

**Staff Reports from Prior Hearings on
the Regional Road Report Dated:
November 30, 2010 with Excerpt from
Minutes from December 8, 2010 Hearing**

Attachment 2a

LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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DATE: NOVEMBER 30, 2010

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TO: LOCAL AGENCY FORMATION COMMISSION

SUBJECT: Agenda Item # 8: Mountain Region Road and Snow Removal Service Review Report

INTRODUCTION:

As LAFCO staff began its review of the Mountain Region, one regional service issue stood out immediately -- the provision of road maintenance and snow removal services on the mountaintop. This service stood out on basis of the multiple service providers to the area, identified as follows:

- The State highways are maintained by CalTrans in the area and provide the only means of paved access to and from the mountain region. This service includes road maintenance (paving, pothole and repair, bridge maintenance) and snow removal;
- The County Transportation Department provides for maintenance for the roads accepted into the County Maintained System. This means that the roads are built to county standards and have been inspected by County personnel. This service also includes road maintenance (paving, pothole and road repair, bridge maintenance) and snow removal;
- The City of Big Bear Lake provides for maintenance of public roads within its boundaries. This service includes road maintenance as defined above and snow removal;
- The County Special Districts Department responds to request for the provision of service for road maintenance and snow removal for public roads not a part of the County maintained system -- roads not built to County standards -- as requested by property owners; and,

- Some public roads and all private roads within the mountains are maintained by the property owners which abut them through such mechanisms as homeowners associations or simply getting together to fund the service.

This report prepared by LAFCO staff will outline questions related to a review of regional road maintenance and snow removal services to the public roads not a part of the State Highway system, County-maintained system or within the corporate limits of the City of Big Bear Lake. In addition, the general LAFCO practice is to provide a comprehensive service review in a single report of all the services provided to the individual community, which is defined by the Commission through development of its spheres of influence designations. However, in this case, staff believes that a more regional discussion is warranted due to the conditions unique in the Mountain region. The regional response to the public roads not maintained by a City or the County is through numerous public road agencies, as either county service areas or zones to county service areas, which essentially provide the same service.

As this report illustrates, these agencies experience financial challenges as they deal with extremely varied sources of revenue and the disjointed response to service demand has resulted in an abundance of financially challenged, scattered road agencies that have the same County governance and administrative structure. Therefore, staff has detailed its review as a separate report related to road service in the Mountain region. This report is intended to be read in conjunction with the community reports for the Mountain region: Crest Forest, Lake Arrowhead, Hilltop (communities of Running Springs/Arrowbear Park/Green Valley Lake) and Bear Valley.

The discussion of this service will look at the method chosen to provide for this service, through a series of County Service Areas (53, 59, 68, 69, 70 and 79) and improvement zones (now identified as simply “zones”) to existing CSAs (70 and 79). This report will not discuss the issue for the City of Big Bear Lake.

BACKGROUND:

Pursuant to County Service Area Law, “a county service area may provide any governmental services and facilities within the county service area which the county is authorized to perform and which the county does not perform to the same extent on a countywide basis...”. A Senate Local Government Committee background publication to the 2008 rewrite of CSA Law states that ambiguities in CSA Law have given rise to different interpretations and treatments of county service areas by counties.¹ The publication further states that the intent of the new CSA Law is to allow county boards of supervisors to continue to exercise flexibility in forming and using county service areas in a manner that they deem appropriate to meet their respective counties’ local needs. County service areas are used in most counties as financing devices for county government to provide service.

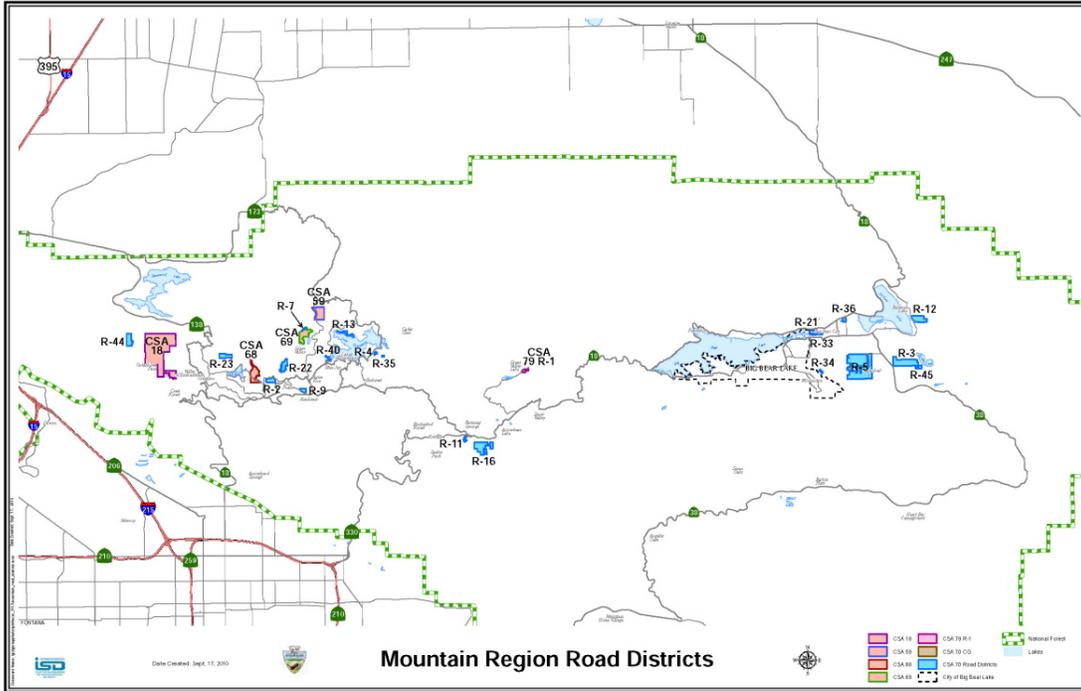
LAFCO staff has contacted two other counties to determine their use of County Service Areas for provision of road and/or snow removal service. In San Diego County, road related services isolated to specific areas are administered by the Public Works Department

¹ Detwiler, Peter M. *Serving the Public Interest: A Legislative History of SB 1458 and the “County Service Area Law,”* Sacramento: Senate Local Government Committee, October 2008.

through a countywide permanent road division with isolated zones of benefit (described further below). In Riverside County, there are a few county service areas that provide road service, but there are no zones to county service areas or permanent road divisions. The need for isolated road service in Riverside is not at the level required by San Diego or San Bernardino Counties. San Bernardino County has historically used county service areas as more than financing agencies; they are determined to be special districts that provide direct service, they have separate staffing from the County, they issue their own contracts, and incur their own liabilities.

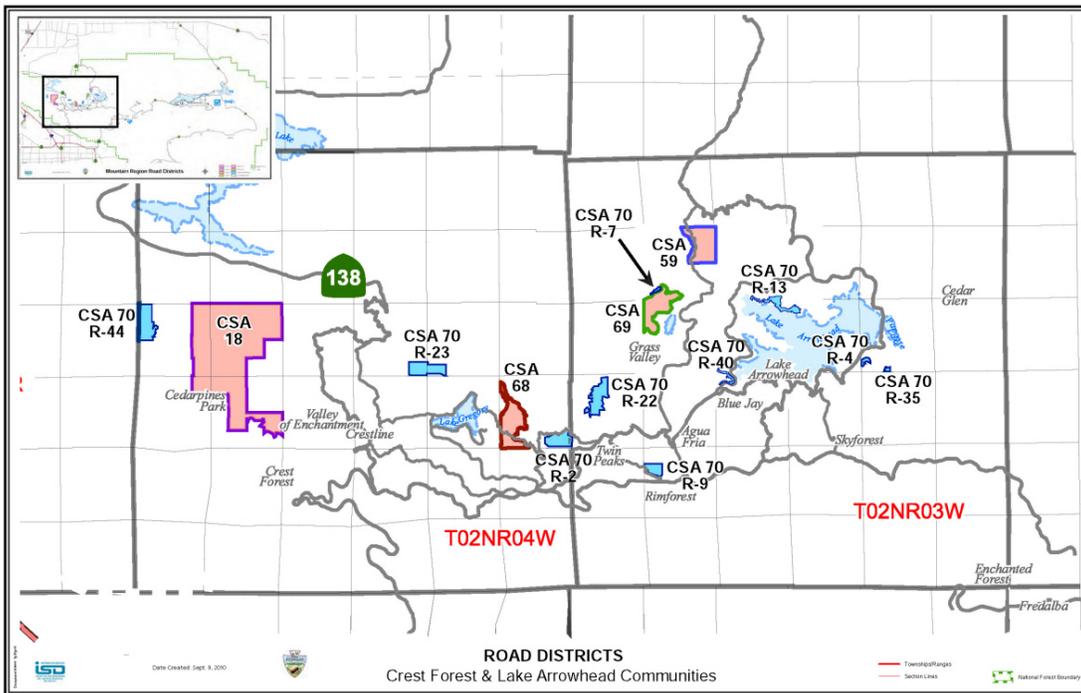
In order to address requests to provide road maintenance services and to generate revenue for the provision of road maintenance in the Mountain region, in the late 1960s the County approved the formation of six county service areas (CSAs 53, 59, 68, 69, 70 and 79). Sometime between 1969 and 1976, the County Board of Supervisors authorized road maintenance services to be provided through County Service Area 70 (serving the unincorporated territory county-wide). The last county service area to be formed for road service in the mountains was County Service Area 69 in 1969 (LAFCO 822). The staff report for this proposal expressed LAFCO staff's concern that this proposal, if approved, would establish a precedent for road standards, which did not meet County standards for acceptance into the County maintained system and governmental services in the mountain area and that a number of similar areas would ask for this type of service in the future.

Since 1969 the County's mechanism of choice for providing this service has been through the formation of zones to county services areas, which are not subject to LAFCO review. This choice of service provision has resulted in 22 separate zones, 21 of which are zones to County Service Area 70 ("CSA 70"). The formation of these separate zones has resulted in a patchwork of road agencies spanning four communities that essentially provide the same service with the same County governance and administrative structure but vastly different revenue sources. As discussed in detail to follow, these zones in general do not generate enough revenue to function wholly as separate agencies and must rely on CSA 70 for administration and service and supply support. A map of all the board-governed road agencies in the Mountain region is shown map below and is included as a part of Attachment #1.

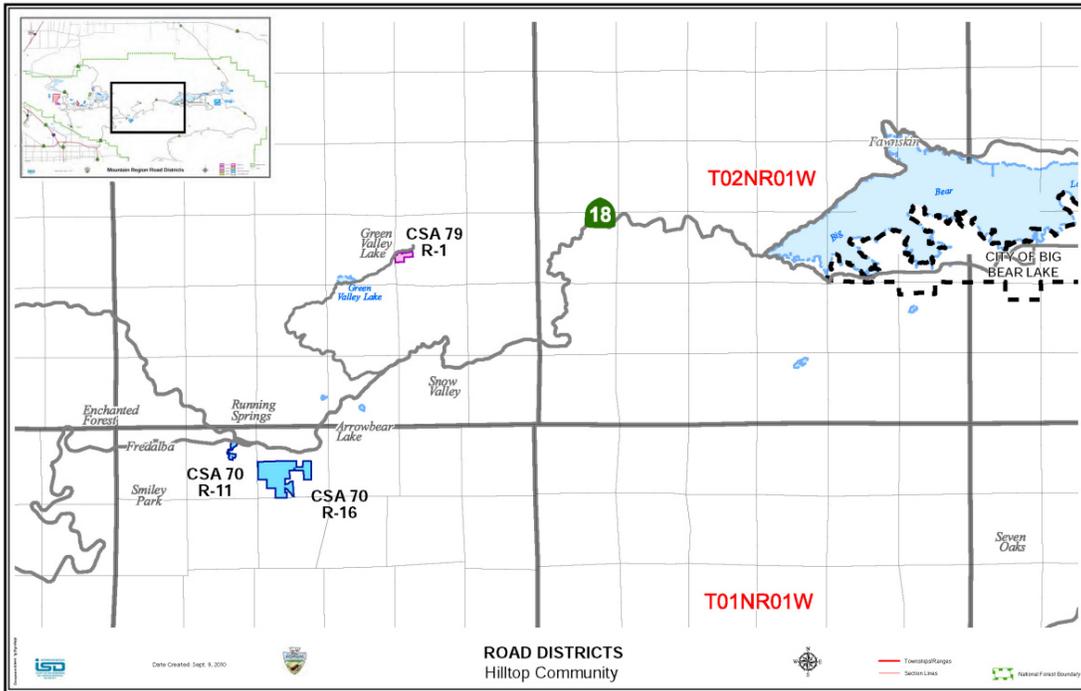


Below are detail maps showing all the road agencies within the Mountain Region by the different communities:

