\$ -	\$ -	-100%
Purchase of capital assets	\$ 1,364	\$ -	\$ (933)	\$ (1,575)	\$ (7,627)	-659%
Investment earnings	\$ 4,350	\$ 8,932	\$ 9,424	\$ 3,362	\$ 2,462	-43%
Net Cash	\$ (16,786)	\$ (658)	\$ 8,491	\$ 1,787	\$ (5,165)	-69%
Net Increase Cash & Equivalents	\$ 4,845	\$ 122,233	\$ 29,198	\$ 12,953	\$ 21,048	
Cash & Equivalents, Beginning	87,429	92,274	214,507	243,705	256,658	
Cash & Equivalents, Ending	\$ 92,274	\$ 214,507	\$ 243,705	\$ 256,658	\$ 277,706	201%
Increase from prior year	4.6%	132.5%	13.6%	5.3%	8.2%	
* The zone does not employ any persons. A transfer is made to the parent CSA 70 for employee services.						
sources: Statement of Cash Flows						

In Fiscal Year 2007-08 \$102,887 was received under the “Noncapital Financing Activities”. LAFCO staff requested an outline of this revenue, but to date no explanation has been received from County Special Districts.

FY 2012-13 Budget

Beginning with the FY 2012-13 Recommended Budget, the County no longer provides a detailed budget for each county service area or individual zone. Instead, a consolidated budget grouped by service type is provided. While this provides for a consolidated synopsis of the Special District Department’s activities, one cannot breakdown the administrative and operations cost of a particular county service area or zone from this published document. Therefore, LAFCO staff requested from the Special Districts Department the detailed budget submission for Zone F (not published), which is summarized below.

CSA 70 ZONE F	2011-12	2012-13
	Estimated	Recommended
		Budget
EXPENDITURES:		
Salaries & Benefits	-	-
Services and Supplies	16,336	37,324
Transfers Out	69,147	134,718
Equipment	25,000	-
Contingencies	-	53,589
Operating Transfers Out	9,281	140,000
Total Expenditures	119,764	365,631
REVENUES:		
Taxes	-	-
State Aid	22,515	115,000
Fines, Forfeitures	4,346	4,346
Current Charges	91,666	91,658
Other Revenue	3,639	3,639
Operating Transfers In	-	80,000
Total Revenue	122,166	294,643
Revenues less Expenditures	2,402	(70,988)
source: Special Districts Department		

The budget figure above identifies that the agency receives no property tax revenue; however its audits identify the opposite. In 1999, the County Special Districts Department implemented a procedure to allocate the property taxes and standby charges for the sanitation, sewer, and water districts into the capital replacement accounts, rather than in the operational accounts.³⁵ The procedure then requires a transfer of the taxes and charges from the capital replacement account into the operational account (shown as Operating Transfers In). The flow of taxes and charges is not transparent, and LAFCO staff recommends that the County indicate in its budgets the receipt of property taxes, standby charges, and assessments. The County Special Districts Department has responded to previous LAFCO staff reports over the past six years and states that it is in the process of implementing a budgeting/fiscal process to deposit these revenues directly into the operating account to provide for a clear understanding of the revenues attributable to the agency for service delivery.

³⁵ Memo dated May 10, 1999 from County Special Districts Department to County Auditor-Controller Recorder Office. Copy available at LAFCO staff office.

Appropriation of \$365,631 includes operating expenses for water connection services including operations and maintenance costs, transfers to the parent County Service Area 70 for administrative costs, operating transfers out to fund a Uranium Cleanup Project and a meter replacement project, and contingencies. Revenue of \$294,643 includes user fees, connection fees, service charges, and an operating transfer in from the replacement reserve to fund the costs of the above mentioned capital improvement projects.

Capital improvement projects identified in the FY 2012-13 Recommended Budget include:

- Uranium treatment; \$115,000; funding source – State grant
- Meter replacement; \$25,000; funding source – Zone F funds

The Recommended Reserves for Zone F identified in the FY 2012-13 Recommended Budget include:

- Capital Replacement Reserve; \$141,368 (increase of \$17,928)
- Capital Expansion Reserve; \$139,382 (increase of \$400)

When removing the uranium treatment project from FY 2012-13, total expenditures are budgeted to be \$250,631. With reserves totaling over \$280,000 and Contingencies over \$53,000, Zone F has more than the recommended minimum of 10% in reserves.

Appropriation Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), a district is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIII B allows the district to designate a portion of the fund balance of general contingencies to be used in future years without limitation.

By action taken on June 26, 2012 the Board of Supervisors of the County of San Bernardino established the preliminary appropriation limit for Zone F at \$149,981. However, the amount of property taxes collected is substantially below the appropriations limit. Nonetheless, the financial statements included do not identify if the district exceeds its appropriations limit or designates a portion of its property tax revenues to general contingencies to be used in future years.

V. Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70. Additionally for water and sewer service, Special Districts Department consolidates the operations and equipment under its Water and Sanitation Division with the main operations based out of Victorville with a storage facility in Morongo Valley.

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

Local Government Structure and Community Service Needs

Zone F is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. Zone F's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. The annual budget is presented to the County Executive Office and Board of Supervisors for review and approval. Zone F does not utilize an advisory commission or municipal advisory committee. Meetings are held with residents as needed in the Covington Park Community Room.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, Zone F has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department.

Government Code Section 26909 allows a special district to conduct a biennial audit, conduct an audit covering a five-year period, or replace the annual audit with a financial review if certain conditions are met. This board-governed agency meets the conditions for one if not all of the above. Therefore, this agency has the potential to realize cost savings should it choose to undertake the necessary steps outlined in state law. This possibility would need to be discussed and decided between the County, its departments and the landowners and voters within the agency to maintain transparency.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Direct service is not provided outside the boundaries of Zone F.

Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review³⁶ and San Bernardino LAFCO has adopted these guidelines as its own. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

In some cases, functional consolidation or integration can reduce costs so that services can be maintained and improved with fewer dollars. The following scenarios are not being presented as options for the Commission to consider for action as a part of this service review. Rather, a service review should address possible options, and the following are theoretical, yet possible, scenarios for the community to consider for the future. Movement towards these scenarios would include, but not be limited to, a plan for service, fiscal impact analysis, and any other required studies.

- Consolidation of County Service Area Zones F and W-3. Within the Morongo Valley, the County operates two separate zones for water service. Presently, economies of scale are already realized since administration of the zones is from the County's Special Districts Department and the operation of the zones is from the Water and Sanitation Division of the Special Districts Department. However, additional economies of scale could be realized since a single agency would have one budget, one audit, a single rate structure, and provide for a consolidated voice. If the consolidated agency remains as a zone of CSA 70, such an action requires only Board of Supervisor approval LAFCO does not have jurisdiction over the change.
- Assumption of retail water responsibility by the Morongo Valley CSD. As a multi-function, independent special district, the Morongo Valley Community Services District ("CSD") has the statutory authority to provide retail water service, although activation of such service is subject to LAFCO review and authorization. In this scenario, the CSD could assume responsibility for the water service entities within its boundaries.

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

San Bernardino LAFCO has utilized community services districts as a service mechanism to nurture communities and protect them from intrusion by other service providers so that the potential for a future incorporated city is retained. Further, the preamble to Community Services District Law states that the intent

³⁶ State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

of the Legislature for CSD Law is to encourage LAFCOs to use their service reviews, spheres of influence, and boundary powers, where feasible and appropriate, to combine special districts that serve overlapping or adjacent territory into multifunction community services districts.

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

- Single water system for the County and Golden State Water Company systems. Similar to the two scenarios above, there are four separate and adjacent retail water systems and it would benefit the Morongo Valley community if there was a single retail water provider to address the water issues in a holistic manner. However, the question as to how to consolidate public and private water operations is a complex issue. Such a discussion would require that the private water entity be willing to discuss such an action and there has not been documentation of such support.
- Transfer of property tax revenue. It is identified in the service review for CSA 70 Zone TV-2 that follows, that the property tax revenue it receives exceeds its needs for the operation of Zone TV-2. That being the case, the Board of Supervisors (as the governing body of all zones to CSA 70) could approve the permanent transfer of a portion of the property tax revenues pursuant to Revenue and Taxation Code Section 99.02 from Zone TV-2 to the other CSA 70 zones within the same tax rate areas such as Zone F and Zone W-3 (water). The process would entail the Board of Supervisors adopting a resolution at a public hearing determining to exchange a portion of Zone TV-2's property tax revenue to Zone F and Zone W-3. The additional revenue to the water zones could lessen the property tax burden, provide rate relief, or provide for needed upgrades to the system to address service deficiencies.
- Maintenance of the status quo. Without any evident alternative, the existing structure for service within the Morongo Valley remains.