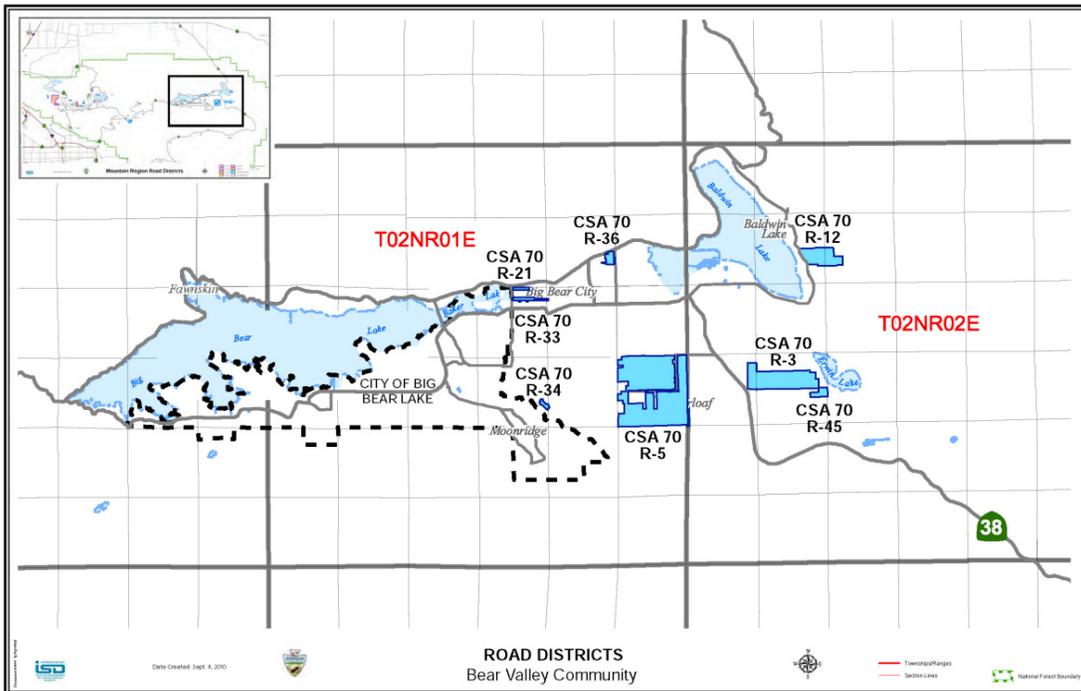
- Crest Forest and Lake Arrowhead Communities:



- Hilltop Community (Running Springs, Arrowbear, Green Valley Lake):



- Bear Valley Community:



The following provides a brief history of the major governmental events for road service in the Mountain region and its relationship with the Local Agency Formation Commission, listed chronologically by end date:

- 1966 The Commission reviewed and the County Board of Supervisors approved the formation of County Service Area 59 to provide road maintenance within the community Deer Lodge Park (LAFCO 437) in Lake Arrowhead.
- 1967 The Commission reviewed and the County Board of Supervisors approved the formation of County Service Area 18 to provide financing for road maintenance in the Cedarpines Park area in the Crest Forest area.
- 1969 The Commission reviewed and the County Board of Supervisors approved the formation of County Service Area 68 (LAFCO 790) to provide financing for road maintenance in the Valley of the Moon area in the Crest Forest area.

The Commission reviewed and the County Board of Supervisors approved the formation of County Service Area 69 to provide road services within Lake Arrowhead (LAFCO 822). The staff report for this proposal stated LAFCO staff's concern that this proposal, if approved, would establish a precedent for road standards and governmental services in the mountain area and that a number of similar areas would ask for this type of service in the future. However, as can be seen, this precedent had already been established through prior actions.

The Commission reviewed and the County Board of Supervisors approved the formation of County Service Area 70 (LAFCO 831) with boundaries encompassing the entire unincorporated county area to provide animal control, and pest and weed abatement services.

- 1971 The County Board of Supervisors expands the range of services provided by County Service Area 70 to include roads along with the extended county services of: sewer service, street lighting, park and recreation including parkways, fire protection and policy protection.

- 1972-74 The Commission established the spheres of influence for County Service Area 59 (LAFCO 1284), County Service Area 69 (LAFCO 1285), County Service Area 18 (LAFCO 1350), and County Service Area 68 (LAFCO 1353) as being coterminous with their respective boundaries.

- 1976 When special districts were seated on the San Bernardino LAFCO Commission, all special districts were limited to the functions/services actively provided at that time. The County responded to LAFCO's request and identified the active functions/services for the board-governed agencies as:

- County Service Area 18 – road, water
- County Service Area 59, 68, 69 – road

- County Service Area 70 – weed abatement, animal and pest control, sewer, water, dam maintenance and construction, road, fire, and park and recreation

Pursuant to adoption of the *Rules And Regulations of The Local Agency Formation Commission Of San Bernardino County Affecting Functions And Services Of Special Districts* in 1976 and amendments thereafter, the functions and services active for districts have been specified and the procedures required to apply to the Commission for activation of any other latent powers have been defined. Any activation of additional function and services would require an application to the Commission which would include a staff analysis, public hearing, and resolution outlining the Commission's determinations.

Of particular interest in this process is that it is clear that the agencies are providing for snow removal needed by these communities. However, none of them have received authorization for snow removal as an active function. Until the rewrite of CSA Law effective January 1, 2009, snow removal was considered a separate and distinct function and service. Currently it is considered to be a part of the road maintenance services to be authorized a County Service Area. In order to address this question, LAFCO staff will be proposing to clarify the service descriptions for the County Service Areas under consideration by this service review (CSAs 59, 68 and 69) and to initiate an action to clarify the service provision for County Service Area 70 to recognize this activity.

County Special Districts Department

The County Special Districts Department has identified that it is in general the agency of last resort for those seeking a mechanism to address road maintenance and snow removal issues. They indicate that they have responded to these requests, through four county service areas and 22 zones to county service areas, to maintain roads and remove snow for roughly 80 miles of road within the Mountain Region. The earliest date for formation of a zone is 1966 with the most recent being in 2010, with the bulk of the agencies formed in the 1980s and 90s (see Attachment #2). The largest zone provides service for 23 miles of roads (R-5 Sugarloaf) and the smallest serves 1/10th of a mile (R-35 Cedar Glen). Since the majority of these zones serve less than a mile of road, it is not feasible for each to own and operate its own equipment. Instead, equipment which is owned in the name of CSA 70, CSA 70 Zone D-1, and CSA 18 is utilized on an as need basis. LAFCO staff understands that reimbursement is then provided to CSA 70, CSA 70 Zone D-1, or CSA 18 for use of the equipment and labor costs; however staff has only verified reimbursement for labor costs. As has been identified in earlier Service Reviews, all county governed special districts, which includes county service areas and their zones, transfer funds to CSA 70 to pay for general administration services, salaries and benefits and services and supplies. The FY 2010-11 Special District Department Budget identifies that CSA 70 has a staff of 109 persons; however, a breakdown of the number of employees that are dedicated to road/snow removal services are not provided in the budget.

One area of question for LAFCO staff in evaluating the actual provision of service is that CSA 70 Zone D-1, which is not authorized to provide road maintenance, nor does it provide

road maintenance or snow removal, is utilized to provide the equipment and personnel for road maintenance and snow removal services. CSA 70 Zone D-1 was formed to provide construction of the New Lake Arrowhead Dam, located east of Lake Arrowhead and the Lake Arrowhead Dam. CSA 70 Zone D-1 owns equipment in order to perform dam maintenance and other related services to D-1 property surrounding the dam. So LAFCO staff does not understand why this agency would have the equipment to provide for road maintenance and/or snow removal. The Special Districts Department has responded to this by stating that CSA 70 Zone D-1 acquired the equipment due to its need to maintain the parking area and access roads for servicing the New Lake Arrowhead Dam. As for CSA 18, it is authorized and actively provides road maintenance and park and recreation and LAFCO staff is proposing to clarify its service provision of snow removal services.

While the mechanism of utilizing CSA 70 as the serving entity in general provides for efficiencies in the sharing of equipment and labor, this mechanism has produced issues.

- Lack of transparency and financial tracking – The current budgets only show a transfer of funds from the agencies to CSA 70, which includes the other administrative charges beyond those of the reimbursement. A breakdown of the actual costs is not provided. For Fiscal Year 2010-11, the transfers to CSA 70 range from a low of 1.6% of revenues (R-11) to a high of 68.1% of revenues (CSA 18).
- Numerous formations – These agencies in general experience financial challenges. Yet, they remain as separate entities which have resulted in an abundance of financially challenged, scattered road agencies that have the same County governance and administrative structure. The formation of so many separate zones has resulted in a patchwork of road agencies spanning four communities that essentially provide the same service with the same County governance and administrative structure.
- The use of equipment in the name of CSA 70 D-1, which does not perform road maintenance or snow removal.
- There are no standards for the delivery of road maintenance and snow removal within the region. Development projects reviewed by the County do not have a clear understanding of the needs for this service, the problems associated with roads not built to County standards requiring these special mechanisms for service, and the lack of access to state funding for road repairs outside the County-maintained system.
- There are no advisory boards or commissions which are aware of the issues associated with the agencies. The County Special Districts Department utilizes special meetings with residents to determine needs.

STAFF ANALYSIS AND OPTIONS:

The Commission identified the need to address its mandated service reviews on a regional basis due to the unique service delivery criteria and issues for the Valley (urban core), North

and South Deserts and Mountain regions. It is LAFCO staff position that due to the unique needs of the Mountain Region, there are a number of options which could provide the potential for better governance of road maintenance and snow removal in the region. Therefore, staff is presenting four options for discussion and consideration by the Commission.

Option #1 – One Single Purpose Road Agency for the Mountain Region

The first option would be to have one road agency for the Mountain Region; a single-purpose County Service Area (CSA). This individual CSA would be the administrative parent district for current and future zones responding to requests for service. As illustrated by the County Special Districts response to the service review criteria, the intent of zones is to provide for different levels of service and financing within a single county service area. Since there currently is no single agency that encompasses and is confined to the mountain region that is authorized to provide road service, this option would require the expansion of the sphere of influence and eventual annexation to one of the existing county service areas that only performs road service. In the staff opinion, this would be CSA 68 since it is the most financially secure. At this time, LAFCO staff understands that CSA 59 is anticipated to have only snow removal in the near future due to its limited revenue stream.

In addition, the current mechanism of numerous zones that are currently experiencing financial challenges has led to inequitable administration payments to CSA 70 with larger agencies paying a larger percentage to CSA 70 for administration costs. The benefit of this option would provide flexibility for allocation of resources within the region from a single purpose road agency, allow for better financial tracking with all administration and services and supply costs coming from CSA 68, and eliminate additional zone formations to CSA 70.

It can be said that numerous zones exist because there are differing funding mechanisms and/or levels of service which necessitate separate zones. Staff points out the segregation of funds would continue, but that a regional road provider could provide for efficiencies. One such efficiency is through a single audit rather than the current format of a separate audit performed for each zone. Having a single audit that accounts for each zone as a separate fund of the parent district would result in one audit and save at least \$13,000 annually, based upon audits costs provided by Special Districts Department.

The downside to this option would be the increase in financial transactions with the zones transferring funds to CSA 68 for administration and service costs. Since CSA 68 does not have employees or equipment, the transferred funds for administration, salaries and benefits, and services and supplies, would then be subsequently transferred to CSA 70.

Further, this option in the long-run would require a change of organization as follows:

- Consolidate existing county service areas with CSA 68 as the successor and expand the boundary of CSA 68 to encompass the Mountain region.
- Each existing zone would be dissolved and reformed as a zone of CSA 68.

County Special Districts Department was requested to provide its response to this option. That response states that Department staff has looked at this issue in the past. The

response reasons that each county service area or zone provides a different level of service based on the desire of the property owners and have different per parcel charges or taxes. It is their position that in order to comply with the option as outlined, Special Districts would need to conduct elections within all the county service areas and zones so there would be a single consistent per parcel tax or charge. The elections and cost to reorganize the county service areas would be cost prohibitive.

LAFCO staff points out that the option as outlined recognizes the different services and revenue mechanisms would remain within the respective boundaries. The change in structure would be service provision through CSA 68 and zones of CSA 68 rather than zones of CSA 70. In essence, road services would be removed from CSA 70 in the mountain region. In addition, standards for service to the Mountain region could be identified providing for a better understanding of service needs for development in the future.

Option #2 – One Road Agency for each Community

Another option would be to have one agency perform road service in each community, either a single-purpose agency or multi-purpose agency.

County Special Districts Department

There is at least one county service area within each of the four mountain communities that could be used as the entity to provide road and snow removal service for their respective communities. This would focus responsibility and coordination for road maintenance and snow removal at the individual community level; providing for identification of community preferences.

However, as with Option #1, County Special Districts Department indicated it has looked at this issue in the past and their analysis found it not to be viable. Further, this option reduces flexibility in allocating resources if equipment is currently owned by a county service area in another community, and could add an additional layer of fund transfers for reimbursement for use of the equipment.

Lake Arrowhead Community Services District

Aside from a county service area providing this service to a community, in the Lake Arrowhead community the Lake Arrowhead Community Services District (“LACSD”) is authorized by its parent act to provide road maintenance services, subject to LAFCO approval. In line with LAFCO community service ideology, there would be a single agency providing services within a community and reduce multiple agencies providing the same service. LAFCO staff bases this possibility from the following:

- The Commission approved the formation of the LACSD with the condition that the district continue to explore possibilities of adding additional services at the earliest possible time to be reflective of a community governance structure,
- Legislature’s intent in LAFCO Law and Community Services District Law.

- The preamble to LAFCO Law 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.
- 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.
- In 1994, AB 1335 gave LAFCO the authority to initiate reorganizations of special districts. In response to this new legislative authority, San Bernardino LAFCO drafted a list of 30 potential reorganizations that were possible under these provisions. For the Lake Arrowhead community, the recommendation was to:

Dissolve CSA 59 (roads) and CSA 69 (roads) and name the Lake Arrowhead CSD as successor agency with an expansion of powers to absorb the services provided by CSA 59 and CSA 69.

LAFCO staff contacted LACSD regarding this option and requested that it provide a response from its Board of Directors. Staff understands that this option was discussed by the LACSD board at its September 14 meeting. A review of the tape of this meeting showed that much amusement was expressed to the idea. Their written response to LAFCO (included as part of Attachment #8 to this report) states that the directors considered the request and determined that because the streetlighting and road maintenance districts are so small, it would not be economical for LACSD to attempt to operate the districts.

LAFCO staff response to this position is that the CSD currently handles multiple contracts for service, as road maintenance and snow removal are currently provided, so the economy of scale and reflection of community standards would be a benefit. In addition, staff returns to the Legislature's intent in LAFCO Law and Community Services District Law that a single multi-function agency may be the best mechanism to coordinate and provide service within a community. It is evident that the current situation results in multiple governing bodies, administration, overhead, and financial reporting.

Option #3 – County Public Works, Transportation Department and Permanent Road Divisions

A third option would be for the County Transportation Department to assume the responsibility for providing road maintenance since road related services is one of its core functions. Rather than a county service area administered by County Special Districts Department, County Transportation could administer the service through a permanent road division (PRD) or a zone of benefit to a PRD. A PRD could be formed to provide for operation and financing of road related services within a specific area, pursuant to Section

1160 et seq. of the Streets and Highways Code. Similar to zones to county service areas, LAFCO does not have purview over PRDs.

In 2005 the County formed a PRD over the boundary of CSA 70 Zone G (Wrightwood) in order to allow for the ability to finance a paving project.² CSA 70 Zone G performed road service but needed additional financing to complete a project. Prior to the PRD formation, the County Service Area Revolving Loan Fund financed several paving projects, but funds were not available at that time to complete a project in CSA 70 Zone G. Permanent Road Division Law provides for ongoing maintenance as well as the ability to incur private debt for public improvements. Therefore, for this instance, the County chose to form a PRD in order to obtain private financing.

Road related services by County Transportation through PRDs to areas in need of such services would place the administration with an agency that performs that service as its core function. Further, this would allow for the sharing of equipment and lessen the need for Special Districts Department to purchase equipment to be used on a part-time basis.

Conversely, the use of PRD could allow for increased use of private financing which typically comes at a higher interest rate. In the case of the PRD in Wrightwood, the rate of interest is 6.5% for 10 years versus the lower rates charged by the County Service Area Revolving Loan Fund. However, it is an additional avenue to provide revenues for needed services.

LAFCO staff reviewed this question with County Transportation representatives who have indicated that the roads maintained by County Special Districts Department are not compliant with County Transportation standards and cannot be entered into the County's maintained road system. They have questioned the potential for liability should they become responsible for service provision on public roads not a part of the County-maintained system. LAFCO staff's response is that the liability issue for this service provided through zones of a County Service Area still falls to the County, regardless of service provision by the either Transportation or Special Districts Department.

On November 16, 2010, the County Board of Supervisors acting as the governing body of County Service Area 79, entered into an agreement with the County Department of Public Works – Transportation Division to provide snow removal services on roads currently maintained by CSA 79 that are not within the County-maintained system. CSA 79 is located in the Green Valley Lake area, a part of the Hilltop community. This contract may seem to counter County Transportation's desire not to be responsible for service provision on public roads not a part of the County-maintained system. However, County Transportation is contracting to provide the service; the responsibility for the service remains with the County Board of Supervisors through CSA 79 administered under the auspices of the Special Districts Department. Through the contract cost efficiencies for service provision are realized. Yet, the administrative structure of CSA 70 remains which, in the opinion of LAFCO staff, limits flexibility for allocation of resources within the region from a single purpose road agency, does not allow for better financial tracking, and does not eliminate additional zone formations to CSA 70.

² County of San Bernardino. Board of Supervisors. 13 December 2005.

This contract will be discussed in further detail in the Hilltop community service review report anticipated for publication in early 2011 and anticipated for presentation at the March 16, 2011 hearing. The contract can be accessed as an attachment to Agenda Item 58 from the County Board of Supervisors November 16, 2010 meeting.

Option #4 – Maintenance of Current Structure

The fourth option would be to maintain the current structure of having zones formed to CSA 70. This option would retain CSA 70 as the administrative arm of all the separate road agencies in the mountain region with all employees under CSA 70, as well as all other Board-governed special districts. This would maintain the sharing of resources and flexibility in allocation of resources.

Conversely, this option leads to inequitable administration payments to CSA 70 with larger agencies paying a larger percentage for administration costs. Further, maintenance of the status quo continues the potential for inequitable service and supply reimbursement to the agencies that own the equipment.

Staff's Recommendation

Two of the options above would be optimal; however, based upon the response from the entities they are not feasible at this time:

- Option #2 – Assumption of road service by a single agency in each community would reduce numerous zones and focus responsibility and coordination for road maintenance and snow removal for each community.
 - If utilizing a county service area, Special Districts Department states that its staff has looked at this issue in the past and does not believe that it is financially feasible. The response reasons that each county service area or zone provides a different level of service based on the desire of the property owners and have different per parcel charges or taxes.
 - For the Lake Arrowhead and Big Bear communities, having a single agency responsible for a multitude of services would be optimal as well. However, LACSD has officially responded that it would not be economical for it to attempt to operate the small districts and expresses no interest in doing so.
- Option #3 - Utilizing County Transportation Department also would be optimal, since roads is its core function. However, County Transportation has indicated that it does not desire to administer road related services to roads that are not in the County maintained roads system. Further, it is unclear how to transfer road service from a county service area zone to a PRD.

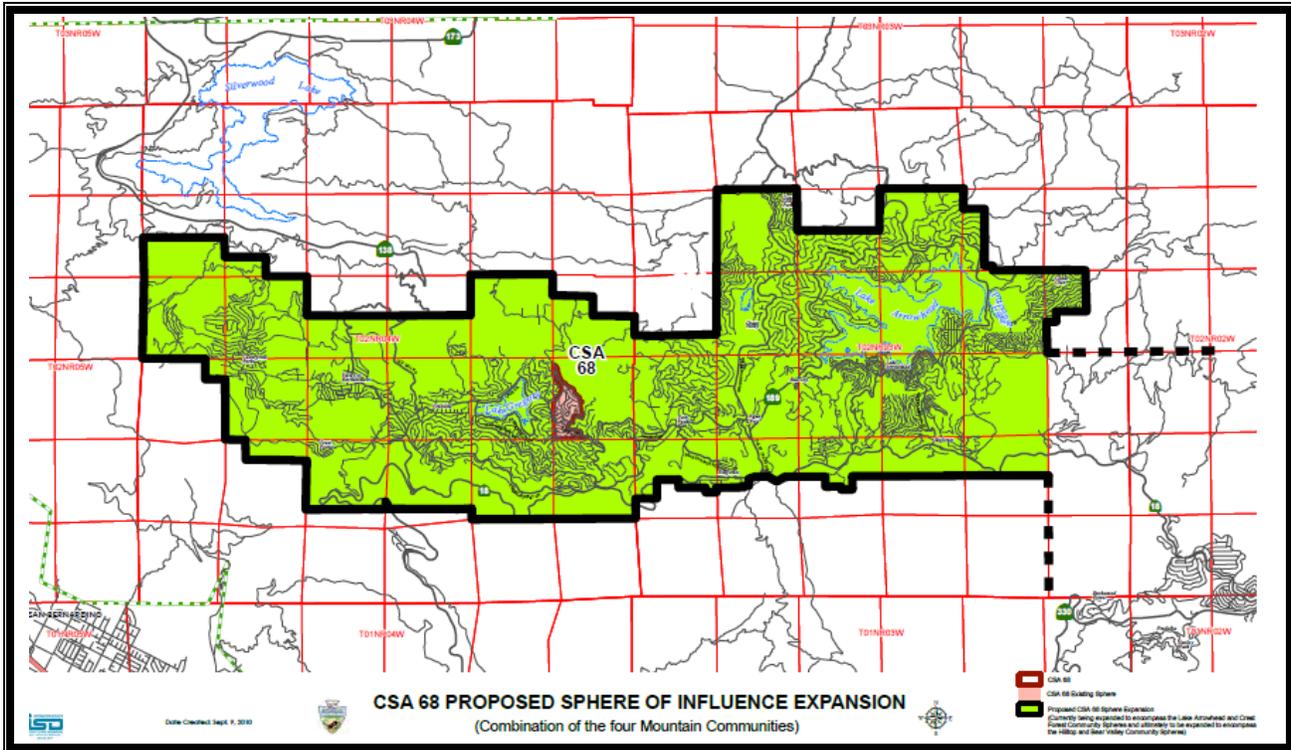
Based upon the options outlined above and given the responses of County Special Districts Department, LACSD, and County Transportation, staff recommends that the Commission indicate its intent to choose Option #1.

Maintaining zones to CSA 70 as the mechanism of choice has led to inequitable administration payments to CSA 70 with larger agencies paying a larger percentage for administration costs. Further, maintenance of the status quo could lead to inequitable service and supply reimbursement to the agencies that owns the equipment. An efficiency of a single regional road provider is through a single audit rather than the current format of a separate audit performed for each zone. Having a single audit that accounts for each zone as a separate fund of the parent district would result in one audit and save at least \$13,000 annually, based upon audits costs provided by Special Districts Department.

In the staff opinion, CSA 68 would be the appropriate choice to serve as the Mountain region road agency since it is the most financially secure. The benefit of this option would provide flexibility for allocation of resources within the region from a single purpose road agency, allow for better financial tracking with all administration and services and supply costs coming from CSA 68, allow for the transfer of equipment to be used for the service on the mountaintop to a single agency, and eliminate additional zone formations to CSA 70.

Therefore, Staff recommends that the Commission take the following actions related to Option #1:

1. Indicate its intent to expand the sphere of influence of CSA 68 to encompass the entirety of the Mountain region (Communities of Crest Forest, Lake Arrowhead, Running Springs/Arrowbear Park/Green Valley Lake, and Bear Valley), as defined by the Commission. The indication of intent is to allow for the development of the community definitions for the Hilltop and Big Bear communities for service.
2. Identify the area for the Crest Forest and Lake Arrowhead communities to be included in the CSA 68 sphere of influence, as shown below:



3. Continue consideration of LAFCO 3121 service review and sphere of influence update for County Service Area 68 to the March 2011 Commission hearing to account for any modifications to the Hilltop and Bear Valley community descriptions.
4. Designate a zero sphere of influence for CSA 69, thereby signaling the Commission's desire for a future change of organization.
5. For CSA 59, signal its intent to designate a zero sphere of influence and continue consideration of CSA 59 service review and sphere of influence update (LAFCO 3119) to the March 16, 2011 Commission hearing. Following review of the draft staff report with the County Special Districts Department, it provided a request to LAFCO to remove road maintenance as a service description under CSA 59's road function. In order to evaluate this request, staff is recommending the sphere of influence update for CSA 59 be continued since the evaluation of services provided by an agency is a part of the sphere of influence update process, as required by law.

In reviewing these recommendations with the County Special Districts Department, its management requests that they be given time to review the viability of the options outlined above as well as the ability to provide alternatives in addition to LAFCO staff's recommendations (see written response included as part of Attachment #8). If the Commission wishes to accommodate the County Special Districts Department's request, it can continue all the actions related to Item # 8, Mountain Region Road and Snow Removal Service Review Report, to the March 16, 2011 Commission hearing.

As for CSA 18 and CSA 79, these agencies actively provide other services. Therefore, staff does not recommend any sphere action related to road service at this time.