CONCLUSION:

Staff is recommending that the Commission make the following recommendation for Zone F, as it did when reviewing the Yucca Valley, Joshua Tree, Homestead Valley, and Twentynine Palms communities, and that follow-up be submitted for presentation to the Commission verifying the implementation of this recommendation:

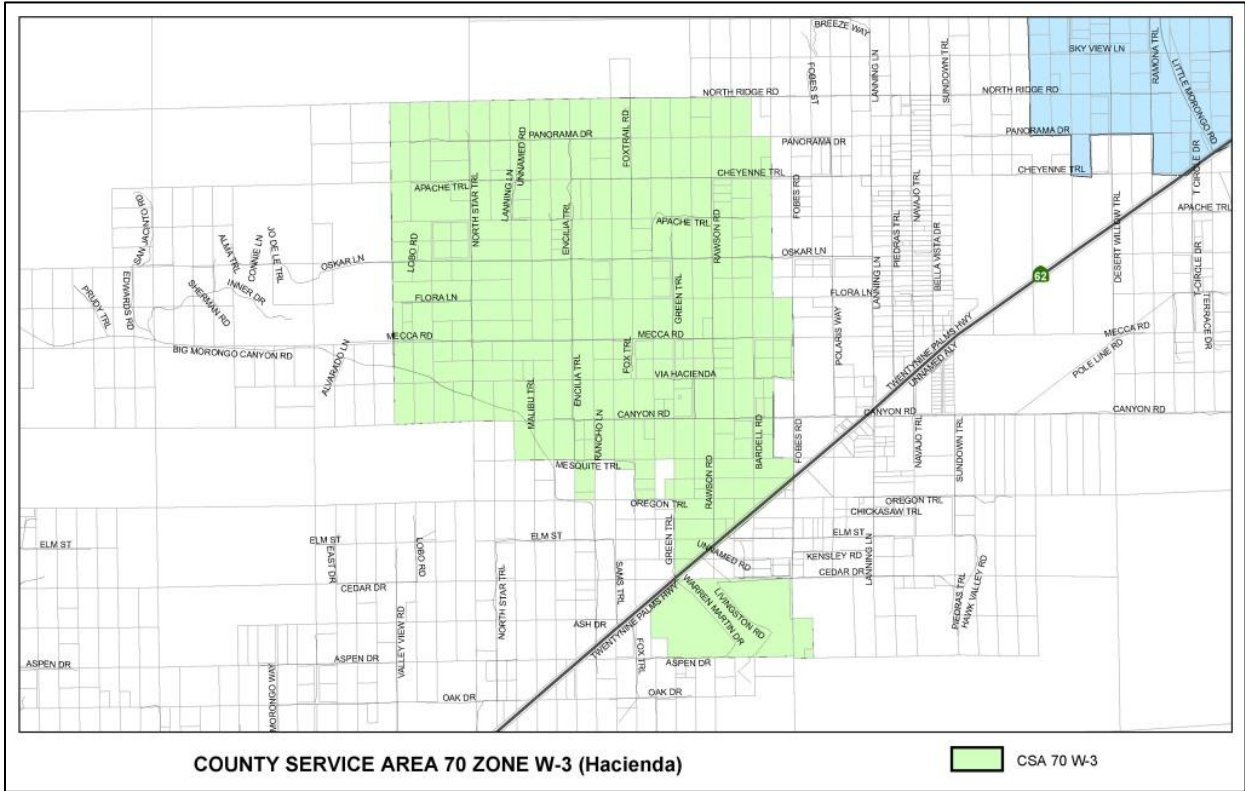
- Accurately identify the source of special tax revenue in its budgets and financial statements.
- Include the required Management Discussion and Analysis in its financial statements.

COUNTY SERVICE AREA 70 ZONE W-3 (HACIENDA) Service Review

INTRODUCTION:

County Service Area 70 Zone W-3 (hereafter shown as “Zone W-3”) provides water service to an area within the community of Morongo Valley. Material was submitted to provide information to the Commission and the public of the broad range of municipal-type services provided within the community. Zone W-3 is not under LAFCO purview and has no sphere of influence; therefore only information related to a service review is provided for this report.

Zone W-3 was formed in 1976 by action of the County of San Bernardino Board of Supervisors and approved by the electorate to provide for a water system and ongoing maintenance and operation services to the area previously served by the Hacienda Water Association of Morongo Valley, Inc. Zone W-3 currently encompasses approximately 969 acres, generally located north and south of Highway 62, between Valley View Road and Fobes Road. Zone W-3 provides service to approximately 169 water connections. A map showing Zone W-3 is shown below and is included as a part of Attachment #4.



CSA 70 ZONE W-3 SERVICE REVIEW

The County Special Districts Department, administrators for board-governed special districts, prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Department’s response on behalf of Zone W-3 to LAFCO’s original and updated requests for materials includes, but is not limited to, system and financial information. The information submitted is included as a part of Attachment #4 and are incorporated in the information below.

I. Growth and population projections for the affected area.

Based on the 2010 Census population estimates, the current population within Zone W-3 is 567. The projected growth for Zone W-3 was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the County’s unincorporated area for the given periods and the use of average annual growth rate. By 2040, the population within Zone W-3 is estimated to reach 777. This represents a projected annual growth rate of approximately 1.1 percent between 2010 and 2040, which also represents a total population increase of 37 percent from 2010.

**Population Projection 2010-2040
Within CSA Zone W-3**

Current Pop. Est.	Population Projection					
2010	2015	2020	2025	2030	2035	2040
567 ³⁷	576 ³⁸	586	596 ³⁹	606	616	626

However, the growth in this community has been essentially stagnant since 2002 when it was identified that Zone W-3 had 171 water connections, currently it is estimated at 169 active connections.

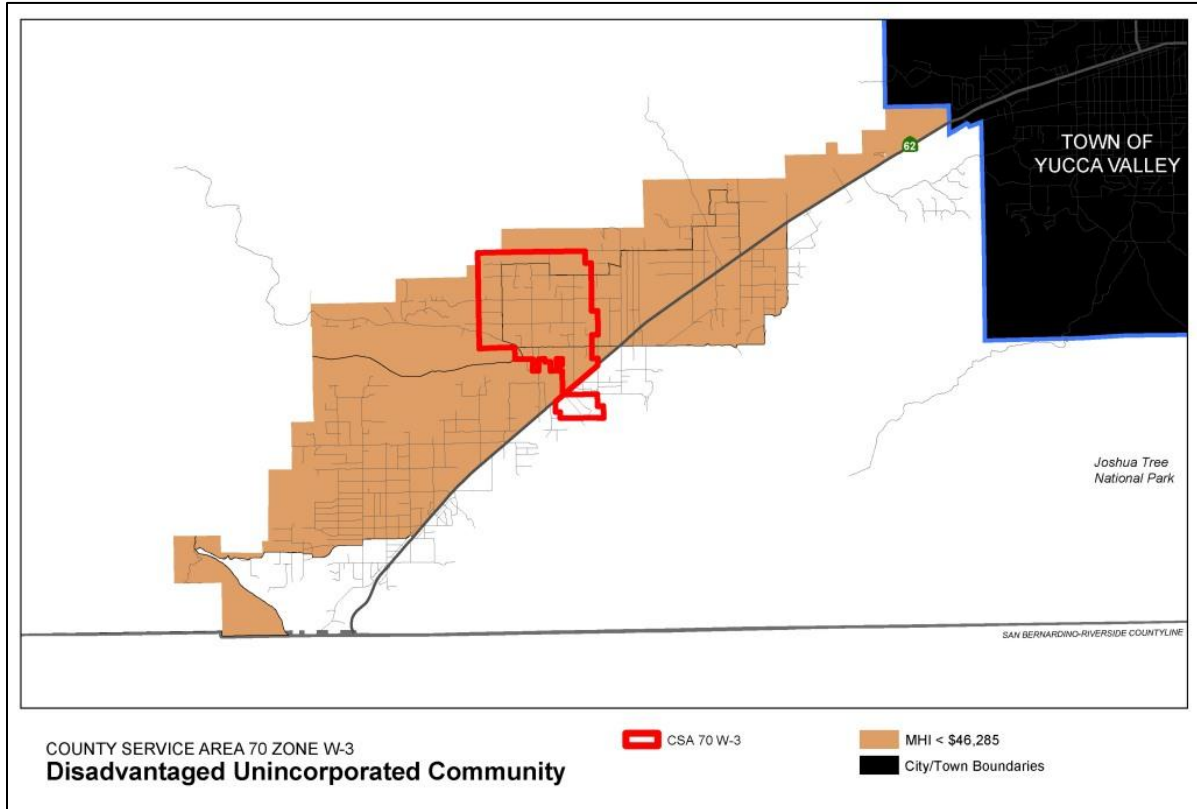
II. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