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 organization is taking place.

The evaluation of the service reviews and sphere of influence updates in this report are based upon the above-described staff recommendations.

COUNTY SERVICE AREAS 59, 68, & 69 Service Reviews and Sphere of Influence Updates

INTRODUCTION:

LAFCO 3119, 3121, and 3122, consist of service reviews pursuant to Government Code Section 56430 and sphere of influence updates pursuant to Government Code 56425 for County Service Area (“CSA”) 59, 68, and 69.

CSA 59 was formed in 1966 for the primary purpose of providing road service within the Deer Lodge Park area of the Lake Arrowhead Community. CSA 68 and CSA 69 were formed in 1969 by action of the County of San Bernardino Board of Supervisors for the primary purpose of providing road service within the Crest Forest Community to an area known as Valley of the Moon and within the Grass Valley area of the Lake Arrowhead community, respectively.

The agencies are dependent or “board-governed” special districts whose governing body is the County of San Bernardino Board of Supervisors. They operate under County Service Area Law (Government Code Section 25210 et seq.). Currently, each is authorized by LAFCO to provide road 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 narrative above, LAFCO staff recommends: 1) that the Commission signal its intent to expand the sphere of influence for CSA 68 to encompass the entirety of the Mountain region (Communities of Crest Forest, Lake Arrowhead, Hilltop (Running Springs/Arrowbear Park/Green Valley Lake), and Bear Valley), as defined by the Commission, 2) signal its intent to designate a zero sphere of influence for CSA 59 and 3) that the Commission assign a zero sphere of influence for CSA 69.

LOCATION AND BOUNDARIES:

The study area encompasses the entirety of the Mountain region (Communities of Crest Forest, Lake Arrowhead, Hilltop, and Bear Valley), as defined by the Commission; however, the service reviews presented at this time are confined to the Crest Forest and Lake Arrowhead communities.

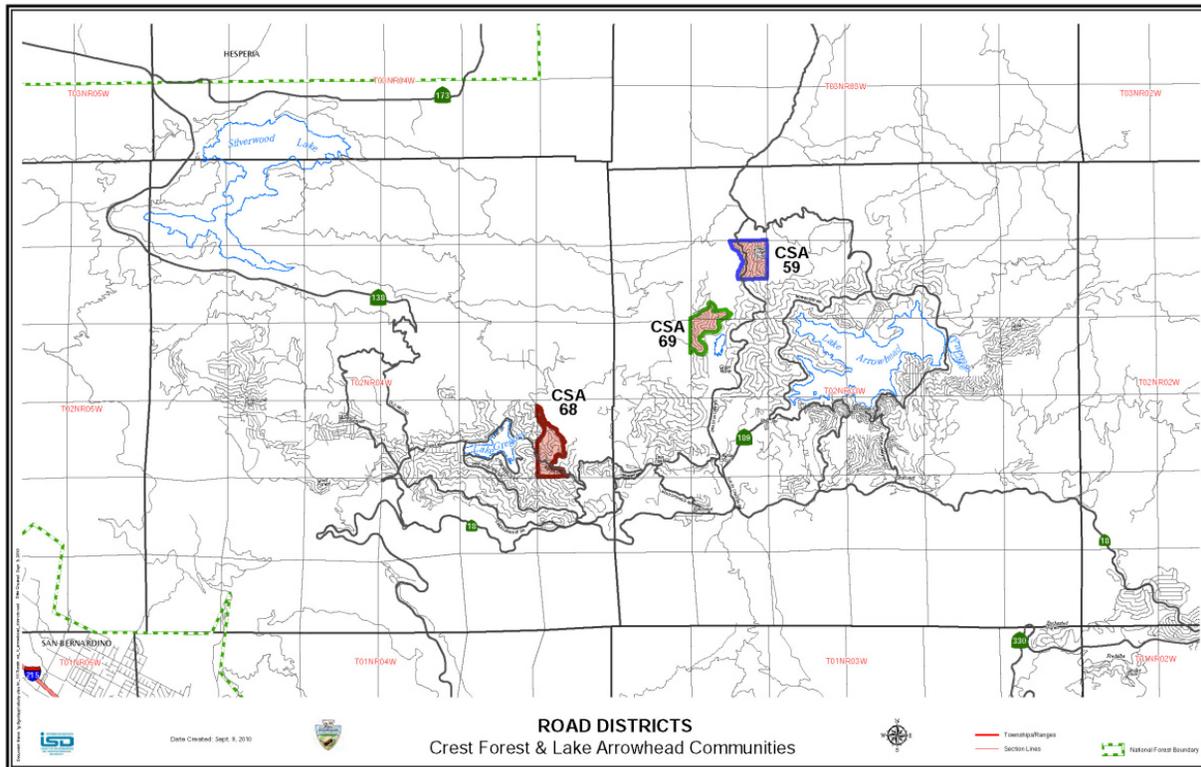
CSA 59 is located in the Lake Arrowhead community along the south side of State Highway 173, east and west of Grass Valley Road, within the area known as Deer Lodge Park. The study area encompasses approximately 123 acres generally located east of Edgecliff Drive, north of Overlook Lane, west of Line Drive and its natural southerly extension, and south of the north line of Section 8, Township 2 North, Range 3 West.

CSA 68 is located in the Crest Forest community, east of Lake Gregory, within the area known as Valley of the Moon. The district encompasses approximately 121 acres generally bordered by a combination of parcel lines along Dart Canyon Road, Cedar and Electra Drives on the east, a portion of the south line of Section 24, Township 2 North, Range 4

West on the south; and a combination of section lines and parcel lines generally along Dart Canyon Road and Arosa Drive on the west.

CSA 69 is located in the Lake Arrowhead community, west of Grass Valley Lake and the Lake Arrowhead Country Club. The district encompasses approximately 105 acres generally located north and west of Brentwood Drive, south of Amador Lane, and east of Sonoma Drive and Amador Lane.

A map of these agencies and their spheres of influence is shown below and included as a part of Attachment #1.



SERVICE REVIEWS

At the request of LAFCO staff, the County Special Districts Department, administrators for board-governed special districts, prepared a service review pursuant to San Bernardino LAFCO policies and procedures. The response on behalf of CSA 68, CSA 69, and CSA 59 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 #s 3, 4, and 5, respectively). LAFCO staff responses to the mandatory factors for consideration for a service review (as required by Government Code 56430) are identified below and incorporate County Special Districts Department's response and supporting materials. In addition, the materials presented below will outline the mandatory factors for a sphere of influence update (as required by Government Code Section 56425).

I. Growth and population projections for the affected area.

Development in the San Bernardino Mountains is naturally constrained by public land ownership, rugged terrain, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay. All of the lands within each district are privately owned. The majority of the lands have County General Plan residential land use designation, although about one-third of the parcels were considered to be vacant in 2008. CSA 68 has one commercial parcel and one industrial parcel.

The figure below shows the estimated population with projections for each area. The projections identify a 6.5% increase at five year increments, or approximately 1.5% per year. Given that one-third of the residential parcels were vacant in 2008, the areas are not anticipated to reach their build-out population by the 2030 horizon of this report.

CSA	2005	2010	2015	2020	2025	2030	2005 to 2030 growth rate
CSA 59	185	205	228	253	281	312	69%
CSA 68	346	368	392	418	445	474	37%
CSA 69	367	407	452	502	557	618	69%

Source: County of San Bernardino 2007 Community Plans; County Special Districts Department

Notes: Does not include seasonal population or visitors
Italicized figures are calculated by LAFCO staff

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

CSA 59 provides road maintenance and snow removal to 5.0 miles within its boundaries. According to County Special Districts Department staff, paving rehabilitation is needed. However, CSA 59 does not generate enough revenue to fund significant paving rehabilitation. Therefore, Special Districts Department staff has worked over the last year or so with the residents and landowners within CSA 59 in an attempt to work to pass a special tax to finance the projects. LAFCO staff understands that the CSA 59 residents and landowners are not desirous of passing a special tax; therefore, continuation of road maintenance is questionable. Special Districts’ staff has indicated that snow removal would remain. LAFCO staff is uncertain at this time about the potential for County liability related to the roads in the area following the discontinuance of road maintenance, but will be reviewing this question with LAFCO Legal Counsel.

CSA 68 provides road maintenance and snow removal to 4.0 miles within its boundaries. According to County Special Districts staff, roads are resurfaced as needed and as funding is available per the “road improvement plan” approximately every three to five years. No information was submitted identifying the review process for development of the road improvement plan, consultation with residents/landowners, costs associated with the plan or whether or not the plan is adopted by the District’s governing body. Asphalt repairs are completed annually each summer as needed.

CSA 69 provides road maintenance and snow removal to 5.0 miles within its boundaries. According to County Special Districts staff, roads are resurfaced as needed and as funding is available per the “road improvement plan” approximately every three years. As with CSA 68, no information was provided outlining the development of the road improvement plan, its funding needs or the status of review with the governing body. Asphalt repairs are completed annually each summer as needed. According to Special Districts Management, the road conditions within the District were very good until after the 2007 fire. The fire did not damage the roads; however, equipment used for clearing of fire debris caused significant damage. The FY 2010-11 Budget includes \$500,000 in federal funds for disaster debris management, to be used for paving to repair the damage from the fire.

III. Financial ability of agencies to provide services.

CSA 59

The primary source of revenue for CSA 59 is its share of the general ad-valorem property tax levy. CSA 59 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. To pay for these functions, the FY 2010-11 Budget indicates a transfer to CSA 70 of \$12,603 for salaries and benefits and services and supplies support. Funds within the “Fund Balance” category are maintained for emergencies such as road failures, culvert failures, and excessive snow storms. As shown on the chart below, revenues exceeded expenditures for FY 2007-08 and FY 2008-09 which resulted in a positive net change in fund balance. However, paving and road rehabilitation have taken place which has significantly reduced fund balance. Further, the need for significant paving remains but revenues have decreased 29% since the FY 2008-09 peak. For Fiscal Year 2010-11, removing Contingencies which are historically not used, the District will end the year with a Fund balance of \$18,249.

CSA 59 Financial Activity

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Estimate	FY 2010-11 Budget
REVENUES					
Property taxes	\$33,134	\$37,537	\$54,988	\$38,757	\$38,757
Interest	1,295	2,098	1,603	1,200	920
Current Services	(303)	(264)	(531)	-	-
Other	76	70	264	-	-
Operating Transfers In	-	2,290	-	-	-
Total Revenues	34,202	41,731	56,324	\$39,957	39,677
EXPENDITURES					
Services & Supplies	7,100	16,126	20,442	58,508	61,234
Transfers Out	7,103	8,432	10,411	11,309	12,603
Contingencies	-	-	-	-	18,249
Operating Transfers Out	20,500	-	-	-	-
Total Expenditures	34,703	24,558	30,853	69,817	92,086
Net Change in Fund Balance	(501)	17,173	25,471	(29,860)	(52,409)
Fund Balance Ending	\$39,625	\$56,798	\$82,269	\$52,409	\$0

source: FY 2010-11 Proposed Budget

CSA 68

The sole source of revenue for CSA 68 is its share of the general ad-valorem property tax levy. CSA 68 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. To pay for these functions, the FY 2010-11 Budget indicates a transfer to CSA 70 Countywide of \$17,393 for salaries and benefits and services and supplies support. Funds within the “Fund Balance” category are maintained for emergencies such as road failures, culvert failures, and excessive snow storms.

As shown on the chart below, CSA 68 enjoyed excess revenue, which increased fund balance, for the past few years. However, the current budget includes scheduled road maintenance work. For FY 2010-11, removing Contingencies from the calculation, which has historically never been utilized, CSA 68 is budgeted to have \$40,739 at the end of the fiscal year.

CSA 68 Financial Activity

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Estimate	FY 2010-11 Budget
REVENUES					
Property taxes	\$47,524	\$50,112	\$73,306	\$46,367	\$46,367
Interest	3,457	3,907	2,113	1,200	1,150
Current Services	(429)	(359)	(662)	-	-
Other	683	154	840	-	-
Operating Transfers In	50,000	-	-	-	-
Total Revenues	101,235	53,814	75,597	47,567	47,517
EXPENDITURES					
Services & Supplies	85,660	41,513	35,268	36,009	75,504
Transfers Out	6,916	9,331	14,773	15,954	17,393
Contingencies	-	-	-	-	40,739
Operating Transfers Out	-	-	15,925	-	-
Total Expenditures	92,576	50,844	65,966	51,963	133,636
Net Change in Fund Balance	8,659	2,970	9,631	(4,396)	(86,119)
Fund Balance Ending	\$77,914	\$80,884	\$90,515	\$86,119	\$0

source: FY 2010-11 Proposed Budget

CSA 69

The two main sources of revenue for CSA 69 are its share of the general ad-valorem property tax levy and \$100 annual per parcel service charge. CSA 69 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. To pay for these functions, the FY 2010-11 Budget indicates a transfer to CSA 70 Countywide of \$25,081 for salaries and benefits and services and

supplies support. Funds within the “Fund Balance” category are maintained for emergencies such as road failures, culvert failures, and excessive snow storms. Operating Transfers In shown on the chart below includes \$500,000 into the CSA 69 operational fund from the 2007 disaster debris management program funds with a corresponding transfer to the Capital Improvement Program fund of \$557,988 to be used for a paving project. This transfer includes local funds of \$57,988. As shown on the chart, for the past few years has CSA 69 enjoyed excess revenue, which increases fund balance. For FY 2010-11, removing Contingencies from the calculation, which has historically never been utilized, CSA 69 is budgeted to have \$7,643 at the end of the fiscal year, which is not the minimum of 10% reserve needed for sustainability.