This determination does not apply since there is no sphere of influence assignment for a zone to a county service area. However, as shown on the map below, most of Zone W-3 is classified as being within a disadvantaged unincorporated community.

³⁷ 2010 population data was derived from the 2010 Consumer Confidence Report for CSA 70 Zone W-3.

³⁸ 2015 and 2020 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG’s 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the unincorporated County area between 2010 and 2020 data.

³⁹ 2025, 2030, 2035 and 2040 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG’s 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the unincorporated County area between 2020 and 2035 data.



III. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

For this determination, Zone W-3's 2003 "Water Distribution System" report and 2011 "Consumer Confidence Report" is referencing and incorporated below. Zone W-3's water system is classified as a community water system regulated by the County of San Bernardino – Division of Environmental Health Services (EHS). The last inspection completed by County EHS on the system was in October 2011.

The water system consists of two vertical wells and four water tanks with a combined capacity of 310,000 gallons. The total pumping capacity of the wells is at least 480 gallons per minute. There are 148 metered water connections utilizing the Radio Read system.

Water Supply

The table below provides a summary of the system’s overall source of water:

Source	Status	Capacity (GPM)	Comments
Groundwater:			
Well 1	Active	180-185	The surface features of both wells appear in good condition
Well 2	Active	300-350	
Total Production		480-535	
Surface Water: (None)			
Connections with other systems: (None)			

As identified in the County’s EHS inspection report, the system has adequate source capacity given the minimum source capacity required of 300 GPM.

According to the 2011 Consumer Confidence Report (water quality report), uranium and gross alpha radiation levels are bordering the maximum contaminant level. Zone W-3 reports no violations within the past few last years. The report reads that the likely source of contamination is from the erosion of natural deposits. The State Department of Health Services has continuously expressed concern over the quality of water in Morongo Valley.

Storage Facilities

The system has a total of 0.31 MG of storage capacity, which according to the County EHS report, is adequate to meet current demand for the system. The table below provides a summary of its water storage facilities:

Reservoir Name	Type	Capacity (gal)	Comments
R-1	Steel bolted	90,000	The surface features of R-1, R-2, and the Storage Tank appear in good condition
R-2	Steel bolted	210,000	
Storage Tank (converted pressure tank)	Steel	6,000	
Sanding Tank	Steel welded	10,000	The Sanding Tank in acceptable condition
Total Storage		316,000	

The County’s EHS inspection report also indicates that the storage facilities are in good condition.

Water Distribution System

The system has two pressure zones, R-1 and R-2. Storage tank R-1 serves the majority of the distribution system. Storage tank R-2 is used mainly for fire protection with fewer than

10 residential service connections. Its main lines vary between two and eight inches of either steel or PVC piping.

Zone W-3 received Special Purpose Grant Funding recently as a result of FEMA monies available after the 1993 Landers earthquake. These funds were allocated for improvements within CSA 70 W-3. The District used this money to; install a new well, construct 2 booster stations, construct the reservoir at R2, and add telemetry to the existing equipment. This funding was expended on these projects. The problems at hand will require financial assistance from an outside source.

According to Special Districts Department, the system meets the fire flow requirements that were in place at the time the water system was constructed. The current required fire flow of 1,000 gpm can be met throughout most of the zone. Additionally, there are currently no inter-connections with CSA 70 Zone W-3 or Golden State. Special Districts Department had looked at this option; however, it was more expensive than treating the water supply.

CSA 70 W-3 is experiencing problems in several areas. First, the water distribution lines are approaching 30 years of age and are rapidly deteriorating. Reported leaks from these pipes are increasing throughout the entire District. All the distribution main lines are in need of replacement. The two tanks at R1 are in desperate need of inspection and possible rehabilitation. Finally, the new reservoir at reservoir site R2 seems to be functioning well. However, the road to the tank is steep and treacherous and needs to be protected from erosion. Also, the south slope of the tank site appears to be in the process of sliding. The soil separation at the top of the slope is visible.

Currently, the District's revenue comes from water sales, taxes, and state and federal aid. In the recent past, federal aid was the most substantial contribution to CSA 70 W-3's revenue. This contribution was to be allocated for improvements within the zone. Most, if not all, of those funds have been expended for their intended purpose. Debt service will not meet the need for required funding for the proposed capital projects. Only with the help of outside agencies will Morongo Valley get the funding for the needed improvements within their boundaries.

Both Zone F and Zone W-3 have a budget of \$115,000 for uranium treatment design this fiscal year with \$510,000 scheduled for construction next fiscal year. This is based on an estimate of \$625,000 to design and install a package treatment facility. Both projects are on the State Revolving Fund grant/loan program but previously have not qualified for funding. The Districts received an offer from the state to submit a final application package and Special Districts Department is working on the application package.

IV. Financial ability of agencies to provide services.

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of Zone W-3 has elected to omit the Management Discussion and Analysis information for at least the past five audited years.

Additionally, the most recent audit states that although an annual budget is adopted, budgetary information is not presented because the zone is not legally required to adopt a budget. However, the audits for other CSA zones include the budgetary information. Other CSA and zone audits state that a budget is prepared and adopted pursuant to Government Code Section 29000 – 29143. Furthermore, separate audits are uniformly conducted for each CSA zone so why the statement identified in Zone W-3's audit indicates so is questionable.

The figure below shows the cash flow activities of Zone W-3 for the past five audited years. As shown, services are funded by service charges and user fees, which have decreased during this timeframe. Additionally, property tax receipts have fallen slightly from its peak, but there is no longer a debt obligation since FY 2007-08.

CASH FLOWS						
	2006-07	2007-08	2008-09	2009-10	2010-11	4-yr Var.
Operating Activities:						
Receipts from customers	126,088	141,148	127,244	137,199	124,705	-1%
Payments to suppliers	(46,664)	(68,137)	(44,917)	(66,796)	(43,450)	-7%
Payments to employees *	(85,886)	(81,529)	(78,624)	(77,089)	(75,472)	-12%
Net Cash	\$ (6,462)	\$ (8,518)	\$ 3,703	\$ (6,686)	\$ 5,783	-189%
Noncapital Financing Activities:						
Property taxes	10,136	21,838	22,493	21,243	19,672	94%
Special assessments	6,616	7,921	6,544	6,265	7,994	21%
Other	9,814	9,824	7,458	6,571	9,318	-5%
Net Cash	\$ 26,566	\$ 39,583	\$ 36,495	\$ 34,079	\$ 36,984	39%
Capital & Investing Activities:						
Debt obligations	\$ (10,633)	\$ (638)	\$ -	\$ -	\$ -	-100%
Purchase of capital assets	\$ -	\$ -	\$ 1,200	\$ -	\$ (18,193)	
Investment earnings	\$ 11,067	\$ 2,039	\$ 3,322	\$ 2,183	\$ 1,670	-85%
Net Cash	\$ 434	\$ 1,401	\$ 4,522	\$ 2,183	\$ (16,523)	-3907%
Net Increase Cash & Equivalents	\$ 20,538	\$ 32,466	\$ 44,720	\$ 29,576	\$ 26,244	
Cash & Equivalents, Beginning	29,799	50,337	82,803	127,523	157,099	
Cash & Equivalents, Ending	\$ 50,337	\$ 82,803	\$ 127,523	\$ 157,099	\$ 183,343	264%
Increase from prior year	-43.0%	64.5%	54.0%	23.2%	16.7%	
* The zone does not employ any persons. A transfer is made to the parent CSA 70 for employee services.						
sources: Statement of Cash Flows						

FY 2012-13 Budget

Beginning with the FY 2012-13 Recommended Budget, the County no longer provides a detailed budget for each county service area or individual zone. Instead, a consolidated budget grouped by service type is provided. While this provides for a consolidated synopsis of the Special District Department's activities, one cannot breakdown the administrative and operations cost of a particular county service area or zone from this published document. LAFCO staff requested of Special Districts Department the detailed budget submission for Zone F (not published), which is summarized below.

CSA 70 ZONE W-3	2011-12	2012-13
	Estimated	Recommended
		Budget
EXPENDITURES:		
Salaries & Benefits	-	-
Services and Supplies	39,125	66,513
Transfers Out	98,269	170,711
Equipment	25,000	-
Contingencies	-	53,129
Operating Transfers Out	-	248,600
Total Expenditures	162,394	538,953
REVENUES:		
Taxes	-	-
State Aid	-	115,000
Fines, Forfeitures	3,010	3,010
Current Charges	142,232	146,480
Other Revenue	50,175	5,175
Operating Transfers In	70,000	75,000
Total Revenue	265,417	344,665
Revenues less Expenditures	103,023	(194,288)
source: Special Districts Department		

The budget figure above identifies that the agency receives no property tax revenue; however its audits identify the opposite. In 1999, the County Special Districts Department implemented a procedure to allocate the property taxes and standby charges for the sanitation, sewer, and water districts into the capital replacement accounts, rather than in the operational accounts.⁴⁰ The procedure then requires a transfer of the taxes and

⁴⁰ Memo dated May 10, 1999 from County Special Districts Department to County Auditor-Controller Recorder Office. Copy available at LAFCO staff office.

charges from the capital replacement account into the operational account (shown as Operating Transfers In). The flow of taxes and charges is not transparent, and LAFCO staff recommends that the County indicate in its budgets the receipt of property taxes, standby charges, and assessments. The County Special Districts Department has responded to previous LAFCO staff reports and states that it is in the process of implementing a budgeting/fiscal process to deposit these revenues directly into the operating account to provide for a clear understanding of the revenues attributable to the agency for service delivery.

Appropriation of \$538,953 includes operating expenses for water connection services including operations and maintenance costs, transfers to the parent County Service Area 70 for administrative costs, operating transfers out to provide funding for the Meter Replacement project, the Pipeline Replacement project, a Uranium Cleanup project, and contingencies. Revenue of \$344,665 includes user fees, connection fees, service charges, and operating transfers in from the replacement reserve to assist in the funding of the above mentioned capital improvement projects.

Capital improvement projects identified in the FY 2012-13 Recommended Budget include:

- Water Meter Replacement; \$100,000 (funding from Zone W-3 funds)
- Uranium Treatment; \$115,000 (funding from state grant)
- Pipeline Replacement; \$33,600 (funding from Zone W-3 funds)
- Replace Boosters; \$45,600 (funding from Zone W-3 funds)

The Recommended Reserves for Zone W-3 identified in the FY 2012-13 Recommended Budget include:

- Capital Replacement Reserve - \$95,475
- Capital Replacement Reserve - \$10,299

When removing the capital projects identified above for FY 2012-13, total expenditures are budgeted to be \$244,753. With reserves totaling over \$105,000 and Contingencies over \$53,000, Zone W-3 has more than the recommended minimum of 10% in reserves.

Appropriation Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), a district is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIII B allows the district to designate a portion of the fund balance of general contingencies to be used in future years without limitation.

By action taken on June 26, 2012 the Board of Supervisors of the County of San Bernardino established the preliminary appropriation limit for Zone W-3 at \$184,916. However, the amount of property taxes collected is substantially below the appropriations limit. The FY

2010-11 audit reviewed the proceeds of the taxes received by Zone W-3 and found the revenue to be within the guidelines of Article XIII B.

V. Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70. Additionally for water and sewer service, Special Districts Department consolidates the operations and equipment under its Water and Sanitation Division with the main operations based out of Victorville with a storage facility in Morongo Valley.

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

Local Government Structure and Community Service Needs

Zone W-3 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. Zone W-3's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. The annual budget is presented to the County Executive Office and Board of Supervisors for review and approval. Zone W-3 does not utilize an advisory commission or municipal advisory committee. Meetings are held with residents as needed in the Covington Park Community Room.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, Zone W-3 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department.

Government Code Section 26909 allows a special district to conduct a biennial audit, conduct an audit covering a five-year period, or replace the annual audit with a financial review if certain conditions are met. This board-governed agency meets the conditions for one if not all of the above. Therefore, this agency has the potential to realize cost savings should it choose to undertake the necessary steps outlined in state law. This possibility would need to be discussed and decided between the County, its departments and the landowners and voters within the agency to maintain transparency.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through “out-of-agency” service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Direct service is not provided outside the boundaries of Zone W-3.

Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review⁴¹ and San Bernardino LAFCO has adopted these guidelines as its own. The Guidelines address 49 factors in identifying an agency’s government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

In some cases, functional consolidation or integration can reduce costs so that services can be maintained and improved with fewer dollars. The following scenarios are not being presented as options for the Commission to consider for action as a part of this service review. Rather, a service review should address possible options, and the following are theoretical, yet possible, scenarios for the community to consider for the future. Movement towards these scenarios would include, but not be limited to, a plan for service, fiscal impact analysis, and any other required studies.

- Consolidation of County Service Area Zones F and W-3. Within the Morongo Valley, the County operates two separate zones for water service. Presently, economies of scale are already realized since administration of the zones is from the County’s Special Districts Department and the operation of the zones is from the Water and Sanitation Division of the Special Districts Department. However, additional economies of scale could be realized since a single agency would have one budget, one audit, a single rate structure, and provide for a consolidated voice. If the consolidated agency remains as a zone of CSA 70, such an action requires only Board of Supervisor approval LAFCO does not have jurisdiction over the change.
- Assumption of retail water responsibility by the Morongo Valley CSD. As a multi-function, independent special district, the Morongo Valley Community Services District (“CSD”) has the statutory authority to provide retail water service, although activation of such service is subject to LAFCO review and authorization.

⁴¹ State of California. Governor’s Office of Planning and Research. “Local Agency Formation Commission Municipal Service Review Guidelines”, August 2003.

In this scenario, the CSD could assume responsibility for the water service entities within its boundaries.

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

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

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

- Single water system for the County and Golden State Water Company systems. Similar to the two scenarios above, there are four separate and adjacent systems and it would benefit the Morongo Valley community if there was a single retail water provider to address the water issues in a holistic manner. However, the question as to how to consolidate public and private water operations is a complex issue. Such a discussion would require that the private water entity be willing to discuss such an action.
- Transfer of property tax revenue. As identified in the service review for CSA 70 Zone TV-2 that follows, it indicates that the property tax revenue is more than adequate for Zone TV-2. Being so, the Board of Supervisors (as the governing body of all zones to CSA 70) can approve the permanent transfer of property tax revenues pursuant to Revenue and Taxation Code Section 99.02 from Zone TV-2 to the other CSA 70 zones within the same tax rate areas: Zone F and Zone W-3 (water). The process would entail the Board of Supervisors adopting a resolution at a public hearing determining to transfer a portion of Zone TV-2's property tax revenue to Zone F and Zone W-3. The additional revenue to the water zones could lessen the property tax burden, provide rate relief, or provide for needed upgrades to the system.
- Maintenance of the status quo. Without any evident alternative, the existing structure for service within the Morongo Valley remains.