CSA 69 Financial Activity

	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11
	Actual	Actual	Actual	Estimate	Budget
REVENUES					
Property taxes	\$70,727	\$39,075	\$18,574	\$22,406	\$22,406
Interest	3,186	5,985	3,594	2,046	2,200
Current Services	(288)	26,254	40,363	38,948	38,948
Other	183	8,805	2,259	-	-
Operating Transfers In	21,576	-	-	-	500,000
Total Revenues	95,384	80,119	64,790	63,400	563,554
EXPENDITURES					
Services & Supplies	15,742	77,439	51,760	65,910	75,504
Transfers Out	10,693	11,318	18,475	20,655	25,081
Contingencies	-	-	-	-	7,643
Operating Transfers Out	-	-	-	-	557,988
Total Expenditures	26,435	88,757	70,235	86,565	666,216
Net Change in Fund Balance	68,949	(8,638)	(5,445)	(23,165)	(102,662)
Fund Balance Ending	\$139,910	\$131,272	\$125,827	\$102,662	\$0

source: FY 2010-11 Proposed Budget

Appropriation Limits

An appropriation limit is required by Article XIII B of the State Constitution and limits the expenditure of the proceeds of taxes. Action taken on June 28, 2010 by the Board of Supervisors of the County of San Bernardino established the FY 2010-11 Preliminary appropriation limits for CSA 59 at \$380,241, CSA 68 at \$2,084,620, and CSA 69 at \$2,244,840. A review of the financial records indicates that the agencies have not exceeded their limit.

IV. 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. When needed, equipment owned in the name of CSA 70, CSA 70 Zone D-1 and CSA 18 is used for road maintenance or snow removal in other service areas.

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

Local Government Structure and Community Service Needs

County Service Areas are governed by the County Board of Supervisors and administered by the County Special Districts Department. CSA 68 is within the political boundaries of the Second Supervisorial District, and CSA 59 and CSA 69 are within the Third District. Budgets are prepared as a part of the County Special Districts Department's annual budgeting process and presented to the County Administrative Office and Board of Supervisors for review and approval. It is not clear whether a presentation of the Road Improvement Plans for CSA 68 and CSA 69 is made to the districts governing body or to its constituents.

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 board-governed special district services under County Service Area 70. Therefore, these agencies have no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional share of the cost for the administrative functions of the County Special Districts Department. One regional manager oversees all the road districts and the services of road maintenance and snow removal.

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. These board-governed agencies meet the conditions for one if not all of the above. Therefore, the agencies have the potential to realize cost savings should they 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 agencies 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 is not applicable in this review;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc. are outlined below.

Government Structure Options:

Special Districts Department staff in preparing the service review indicated that there were no consolidations or other structure options available for the operation of these road

agencies. However, as outlined in the beginning of this report, LAFCO staff believes that there are options to streamline and provide for greater transparency of operations. These are identified as:

- Expansion of boundaries to serve adjacent territory. Should an area adjacent to these agencies require road service, one option would be to expand the boundaries. Theoretically, the agencies could receive a share of the general levy from a potential annexed area; however, existing County policy related to annexations does not provide for a transfer of a share of the general levy to annexing county service areas. Outside of a general levy transfer, any additional special tax or charge would be subject to a Prop 218 election.
- Consolidation with the other road districts within the unincorporated area of the Mountain region. Special Districts Department has indicated in the past a desire to consolidate the road districts in the South Desert region of the County. According to Special Districts Department management, they discussed this possibility with management at the County Administrative Office and County Auditor. The indication received was a regional road entity in the South Desert was not feasible and that maintenance of separate zones was appropriate.

As outlined in the opening discussion of this report, County Special Districts Department was requested to provide its response to the option of creating a single road district for the Mountaintop. The response states that Special Districts Department staff has looked at this issue in the past. The response reasons that each county service area or zone provides a different level of service based on the desire of the property owners and have different per parcel charges or taxes; therefore should not be consolidated. Their position was that in order to comply with this request, Special Districts would need to conduct elections within all the county service areas and zones so there was a consistent per parcel tax or charge throughout. The elections and cost to form the new county service area would be cost prohibitive to the county service areas and zones as well.

However, as outlined in the opening narrative, it is LAFCO staff's position that the different services and revenue mechanisms would remain within the respective zone boundaries. The change in structure would be service provision through CSA 68 and zones of CSA 68 rather than zones of CSA 70. In essence, road services would be removed from CSA 70 in the mountain region.

LAFCO staff believes that this is a viable option for the Mountain region. In the Mountains, the levels of service are generally the same – road maintenance and snow removal. Therefore, economies of scale can be achieved by having a regional agency coordinate road maintenance and snow removal. For example, if the various zones maintain the same department code with the County Auditor, a single audit could be performed instead of 23 separate audits, which could result in a savings of over \$13,000 annually, based upon information provided by Special Districts Department.

- Assumption of road responsibility by Lake Arrowhead Community Services District. Lake Arrowhead CSD overlays CSA 59 and CSA 69 and is a multi-function, independent, district with the statutory authority to provide road services (although activation of that function and service is subject to LAFCO authorization). In this scenario, Lake Arrowhead CSD would assume responsibility for providing the service within its boundaries along with a transfer of the property tax share and service charges of CSA 59 and CSA 69.

LACSD was requested to provide its response to this option. This option was discussed by the LACSD board at its September 14 meeting and was met with much amusement. Their written response to LAFCO states that the directors considered the request and determined that because the street lighting and road maintenance district were so small, it would not be economical for LACSD to attempt to operate the districts.

However, LAFCO staff returns to the Legislature's intent in LAFCO Law and Community Services District Law in that a single multi-function agency may be the best mechanism to coordinate and provide service within a community. It is evident that the current situation results in multiple governing bodies, administration, overhead, and financial reporting. As a means of addressing the community of Lake Arrowhead, it is the staff's position that an elected body representing the community at large would be best able to assess service needs and as well as provide for economies of contracting for service.

- Maintenance of the status quo. At the present time, no other public agencies have expressed desire to provide this service. As in past discussions of the single purpose streetlighting agencies administered by the County, LAFCO staff supports the consolidation of these entities into a single road CSA to provide for a more efficient and effective operation. However, as noted above, the Special District Department staff, while supporting the concept, has not identified support for moving forward with this type of reorganization.

SPHERE OF INFLUENCE UPDATES

Sphere of Influence

The spheres of influence designated for CSA 59, 68 and 69 by the Commission have been coterminous with their boundaries since their establishment in 1972. As discussed in the opening section of this report, staff recommends that the Commission:

1. For CSA 68
 - a. Indicate its intent to expand the sphere of influence of CSA 68 to encompass the entirety of the Mountain region (Communities of Crest Forest, Lake Arrowhead, Hilltop (Running Springs/Arrowbear Park/Green Valley Lake), and Bear Valley), as defined by the Commission.

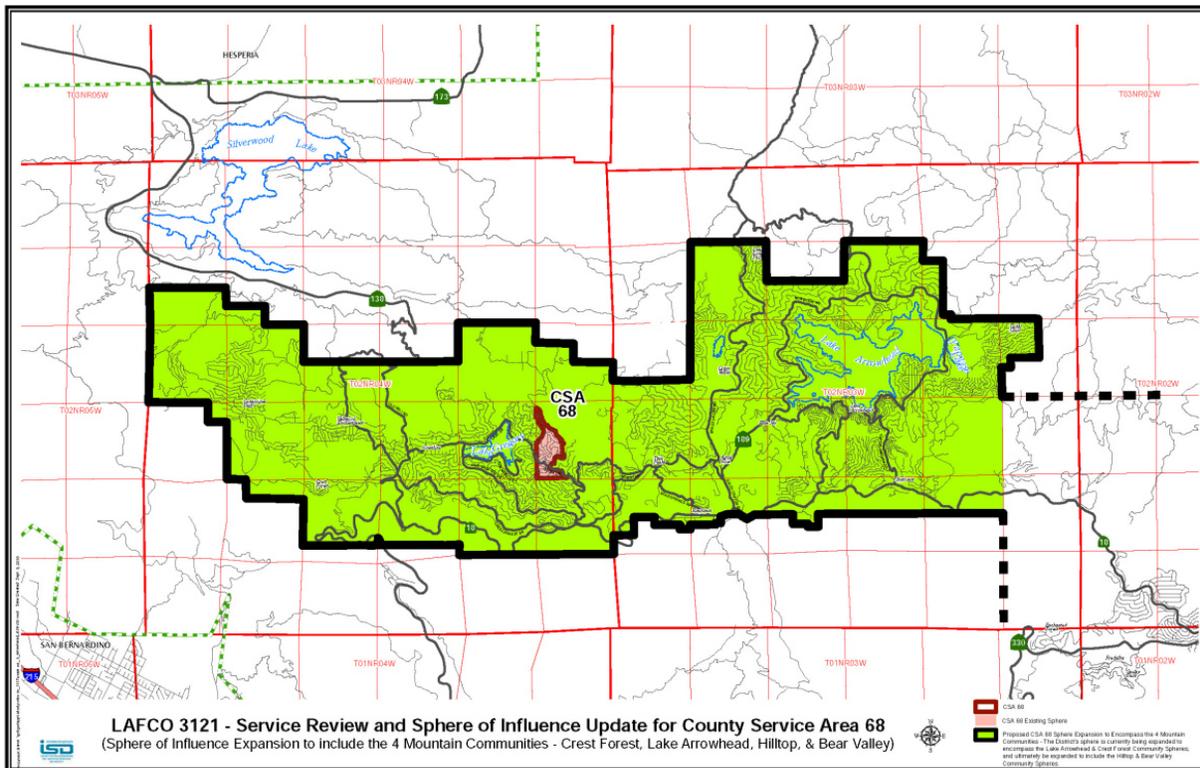
- b. Continue consideration of the County Service Area 68 service review and sphere of influence update (LAFCO 3121) to the March 16, 2011 Commission hearing to account for any modifications to the Hilltop and Bear Valley community descriptions.

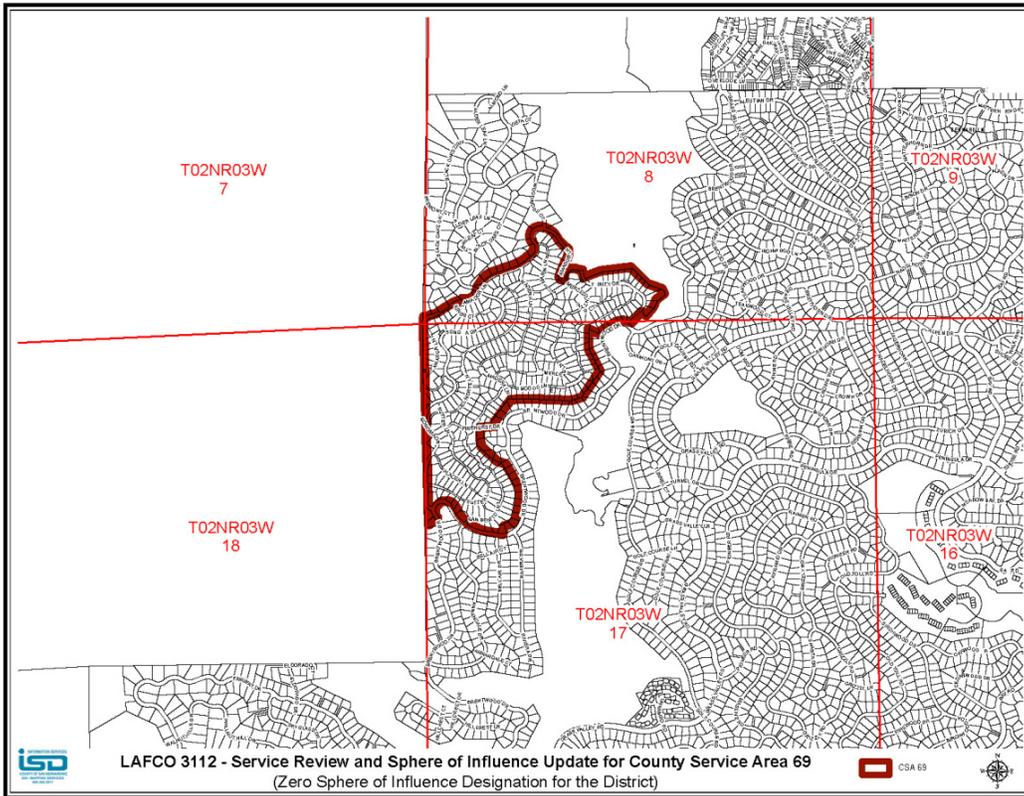
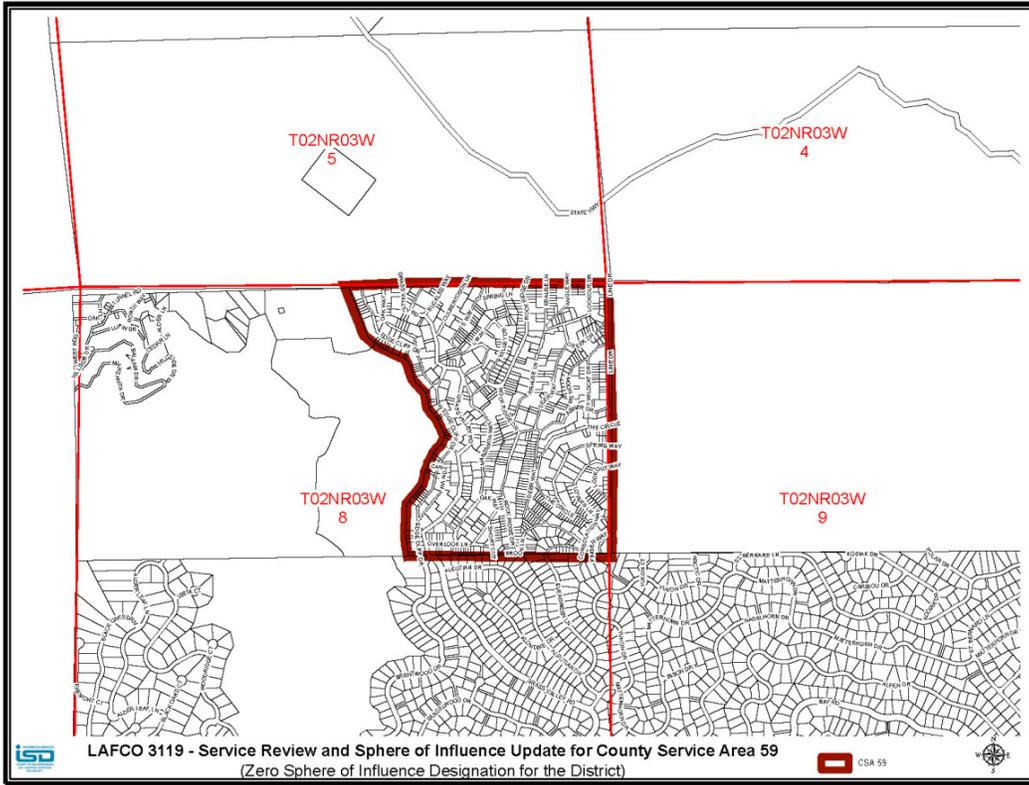
2. For CSA 59

- a. Indicate its intent to designate a zero sphere of influence, thereby signaling the Commission's desire for a future change of organization.
- b. Continue consideration of CSA 59 service review and sphere of influence update (LAFCO 3119) to the March 16, 2011 Commission hearing. Following review of the draft staff report with the County Special Districts Department, it provided a request to LAFCO to remove road maintenance as a service description under CSA 59's road function. In order to evaluate this request, the sphere of influence update for CSA 59 is continued since the evaluation of services provided by an agency is a part of the sphere of influence update process, as required by law.

- 3. For CSA 69, designate a zero sphere of influence, thereby signaling the Commission's desire for a future change of organization.

A map showing staff's recommendation is shown below and is included in Attachment #1.





Authorized Powers

When updating a sphere of influence for a special district, the Commission shall (1) require existing districts to file written statements with the Commission specifying the functions or classes of services provided by those districts and (2) establish the nature, location, and extent of any functions or classes of services provided by existing districts (Government Code §56425(i)).

Special Districts Department has identified that CSA 68 and CSA 69 provide road maintenance and snow removal. LAFCO and Special Districts Department staffs recommend that the Commission modify the service descriptions as follows: (changes identified in underline and strikeout):

<i>District</i>	<i>Function</i>	<i>Service</i>
CSA 68	Roads	Road Maintenance <u>as defined in Government Code Section 25213(i) which includes snow removal</u>
CSA 69	Roads	Road <u>Maintenance as defined in Government Code Section 25213(i) which includes snow removal</u>

CSA 59

In response to the draft LAFCO staff report that was provided to all agencies as a part of the service review process, the County Special Districts Department submitted a request that the Commission include the removal of road maintenance from CSA 59's Roads function and limit its service description to snow removal only.

CSA 59 provides road maintenance and snow removal to 5.0 miles within its boundaries. According to County Special Districts Department staff, paving rehabilitation is needed; however, CSA 59 does not generate enough revenue to fund significant paving rehabilitation. Therefore, Special Districts Department staff has worked over the last year or so with the residents and landowners within CSA 59 in an attempt to pass a special tax to finance the road projects. LAFCO staff understands that the CSA 59 residents and landowners are not supportive of passing a special tax; therefore, continuation of road maintenance is questionable.

LAFCO staff is uncertain at this time about the potential for County liability related to the roads in the area which it has maintained for more than 40 years, having been formed in 1966 to serve the Deer Lodge Park community, following discontinuance of road maintenance. LAFCO staff will be reviewing this question with LAFCO Legal Counsel; therefore, staff is recommending that the Commission continue the discussion authorized functions and services required by Government Code Section 56425(i) for CSA 59 to the March 16, 2011 hearing.

FACTORS OF CONSIDERATION:

The Special Districts Department was requested to provide information regarding the sphere of influence update as required by State law. Staff responses to the mandatory factors of consideration for a sphere of influence review (as required by Government Code Section 56425) are identified as follows:

Present and Planned Uses

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, public land ownership, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay. All of the lands are privately owned, and the majority has County General Plan residential land use designations with about one-third of residential parcels having a vacant use in 2008. CSA 68 has one commercial parcel and one industrial parcel. At present approximately 1/3 of the parcels within the boundaries of the district are vacant lands designated for potential residential uses.

Present and Probable Need for Public Facilities and Services

Each agency currently provides road maintenance and snow removal within its boundaries. Currently, CSA 59 meets the snow removal needs of those within its boundaries but has challenges with funding proper road maintenance. Currently, CSA 68 and CSA 69 meet the service needs for road maintenance and snow removal of those within its boundaries.

The future need for roads will increase with population growth, as additional development may require such service.

Present Capacity of Public Facilities and Adequacy of Public Services

CSA 59 provides road maintenance and snow removal within its boundaries and adequately serves the area for snow removal. It experiences challenges funding adequate road maintenance and is currently contemplating the removal of road maintenance as an active service, limiting its operations to snow removal.

CSA 68 and CSA 69 provide road maintenance and snow removal within its boundaries and adequately serve the area. Revenues are generally adequate to support the current activities.

Social and Economic Communities of Interest

The social community of interest is either the Crest Forest community or the Lake Arrowhead community, and regionally it is represented by the Rim of the World Unified School District. However, the economic community of interest for the services of road maintenance and snow removal would be the entirety of the Mountain region (Communities

of Crest Forest, Lake Arrowhead, Hilltop (Running Springs/Arrowbear Park/Green Valley Lake), and Bear Valley), as defined by the Commission.

CONCLUSION FOR CSA 59, CSA 68, AND CSA 69:

Based upon the information outlined in this report, staff believes that the Mountain region represents unique service needs for road maintenance and snow removal and would be most beneficially served through administration under a single service provider. Of the options available, staff believes that the expansion of CSA 68 to address the Mountain Region service needs is the best option. Therefore, staff recommends that the Commission:

1. For CSA 68
 - a. Indicate its intent to expand the sphere of influence of CSA 68 to encompass the entirety of the Mountain region (Communities of Crest Forest, Lake Arrowhead, Hilltop (Running Springs/Arrowbear Park/Green Valley Lake), and Bear Valley), as defined by the Commission.
 - b. Continue adoption of the resolution for the County Service Area 68 service review and sphere of influence update (LAFCO 3121) to the March 16, 2011 Commission hearing to account for any modifications to the Hilltop and Bear Valley community descriptions.
2. For CSA 59
 - a. Indicate its intent to designate a zero sphere of influence, thereby signaling the Commission's desire for a future change of organization.
 - b. Continue consideration of CSA 59 service review and sphere of influence update (LAFCO 3119) to the March 16, 2011 Commission hearing. Following review of the draft staff report with the County Special Districts Department, it provided a request to LAFCO to remove road maintenance as a service description under CSA 59's road function. In order to evaluate this request, the sphere of influence update for CSA 59 is continued since the evaluation of services provided by an agency is a part of the sphere of influence update process, as required by law.
3. For CSA 69, designate a zero sphere of influence, thereby signaling the Commission's desire for a future change of organization.
4. Special Districts Department has identified that CSA 68 and CSA 69 provide road maintenance and snow removal. LAFCO and Special Districts Department staffs recommend that the Commission modify the service descriptions to include snow removal under the roads function.

As an option to Staff's Recommendation the Commission can accept the request of the County Special District's Department to continue this determination. As outlined earlier, the

County Special Districts Department, has requested that they be given time to review the viability of the options outlined by LAFCO staff and the ability to provide additional alternatives outside of staff's recommendation. If the Commission wishes to accommodate the County Special Districts Department's request, it can continue all the actions related to Item # 8, Mountain Region Road and Snow Removal Service Review Report, to the March 16, 2011 Commission hearing.

COUNTY SERVICE AREA 18 Service Review

INTRODUCTION:

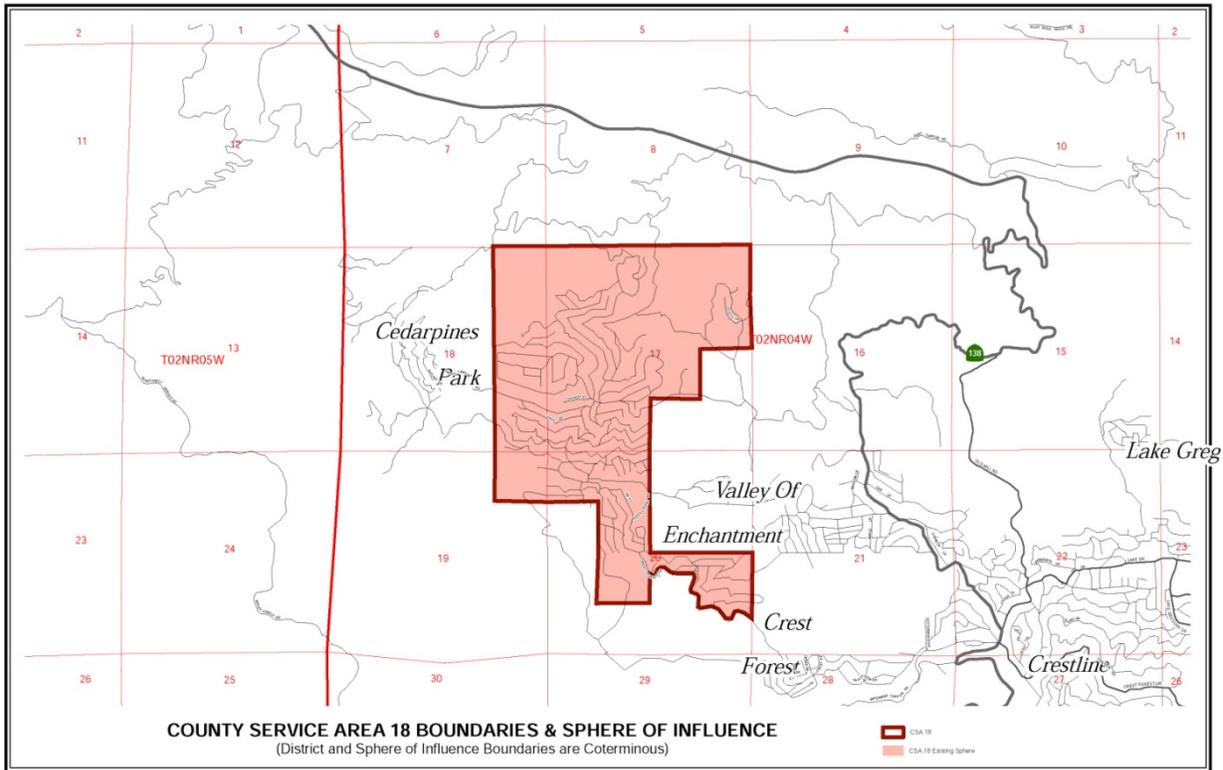
LAFCO 3117 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for County Service Area 18 (“CSA 18”).