CONCLUSION:

Staff is recommending that the Commission make the following recommendation for Zone W-3, as it did when reviewing the Yucca Valley, Joshua Tree, Homestead Valley, and Twentynine Palms communities, and that follow-up be submitted verifying the implementation of this recommendation:

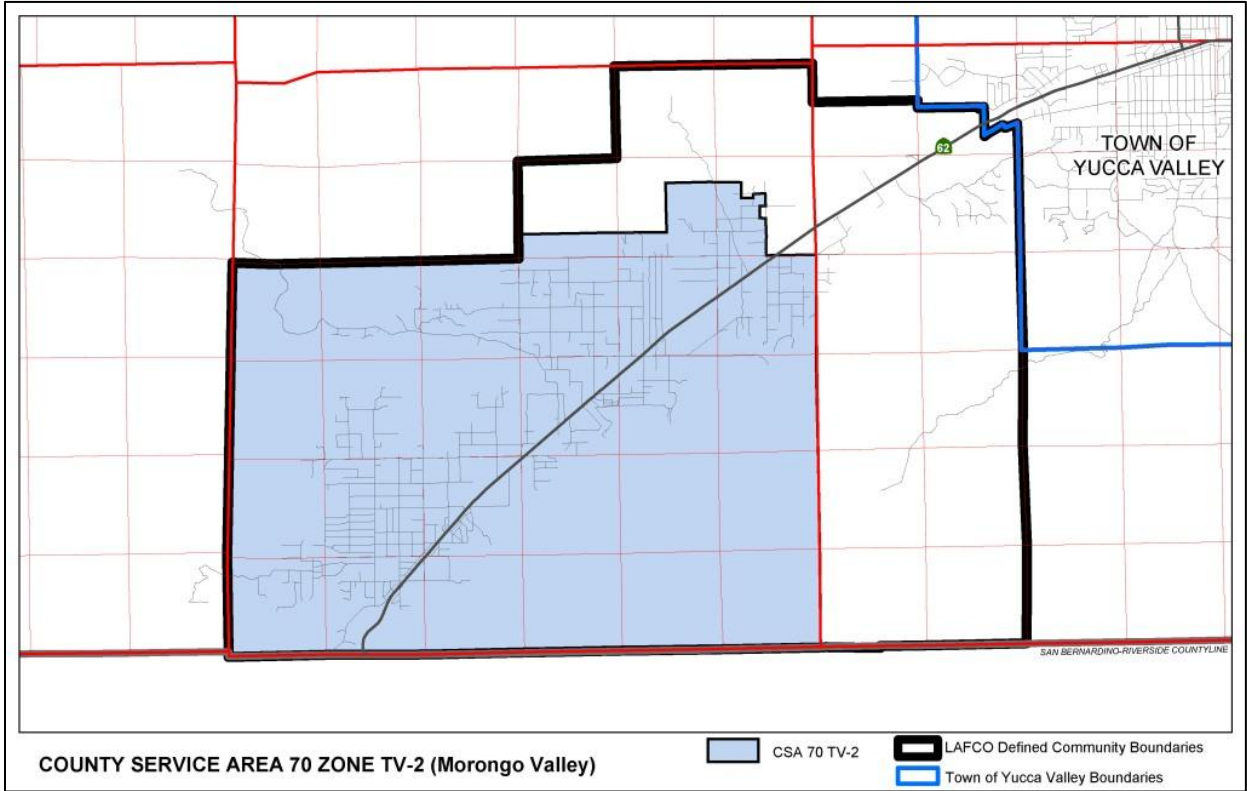
- Accurately identify the source of revenue (special tax) in its budgets and financial statements.
- Include the required Management Discussion and Analysis information in its financial statements.

COUNTY SERVICE AREA 70 ZONE TV-2 (MORONGO VALLEY) Service Review

INTRODUCTION:

County Service Area 70 Zone TV-2 (hereafter shown as “Zone TV-2”) provides television translator service to a 25 square mile area. Material was submitted to provide information to the Commission and the public of the broad range of municipal-type services provided within the community. Zone TV-2 is not under LAFCO purview and has no sphere of influence; therefore only information related to a service review is provided for this report.

Zone TV-2 was formed in 1976 by action of the County of San Bernardino Board of Supervisors and approved by the electorate serving the Morongo Valley community. Zone TV-2 provides nine UHF channels and one VHF channel of translator service for the area. Zone TV-2 provides service to approximately 2,000 households. A map showing Zone TV-2 is shown below and is included as a part of Attachment #5.



CSA 70 ZONE TV-2 SERVICE REVIEW

The County Special Districts Department, administrators for board-governed special districts, prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Department’s response on behalf of Zone TV-2 to LAFCO’s original and updated requests for materials includes, but is not limited to, system and financial information. The information submitted is included as a part of Attachment #5 and are incorporated in the information below.

I. Growth and population projections for the affected area.

In 2000, the population within Zone TV-2’s boundaries was 3,125. Based on the 2010 Census, the current population for the area is 3,439. This represented an average annual growth rate of approximately 0.9 percent within the given period.

The projected growth for Zone TV-2’s boundaries was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the County’s unincorporated area for the given periods and the use of average annual growth rate. By 2040, the population within Zone TV-2 is estimated to reach 4,556. This represents a projected annual growth rate of approximately 0.9 percent between 2010 and 2040, which also represents a total population increase of 32 percent from 2010.

**Population Projection 2010-2040
Within CSA Zone TV-2**

Census		Population Projection					
2000	2010	2015	2020	2025	2030	2035	2040
3,125 ⁴²	3,439 ⁴³	3,496 ⁴⁴	3,554	3,782	4,024	4,282	4,556

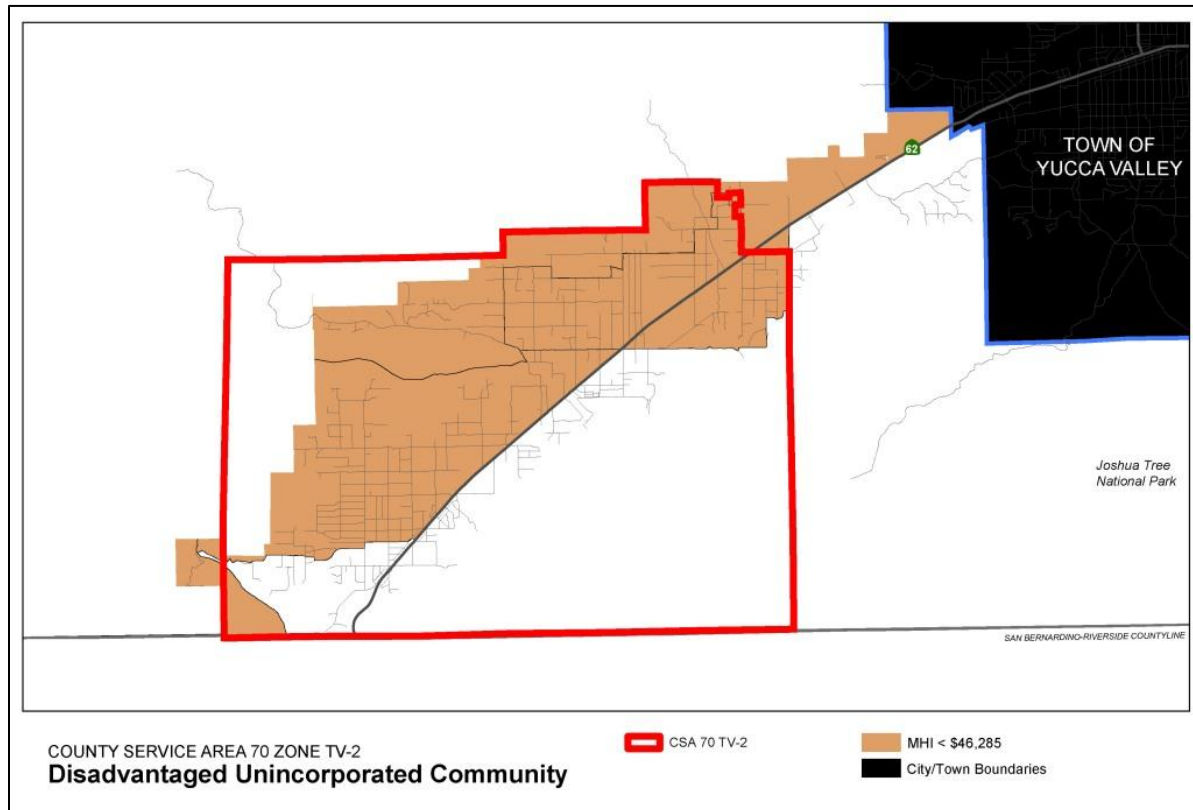
II. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

This determination does not apply since there is no sphere of influence assignment for a zone to a county service area. However, as shown on the map below, the area generally north and west of Highway 62 is within a disadvantaged unincorporated community.