Currently, CSA 18 is authorized by LAFCO to provide road, water, and park and recreation. For this report, only a service review is provided for CSA 18, and no action is required by the Commission other than to receive and file this report. CSA 18’s service review and sphere of influence update with recommended Commission action is included in Agenda Item 11, *Service Reviews for the Crest Forest Community*.

CSA 18 was formed in 1967 by action of the County of San Bernardino Board of Supervisors for the primary purpose of providing road services to the northwestern Crest Forest Community. In 1983, the Cedarpines Park and Recreation District was dissolved and CSA 18 became responsible for park and recreation services in the area (LAFCO 2197). CSA 18 is a dependent, or “board-governed” special district whose governing body is the County of San Bernardino Board of Supervisors. It operates under *County Service Area Law* (Government Code Section 25210 et seq.). Currently, CSA 18 is authorized by LAFCO to provide road, water, and park and recreation pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. To date, CSA 18 has not provided water service.

LOCATION AND BOUNDARIES:

CSA 18 is located in the Crest Forest community, in the areas known as Cedarpines Park and Valley View Park. The boundaries and sphere of influence are coterminous and encompass approximately 960 acres generally bordered by a combination of section lines and parcel lines along Mojave River Road and Pine Drive on the east; parcel lines along Crest Forest Drive on the south; parcel lines along Park Circle, Ridge Drive, and Lovers Lane on the west; and section lines along Buck Drive on the north. A map of CSA 18 and its sphere of influence is shown below and included as a part of Attachment #6.

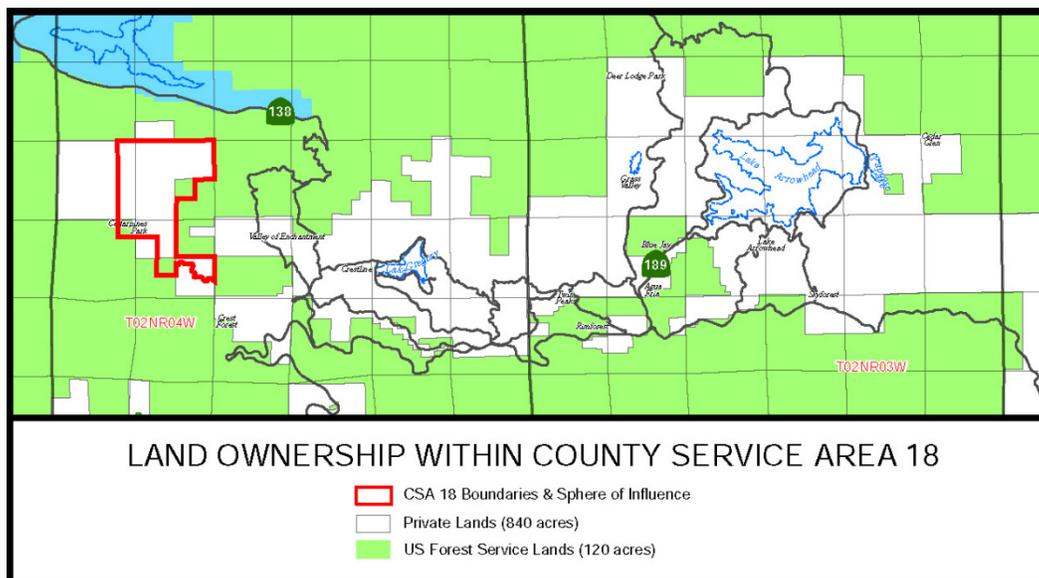
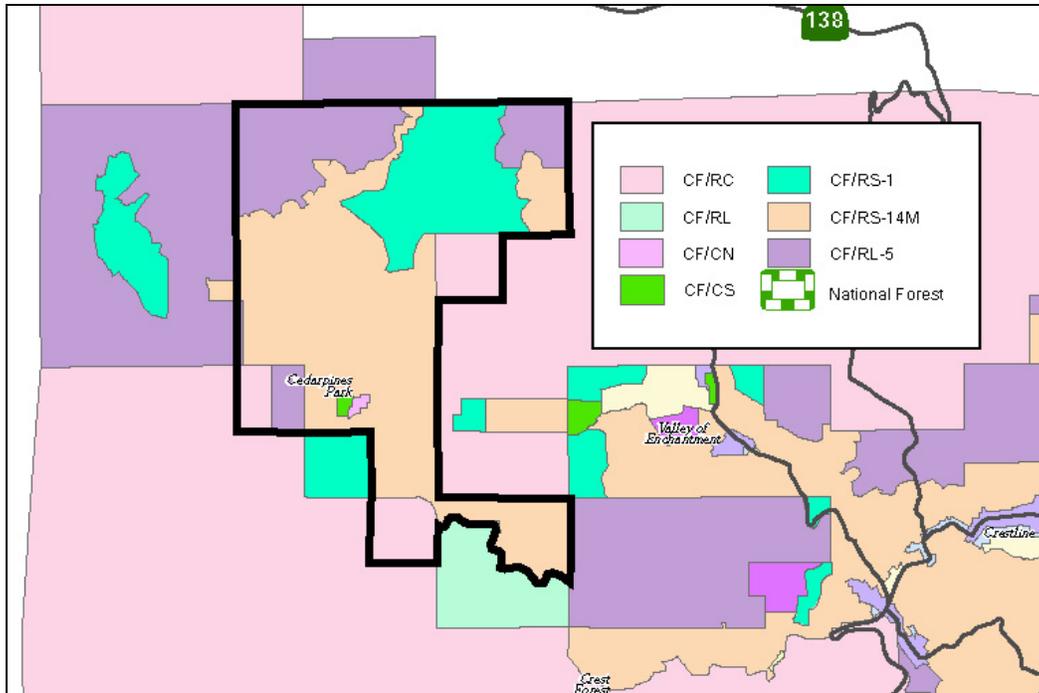


CSA 18 SERVICE REVIEW

At the request of LAFCO staff, the County Special Districts Department, administrators for board-governed special districts, prepared a service review pursuant to San Bernardino LAFCO policies and procedures. The response on behalf of CSA 18 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 #6). LAFCO staff responses to the mandatory factors for consideration for a service review (as required by Government Code 56430) are identified below and incorporate County Special Districts Department's response and supporting materials.

I. Growth and population projections for the affected area.

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, public land ownership, limited access, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay. As shown on the first figure below, the majority of the land has County General Plan residential land use designations. As shown on the second map, 88% of the land is privately owned.



In general, the San Bernardino Mountains is one of the most densely populated mountain areas within the country, and is the most densely populated urban forest west of the Mississippi River. However, there is a large seasonal population component as well as a substantial influx of visitors to the mountain resort areas. The seasonal population and visitors are not reflected in available demographic statistics, which count only year-round residents. It is estimated that the seasonal factors can approximately double the peak population. By 2030, the permanent population is estimated to reach around 1,200 based upon a 6.5% increase every five years or approximately 1.5% per year population increase. Even with the large increase in population, the area is not anticipated to reach its build-out population by the 2030 horizon of this report.

Year	2005	2010	2015	2020	2025	2030	2005 to 2030 growth rate
CSA 18	868	924	985	1,049	1,117	1,189	37%

Source: County of San Bernardino 2007 Community Plans; County Special Districts Department

Notes: Does not include seasonal population or visitors

Italicized figures are calculated by LAFCO staff

Methodology for LAFCO staff calculations³

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

CSA 18 is authorized by LAFCO to provide road, park and recreation, and water services within its boundaries. To date, it has not provided water service.

Roads

CSA 18 provides road maintenance and snow removal services to 17.5 miles of road. At the time of its formation in 1967, it was authorized road maintenance, park and water functions, not snow removal. For CSA 18, road maintenance consists of road grading and asphalt maintenance. Public Works maintains certain roads within CSA 18 such as Saw Pit Canyon Road, Crest Forest Drive and Waters Drive as they are a part of the County-maintained road system. The equipment used to provide these services is owned in the name of CSA 18.

Park and Recreation

County Special Districts Department did not provide a park master plan or studies for this review. CSA 18 maintains one five-acre park and a community center in Cedarpines Park. The facilities include a bathroom, playground equipment, and barbeque area.

Water

CSA 18 has never provided water service.

III. Financial ability of agencies to provide services.

The primary sources of revenue for CSA 18 are the \$50 per parcel annual service charge and a share of the one percent ad-valorem property tax. It is not known when this service charge was implemented but it was originally set at \$20 per year and increased in 1993-94 to \$50 per year for the purpose of funding road maintenance. Until FY 2010-11, there was one employee under CSA 18. However, this fiscal year the County transferred the employee to CSA 70; therefore, costs will be reimbursed through salaries and benefits transfers out and future reimbursements for use of equipment owned by the District will need to be calculated. To pay for the transfer of these functions, the FY 2010-11 Budget

³ Population is expected to grow 6.5% every five years, as identified in the Crest Forest Community Plan.

indicates a transfer to CSA 70 of \$198,189 for salaries and benefits and services and supplies support.

As shown on the chart, CSA 18 enjoyed excess revenue, which increased fund balance, for the past few years. However, the annual excess revenue has declined due to fewer property tax receipts because of the recession and home foreclosures and increasing costs. For FY 2010-11, removing Contingencies from the calculation, which has historically never been utilized, CSA 18's fund balance is budgeted to be reduced by \$201,233 this year. Should this trend continue, CSA 18 will need to consider reducing expenses to include a reduction in service. Special Districts Department staff indicates that additional service charges would need to be implemented in order to generate adequate revenues to provide for any additional road service. The chart below identifies the capital improvement transfers (Operating Transfers Out) which provide funding for road improvements annually through the Capital Improvement Budget.

CSA 18 Financial Activity – Operational Fund

	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Estimate	FY 2010-11 Budget
REVENUES					
Property taxes	\$138,685	\$126,613	\$126,256	\$117,753	\$117,753
Interest	16,275	23,252	16,573	9,000	10,000
Current Services	249,370	206,180	180,535	163,214	163,214
Other	13,906	11,129	4,333	320	-
Operating Transfers In	6,470	2,040	126,858	-	-
Total Revenues	424,706	369,214	454,555	290,287	290,967
EXPENDITURES					
Salaries & Benefits	72,624	84,586	93,723	103,372	-
Services & Supplies	48,901	54,011	111,527	68,493	90,979
Central Services	102	649	(25)	31	32
Travel	-	-	-	-	3,000
Equipment	-	-	-	134,200	-
Transfers	53,466	73,546	93,591	104,915	198,189
Contingencies	-	-	-	-	169,724
Reimbursements	(6,235)	(2,917)	(6,621)	(14,400)	-
Operating Transfers Out	87,000	118,566	125,000	125,000	200,000
Total Expenditures	255,858	328,441	417,195	521,611	661,924
Net Change in Fund Balance	168,848	40,773	37,360	(231,324)	(370,957)
Fund Balance Ending	\$524,148	\$564,921	\$602,281	\$370,957	\$0

note: Fund Balance Ending calculated by LAFCO staff

Reserves are maintained for emergencies such as road failures, culvert failures, flash flooding, and excessive snow storms defined as contingencies and/or Fund Balance. The FY 2010-11 Budget identifies a beginning reserve fund balance of \$46,939. However, since contingencies are not used historically, the fund balance at the end of the year is anticipated to be \$169,724.

Appropriation Limit

An appropriation limit is required by Article XIII B of the State Constitution and limits the expenditure of the proceeds of taxes. By action taken on June 28, 2010 the Board of Supervisors of the County of San Bernardino established the preliminary FY 2010-11 appropriation limit for CSA 18 at \$1,474,873.

IV. 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.

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

Local Government Structure and Community Service Needs

CSA 18 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Second Supervisorial District. CSA 18's budget is prepared as a part of the County Special Districts Department's annual budgeting process. CSA 18's annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval.

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, CSA 18 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. One regional manager oversees all the road districts.

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. These board-governed agencies meet the conditions for one if not all of the above. Therefore, the agencies have the potential to realize cost savings should they 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 agencies 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:

The provision of service outside the boundaries of CSA 18 is not applicable. In prior years the District have been utilized to support other road districts on the mountain through a reimbursement of labor and equipment costs. However, with the transfer of the one district employee to CSA 70, the reimbursement for providing service as needed will be for equipment costs only.

Government Structure Options:

While the discussion of some government structure options may be theoretical, a service review should address possible options. Special Districts Department staff in preparing the service review indicated that there were no consolidations or other structure options available for the operation of CSA 18.