⁴² 2000 population data was derived from the 2000 Census for CSA 70 TV-5 area.

⁴³ 2010 population data was derived from the 2010 Census for CSA 70 TV-5 area.

⁴⁴ 2015 and 2020 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG’s 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the unincorporated County area between 2010 and 2020 data.



III. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

Federal law requires that all full-power broadcast stations broadcast in digital format only. As of July 1, 2012, Zone TV-2 transitioned to digital broadcast for the approximately 2,000 households in the Morongo Valley. As a first step, three analog channels were replaced with three new digital channels with the same corresponding channel numbers. The three channel digital system provides station programming for ten stations, as a single digital channel can deliver multiple channel streams. One station remains under the analog system, KESQ.

IV. Financial ability of agencies to provide services.

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of Zone TV-2 has elected to omit the Management Discussion and Analysis information for at least the past five audited years.

The figure below shows the cash flow activities of Zone TV-2 for the past three audited years. As shown, Zone TV-2 its primary revenue source is its share of the one percent general ad valorem property tax. This revenue source is more than adequate for the current service need and results in a large annual fund balance gain. Being that the property tax revenue is more than adequate, the Board of Supervisors (as the governing body of all zones to CSA 70) can approve the permanent transfer of a portion of the property tax revenues pursuant to Revenue and Taxation Code Section 99.02 from Zone TV-2 to the other CSA 70 zones within the same tax rate areas: Zone F and Zone W-3 (water). The process would entail the Board of Supervisors adopting a resolution at a public hearing determining to exchange a portion of Zone TV-2's property tax revenue to Zone F and Zone W-3. The additional revenue to the water zones could lessen the property tax burden, provide rate relief, or provide for needed upgrades to the system.

FUND BALANCE			
	2008-09	2009-10	2010-11
Fund Balance:			
Non spendable			
Restricted			555,500
Unassigned (Unreserved)			
Total Fund Balances	\$ -	\$ -	\$ 555,500
Revenues:			
Property tax	174,394	161,924	150,563
Special assessments	4,925	2,425	1,193
State assistance	2,001	2,040	1,988
Investments & other	11,386	7,481	4,492
Total Revenues	\$ 192,706	\$ 173,870	\$ 158,236
Expenditures:			
Salaries & benefits	35,781	34,264	26,121
Services & supplies	37,193	34,281	40,928
Capital outlay	35,208	18,369	31,705
Total Expenditures	\$ 108,182	\$ 86,914	\$ 98,754
Revenues less Expenditures:	\$ 84,524	\$ 86,956	\$ 59,482
Fund Balances, Beginning	324,538	409,062	496,018
Fund Balances, Ending	\$ 409,062	\$ 496,018	\$ 555,500
Increase from prior year		21.3%	12.0%
sources: Statement of Rev., Expend., & Changes in Fund Balance			

Zone TV-2 does not have any dedicated reserve account; however, all of its fund balance is identified as restricted for television translator use.

FY 2012-13 Budget

Beginning with the FY 2012-13 Recommended Budget, the County no longer provides a detailed budget for each county service area or individual zone. Instead, a consolidated budget grouped by service type is provided. While this provides for a consolidated synopsis of the Special District Department's activities, one cannot breakdown the administrative and operations cost of a particular county service area or zone from this published document.

Appropriation of \$707,693 includes operating expenses for television translator services maintenance and operations, transfers for administrative costs, capital expenditures for replacing ceramic insulators on power poles and reducing length of runs between power poles; fixed assets transfers out for acquisition and installation of digital TV equipment, and contingencies. Of note, Contingencies are budgeted at \$514,304 which are not likely to be used. FY 2011-12 experienced one-time upgrades to equipment totaling \$79,988.

Revenue of \$190,890 includes property taxes and Federal Communications Commission grant for the acquisition and installation of digital TV equipment. Fund balance of \$516,803 funds budgeted contingencies and planned use to fund capital expenditures.

CSA 70 ZONE TV-2	2011-12	2012-13
	Estimated	Recommended
		Budget
EXPENDITURES:		
Salaries & Benefits	-	-
Services and Supplies	40,550	53,005
Transfers Out	42,907	85,384
Structural & Improvments	25,000	55,000
Equipment	79,988	-
Contingencies	-	514,304
Total Expenditures	188,445	707,693
REVENUES:		
Taxes	148,555	148,555
State & Federal Aid	1,944	41,944
Fines, Forfeitures	-	-
Current Charges	(1,787)	(1,787)
Other Revenue	2,178	2,178
Operating Transfers In		
Total Revenue	150,890	190,890
Revenues less Expenditures	(37,555)	(516,803)
source: Special Districts Department		

Appropriation Limit

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), a district is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIII B allows the district to designate a portion of the fund balance of general contingencies to be used in future years without limitation.

By action taken on June 26, 2012 the Board of Supervisors of the County of San Bernardino established the preliminary appropriation limit for Zone TV-2 at \$391,166. However, the amount of property taxes collected is substantially below the appropriations limit. Nonetheless, the financial statements included do not identify if the district exceeds its appropriations limit or designates a portion of the fund balance to general contingencies to be used in future years.

V. Status of, and opportunities for, shared facilities.

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70. Additionally, the all the board-governed television districts share a TV Services Assistant and a fair share of the use of the position.

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

Local Government Structure and Community Service Needs

Zone TV-2 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. Zone TV-2's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. The annual budget is presented to the County Executive Office and Board of Supervisors for review and approval. Zone TV-2 does not utilize an advisory commission, municipal advisory council, or the Board of Directors of the CSD for input regarding its operations.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, Zone TV-2 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department.

Government Code Section 26909 allows a special district to conduct a biennial audit, conduct an audit covering a five-year period, or replace the annual audit with a financial review if certain conditions are met. This board-governed agency meets the conditions for one if not all of the above. Therefore, this agency has the potential to realize cost savings should it choose to undertake the necessary steps outlined in state law. This possibility would need to be discussed and decided between the County, its departments and the landowners and voters within the agency to maintain transparency.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

Direct service is not provided outside the boundaries of Zone TV-2; however, the translator signal can travel outside of its boundaries into areas from which Zone TV-2 does not receive a share of the property tax.

Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review⁴⁵ and San Bernardino LAFCO has adopted these guidelines as its own. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

In some cases, functional consolidation or integration can reduce costs so that services can be maintained and improved with fewer dollars. The following scenarios are not being presented as options for the Commission to consider for action as a part of this service review. Rather, a service review should address possible options, and the following are theoretical, yet possible, scenarios for the community to consider for the future. Movement towards these scenarios would include, but not be limited to, a plan for service, fiscal impact analysis, and any other required studies.

- Single county service area for TV translator service. This scenario would reorganize the two county service areas and three county service area zones into a single county service area that provides translator service. Normally, this option is not desirable since the distance between these districts is vast. However, a county service area need not have contiguous territory, according to County Service Area Law. One single-purpose county service area providing television translator service would reduce duplicative administration, budget, and audit costs. This is a viable option and one which is supported by LAFCO law.
- Transfer of function to the Morongo Valley CSD. In this scenario, Zone TV-2 would be transferred to the CSD as television translator services is a function which a CSD is authorized to provide pursuant to its parent act. Such a change is in concert with the Commission's community service ideology, which states that a single agency providing the full range of municipal services within a community (along with a transfer of the property tax share of each respective agency) and reduction of multiple agencies providing the same service can provide for the most effective and efficient delivery of service.

This determination is based in part on the Legislature's intent defined for the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 and

⁴⁵ State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

Community Services District Law. The preamble to Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities. From the discussion presented in this report it is evident that the current situation results in multiple governing bodies, administration, overhead, and financial reporting.

- Maintenance of the status quo. This option retains the existing structure for television translation service.

It is the opinion of LAFCO staff that either option 1 or 2 above would provide for a more efficient delivery of the service. It is unclear which would garner the support necessary to move forward.

CONCLUSION:

Staff is recommending that the Commission make the following recommendation for Zone TV-2, as it did when reviewing the Yucca Valley, Joshua Tree, Homestead Valley, and Twentynine Palms communities, and that follow-up be submitted verifying the implementation of this recommendation:

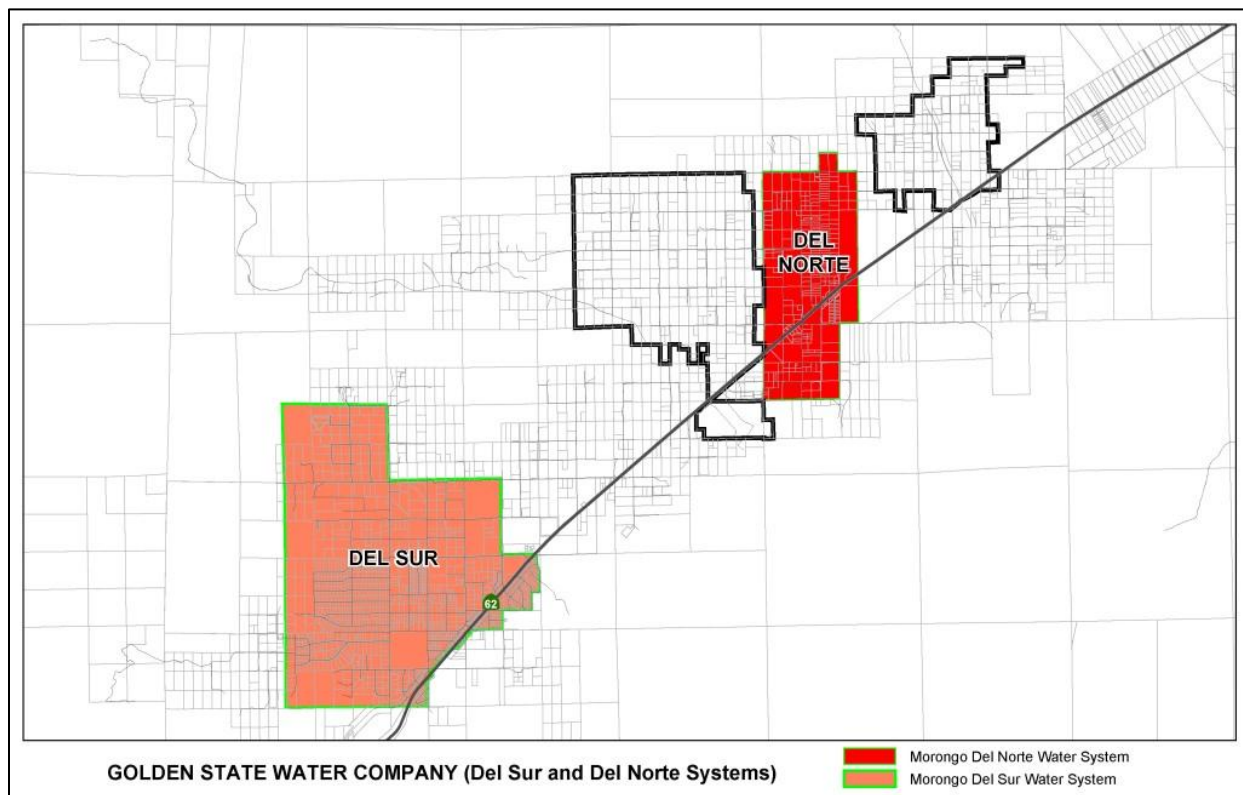
- Include the required Management Discussion and Analysis information in its financial statements.

GOLDEN STATE WATER COMPANY (MORONGO VALLEY) Service Review

INTRODUCTION:

In addition to the two public water retail districts, the Morongo Valley community has two water systems that are owned and operated by the Golden State Water Company (hereafter shown as “GSWC”).

Information regarding the two systems of GSWC, the Morongo Del Norte Water System and the Morongo Del Sur Water System, were obtained from the GSWC’s website as well as information from the California Department of Public Health (for the Del Sur Water System) and from the San Bernardino County Environmental Health Services (for the Del Norte Water System).



GSWC is a privately owned utility in California that is a wholly owned subsidiary of American States Water Company, a holding company that provides water and electric utility services. GSWC is American States Water Company’s largest subsidiary, which provides water service to approximately 256,000 customers in ten counties throughout California. It also provides electric service to customers in the Big Bear Valley area. GSWC is not under LAFCO purview, therefore only information related to a service review is provided for this report.

In July 2011, GSWC filed a notice of application for a general rate increase for the years 2013, 2014, and 2015 for its Region 3, which includes the Morongo service area. The application was filed with the California Public Utilities Commission (“CPUC”). According to the GSWC website, it is anticipated that a decision will be made in fall of 2012. According to the “General Rate Case Fact Sheet”, with the proposed increase a Morongo Valley residential customer with a 5/8” meter would see a monthly bill increase in 2013 of \$3.79 or 8.5 percent. The increases in 2014 and 2015 would be much smaller, based primarily on inflation. The new rates would cover the increasing costs to operate and maintain the service area and all GSWC to invest more than \$1.5 million in local capital improvements to include a remote monitoring system, replace aging pipelines to reduce leaks and improve fire flow, and install system pressure regulating valves to improve water pressure. Currently, both water systems meet fire flow requirements.

Morongo Del Norte Water System

The GSWC’s Morongo Del Norte Water System is classified as a community water system regulated by the County of San Bernardino – Division of Environmental Health Services (EHS). The last inspection completed by County EHS on the system was in January 2011.

The water system has approximately 165 residential and 37 commercial service connections. The area has a total population of approximately 950. The system consists of three vertical wells and two storage tanks.

Del Norte Water Supply

The table below provides a summary of the system’s overall source of water:

Source	Status	Capacity (GPM)	Comments
Groundwater:			
Highway Well	Active	44	
Elm Well	Inactive	n/a	Inactive due to its high uranium content
Bella Vista Well	Active (Primary)	120	
Total Production		164	
Surface Water: (None)			
Connections with other systems: (None)			

As identified in the County’s EHS inspection report, the Del Norte system has adequate source capacity given the required source production of 120 GPM. In addition, the report also identifies that the Elm well has been removed from service and placed on standby due to its high uranium content.

Del Norte Storage Facilities

The system has a total of 0.3 MG of storage capacity which, according to the County EHS report, is adequate to meet current demand for the system. The table below provides a summary of its water storage facilities:

Reservoir Name	Type	Capacity (gal)	Comments
Navajo Tank	Steel bolted	300,000	New reservoir, surface features are in excellent condition
Pressure Tank	Steel	2,000	Interior tank inspection highly recommended
Total Storage		302,000	

The County's EHS inspection report also indicates that the storage facilities are in good condition.

Del Norte Water Distribution System

The system is comprised of two pressure zones. Pressure in the lower zone is provided by gravity flow from the storage tank. Pressure in the upper zone is provided by a hydro-pneumatic tank and two booster pumps. Its main lines vary between two and eight inches of either steel or PVC piping.

Morongo Del Sur Water System

The GSWC's Morongo Del Sur Water System is classified as a community water system regulated by the State Department of Public Health – Division of Drinking Water and Environmental Management. Records obtained from the State Department of Public Health (DPH) identifies that the last inspection performed by DPH on the system was in August 2011.

The water system has approximately 930 service connections. The area has a total population of approximately 2,580. The system consists of three vertical wells and four storage tanks.

Del Sur Water Supply

The table below provides a summary of the system's overall source of water:

Source	Status	Capacity (GPM)	Comments
Groundwater:			
Yeager Well No. 2	Active	325	
Yeager Well No. 3	Active	320	
Vale Well No. 2	Inactive	n/a	Presently off-line because of high uranium content
Total Production		645	
Surface Water: (None)			
Connections with other systems: (None)			

As identified in DPH's inspection report, even without Vale Well No. 2, production capacity for the Del Sur system still meets the maximum day demand. However, if one of the two active well fails for any reason, the system may not be able to meet the maximum day demand.

Del Sur Storage Facilities

The system has a total of 0.454 MG of storage capacity, which according to the DPH's report, is not adequate to meet current storage capacity requirements of 0.87 MG (870,000 gallons). The table below provides a summary of its water storage facilities:

Reservoir Name	Type	Capacity (gal)	Comments
Hilltop Tank	Steel bolted	83,000	
Macelle Tank	Steel welded	250,000	
Mojave Tank	Steel bolted	100,000	
Pinon Reservoir	Steel bolted	21,000	
Total Storage		454,000	

The DPH's inspection report indicates that the storage facilities are in adequate conditions; however, the underwater inspection report indicated signs of corrosion on Pinion and Hill Top reservoir fasteners and some floating debris on the water surface were also noted during inspection.

Del Sur Water Distribution System

The system is comprised of a number of pressure zones and booster stations. Its main lines vary between one and 12 inches of either steel or PVC piping. It was identified that the Company is replacing undersized and old steel main lines in the system.

COUNTY SERVICE AREA 70 ZONES W-7 & W-10 (Inactive Entities)

During staff's research for the service review for the agencies located in the Morongo Valley, it was learned that County Service Area ("CSA") 70 W-7 and CSA 70 W-10 were shown as agencies within San Bernardino County on the State Board of Equalization FY 2011-12 Board Roll. These two zones are inactive, remain on the tax roll listing yet do not receive a share of the property tax, and have no funds in the County Treasury.

Background on CSA 70 W-7 and W-10

CSA 70 W-7 was formed, by Resolution No. 84-222, on June 18, 1984 for the purpose of designing improvements to the existing Southern California Water Company (now Golden State Water) water system that provides water service to the area of Little Morongo Heights. This Board item included the formation of the improvement zone, selection of the consulting engineer, and initiation of an assessment district. A one-time \$225.00 service charge, through the adoption of an ordinance for a total of \$90,440, was approved to cover the Special Districts Department's costs for the above-mentioned services. Several subsequent resolutions (85-501, 85-502, 85-503, 85-504, 85-505, 85-506, and 85-507) were adopted in 1985 to provide preliminary findings, name the consultants, adopt the CEQA findings, establish the assessment district boundary, approve the plans and specifications, authorize bidding for construction of the improvements, and authorize the sale of bonds. Upon completion, CSA 70 W-7 was to own, manage, maintain and control the improvements. Boyle Engineering received a contract for the design and put the project out to bid. On December 9, 1985, all work on the construction of a water system for CSA 70 W-7 ceased due to high delinquency rates, non-responsive bond bids, higher than estimated construction bids and community opposition.

CSA 70 W-10 was formed by Resolution 84-420 as approved by the County Board of Supervisors on November 19, 1984 for the purpose of designing improvements to the existing Southern California Water Company's water system that serves the area of West Morongo Valley. The Board item also approved a service charge of \$78 per "service unit" to perform a system appraisal (Resolution 84-421), name the consultants, authorized a CSA revolving fund loan in the amount of \$261,770 (Resolution 84-422) and set appropriations for the District at \$261,770.

On July 24, 1985, County Service Area 70, Improvement Zone W-10 filed suit against the Southern California Water Company to obtain the water systems for both W-7 (Del Norte) and W-10 (Del Sur) through a complaint of eminent domain. With community and interest group support for and against the eminent domain proceedings, the Board of Supervisors directed that a survey be conducted of all property owners within Zone W-10 on this matter. The survey results identify that 72 of valid respondents were in favor of terminating eminent domain proceedings. On March 10, 1986, the County Board of Supervisors approved the recommendation to terminate the eminent domain proceedings for the acquisition of Southern California Water Company's water systems in both CSA 70 W-7 and W-10.

All action in both districts was terminated in 1986, and the water systems remain the property of the Southern California Water Company, which has since changed its name to Golden State Water Company. Water quality in both districts remains poor; however, it is up to the Golden State Water Company to seek funding for the necessary improvements. However, both improvement zones to County Service Area 70 remain in place and most likely should be dissolved. A quick review of the operating accounts in both districts shows that there are no residual funds in place at this time.

Recommended Action

Staff recommends that the Commission request that the County Board of Supervisors adopt a resolution to formally dissolve these zones and file the necessary Statements of Boundary Change with the State Board of Equalization to officially remove the zones from the tax rolls in San Bernardino County.

ADDITIONAL DETERMINATIONS

1. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation within the area, the *Hi-Desert Star*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.
2. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on October 22, 2012 LAFCO staff met with the community agencies and representatives to review the determinations and recommendations made within its draft report, to solicit comments on the determinations presented and to respond to any questions of the affected Morongo Valley agencies.
3. Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.
4. The Commission's Environmental Consultant, Tom Dodson and Associates, has recommended that the options outlined in this report for the Morongo Valley Community Services District are statutorily exempt from environmental review. Mr. Dodson's response is included in Attachment #2 to this report.

RECOMMENDATIONS

To complete the considerations for the Morongo Valley Community, staff recommends that the Commission take the following actions:

1. Determine to affirm the Commission's definition of the Morongo Valley community, which is the sphere of influence of the Morongo Valley Community Services District, with the modification recommended to be adopted at this hearing.
2. Receive and file the service reviews for the Morongo Valley community agencies; make the findings related to the service reviews for the Morongo Valley Community Services District required by Government Code 56430 as outlined in the staff report.
3. For environmental review certify that the sphere of influence expansion for the Morongo Valley Community Services District (LAFCO 3151) is statutorily exempt from environmental review and direct the Clerk to file the Notice of Exemption within five (5) days.
4. For LAFCO 3151, approve a modified sphere of influence for the District, and service description modifications to its authorized Fire Protection function in the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*, as identified in this report.
5. Request that the County Board of Supervisors adopt a resolution to formally dissolve County Service Area 70 Zone W-7 and County Service Area 70 Zone W-10 and submit Statements of Boundary Change with the State Board of Equalization to officially remove the zones from the tax rolls in San Bernardino County.
6. Adopt LAFCO Resolution #3168 setting forth the Commission's findings and determinations.

ATTACHMENTS

1. Maps
 - a. [LAFCO Defined South Desert Communities](#)
 - b. [Existing Boundaries for the Morongo Valley Community Public Service Providers](#)
2. Morongo Valley Community Services District
 - a. [Map – Current Boundary and Sphere](#)
 - b. [Map – LAFCO Staff Proposed Sphere Modifications](#)
 - c. [Service Review and Sphere Update Response](#)
 - d. [Master Park Strategic Plan](#)
 - e. [Fire Department 2011 Annual Report](#)
 - f. [Financial Information: Budget and Audit](#)
 - g. [1977-78 County Tax Rate Publication](#)
 - h. [Fire Assessment Information](#)
 - i. [Information on Lease with County Regional Parks](#)
 - j. [CSD Response to Draft Staff Report](#)
 - k. [Response from Commission's Environmental Consultant](#)
 - l. [Draft Resolution No. 3168](#)
3. [County Service Area 70 Zone F](#)
 - a. Map – Current Boundary
 - b. Financial Information: Budget and Audit
 - c. Water Distribution System Report, July 2003
 - d. Consumer Confidence Report
4. [County Service Area 70 Zone W-3](#)
 - a. Map – Current Boundary
 - b. Financial Information: Budget and Audit
 - c. Water Distribution System Report, April 2002
 - d. Consumer Confidence Report
5. [County Service Area 70 Zone TV-2](#)
 - a. Map – Current Boundary
 - b. Financial Information: Budget and Audit
6. [Golden State Water Company](#)
 - a. Map – Current Boundary
 - b. Del Norte System 2012 Water Quality Report
 - c. Del Sur System 2012 Water Quality Report
7. [Brief Description of Community Services Districts](#)
8. [Morongo Community Plan, San Bernardino County General Plan](#)