- Expansion of boundaries to serve adjacent territory. Should area adjacent to CSA 18 require road service, one option would be to expand the boundaries. However, CSA 18 would not receive a share of the general levy of a potential annexed area, and any additional tax would be subject to a Prop 218 election.
- Consolidation with the other road districts within the unincorporated area of the Mountain region. Special Districts Department has indicated in the past a desire to consolidate the road districts in the South Desert region of the County. According to Special Districts Department management, they discussed this possibility with management at the County Administrative Office and County Auditor. The indication received was that a regional road entity in the South Desert was not feasible and that maintenance of separate zones was appropriate.

County Special Districts Department was requested to provide its response to the option of a single road district for the mountain communities. In their response, they state that Special Districts' staff has looked at this option in the past and do not believe it is a viable option at this time. They further state that each county service area or zone provides a different level of service based on the desire of the property owners and how much they are willing to pay as well as the condition of the roads. As a result, each zone and county service area has a different per parcel charge or tax and a different level of service. Their position is that in order to comply with a request to equalize service, Special Districts would need to conduct elections of all the county service areas and zones so there was a consistent per parcel tax or charge. The elections and cost to form the new county service area would be cost prohibitive to the county service areas and zones as well.

In the South Desert, there are varying levels of road service. However, LAFCO staff believes that this is a viable option in the Mountain region. In the Mountains, the levels of service are generally the same – road maintenance and snow removal. The mechanism would be a single county service area with multiple zones – each with its own revenue structure. Therefore, economies of scale can be achieved by having a regional agency coordinate road maintenance and snow removal. For example, if the various zones maintain the same department code with the County Auditor, a single audit could be performed instead of 23 separate audits, which could result in a savings of over \$13,000 annually, based upon information provided by Special Districts Department.

- Assumption of service by Rim of the World Recreation and Park District (District) Currently, CSA 18 provides park and recreation to the majority of the Cedarpines Park area; the remainder is not within the boundary or sphere of influence of a park and recreation provider. The registered voters, landowners, or the District could submit an application to LAFCO for the District to assume responsibility for park and recreation services to the area. In this scenario, the Rim of the World Recreation and Park District would annex four square miles, be responsible for providing park and recreation services to the area, and would succeed to CSA 18's park and recreation assets, liabilities, and share of the general property tax levy. LAFCO staff is not aware of any interest in this area being annexed to the District. In addition, at this time given the past and current nature of the District's finances and operational challenges, support for this option is unlikely.
- Maintenance of the status quo. At the present time, no other public agencies have expressed desire to provide road or park and recreation service. For road service, as in past discussions of the single purpose streetlighting agencies administered by the County, LAFCO staff supports the consolidation of these entities into a single road county service area to provide for a more efficient and effective operation. However, as noted above Special Districts Department staff has not identified support for moving forward with this type of reorganization.

CONCLUSION FOR CSA 18:

Staff recommends that the Commission receive and file the CSA 18 service review as presented in this report.

COUNTY SERVICE AREA 70
Clarification of Service Description under Roads Function

LAFCO staff is presenting the request for initiation of a cleanup item, identified as LAFCO 3162, to clarify snow removal as a service under the Roads function of County Service Area 70 (CSA 70).

BACKGROUND:

As described in the opening section of this report, the County actively provides road maintenance and snow removal through various zones of CSA 70 (CSA 70 encompasses all of the unincorporated territory in the county). However, snow removal currently is not reflected as a service description under CSA 70's Roads function.

Prior to the rewrite of County Service Area Law, effective January 2009, county service areas could provide snow removal on public roads and that such service was classified as a "miscellaneous extended service". At no time from the creation of CSA 70 in 1969 through present day, has the agency had this as an authorized function and/or service. Nonetheless, CSA 70 has performed this service without Commission authorization.

Following the rewrite of County Service Area Law, snow removal is classified as a service description under the overall Roads function. Currently, CSA 70 is authorized by LAFCO the Roads function with a service description of "road maintenance". During the processing of the mountain region service reviews, LAFCO staff discussed with Special Districts Department management the issue of clarifying the service description of the Roads function to include snow removal. A memo from Special Districts Department is included as Attachment #7 stating no objection to this clarification.

RECOMMENDATION:

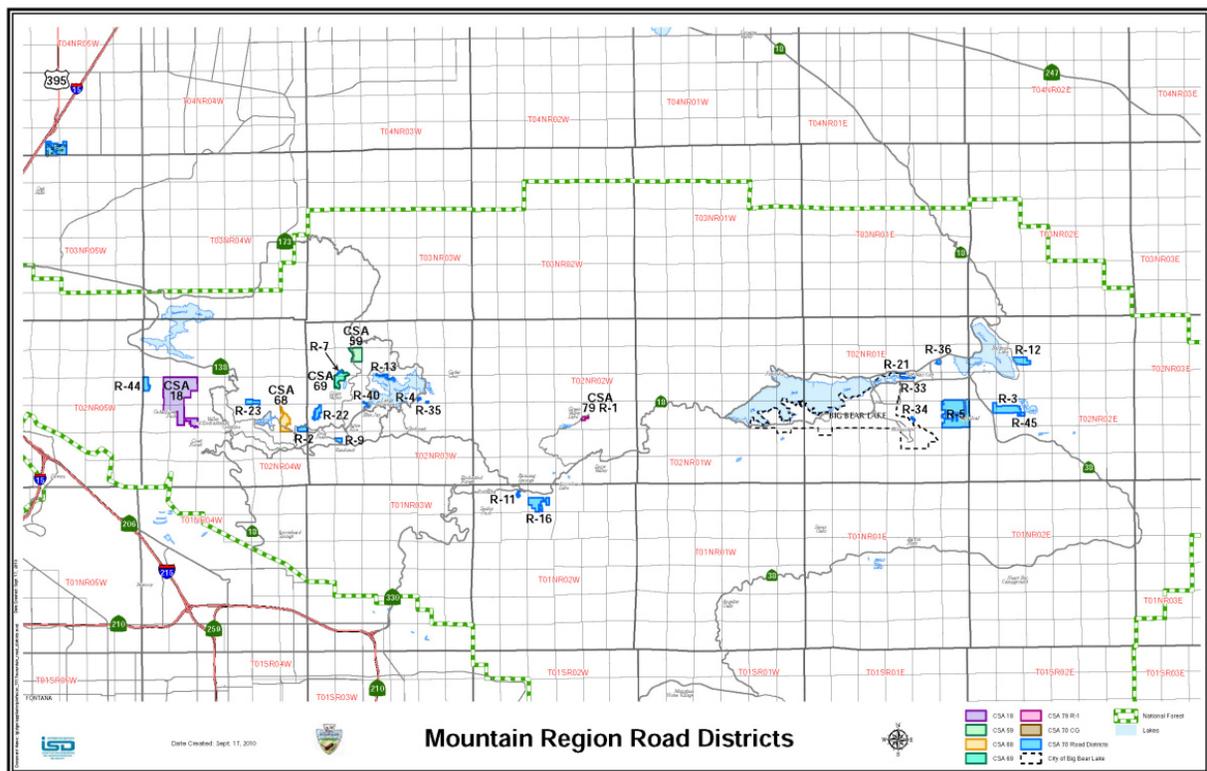
LAFCO staff recommends that the Commission clarify the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* to reflect snow removal as a service description under the Roads function, as shown below (changes identified in underline).

FUNCTION	SERVICES
Roads	Road Maintenance <u>as defined in Government Code Section 25213(i) which includes snow removal</u>

COUNTY SERVICE AREA 70 & 79 ZONES Road Service Reviews

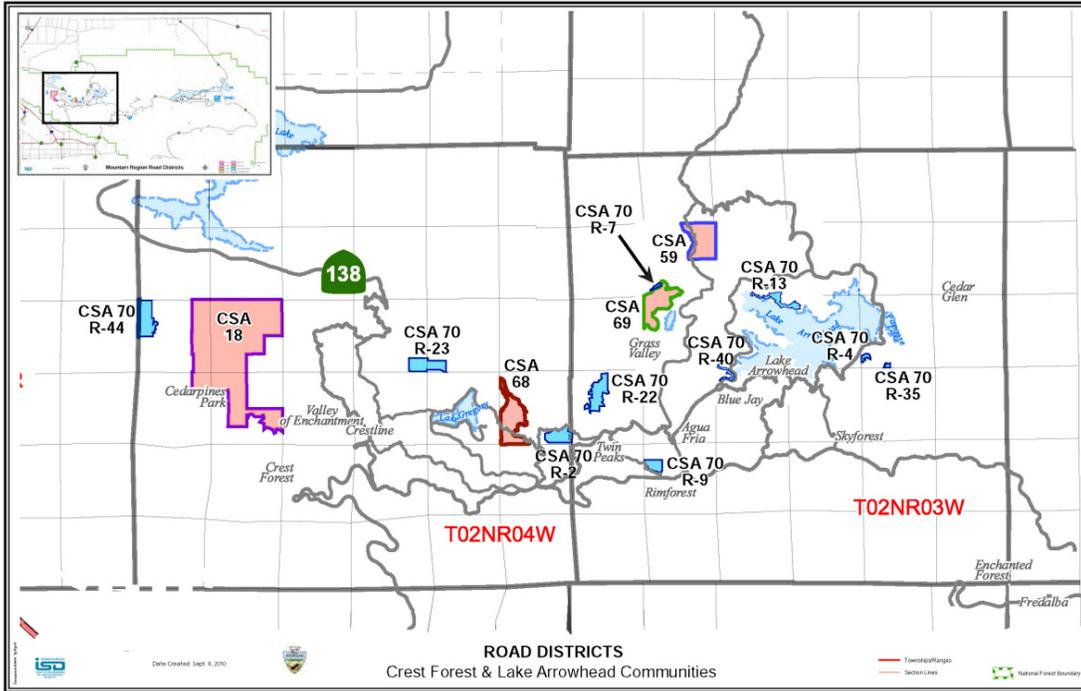
LAFCO has no direct jurisdiction over zones to county service areas; therefore, only service review information is provided. The County Special Districts Department, administrators for board-governed special districts, prepared a service review consistent with San Bernardino LAFCO policies and procedures. The Department's response on behalf of the zones to LAFCO's original and updated requests for materials includes, but is not limited to, service area and financial information. The information submitted is included as a part of Attachment #2 and is incorporated in the information below.

The map below shows all of the road agencies within the Mountain region.

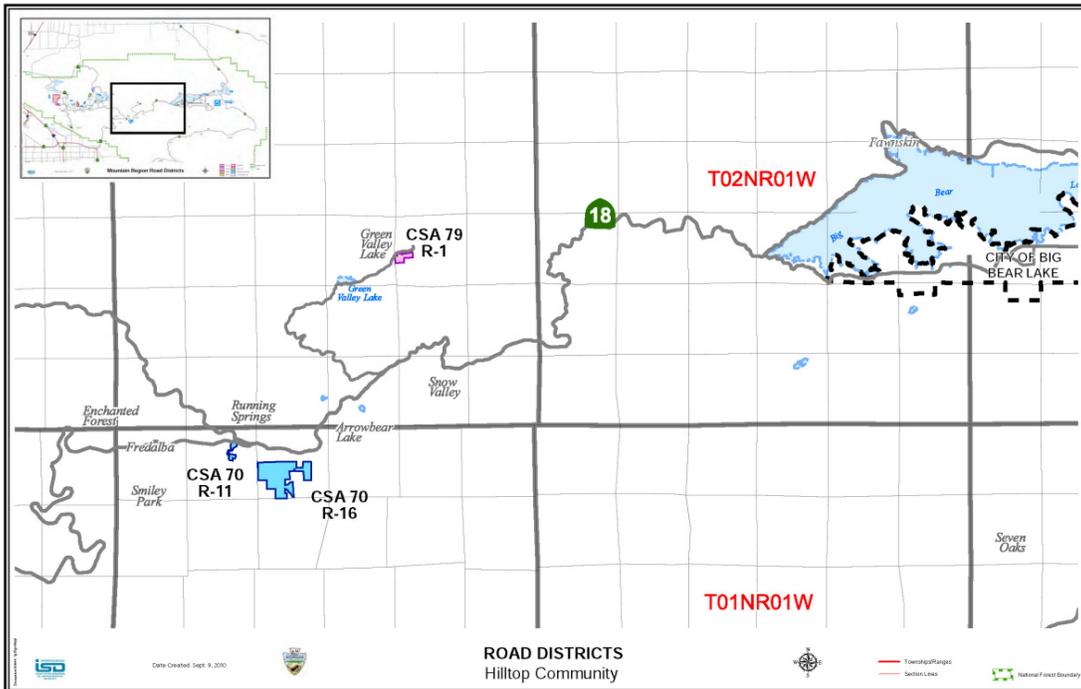


Below are detail maps showing all the road agencies by the different communities in the Mountain region:

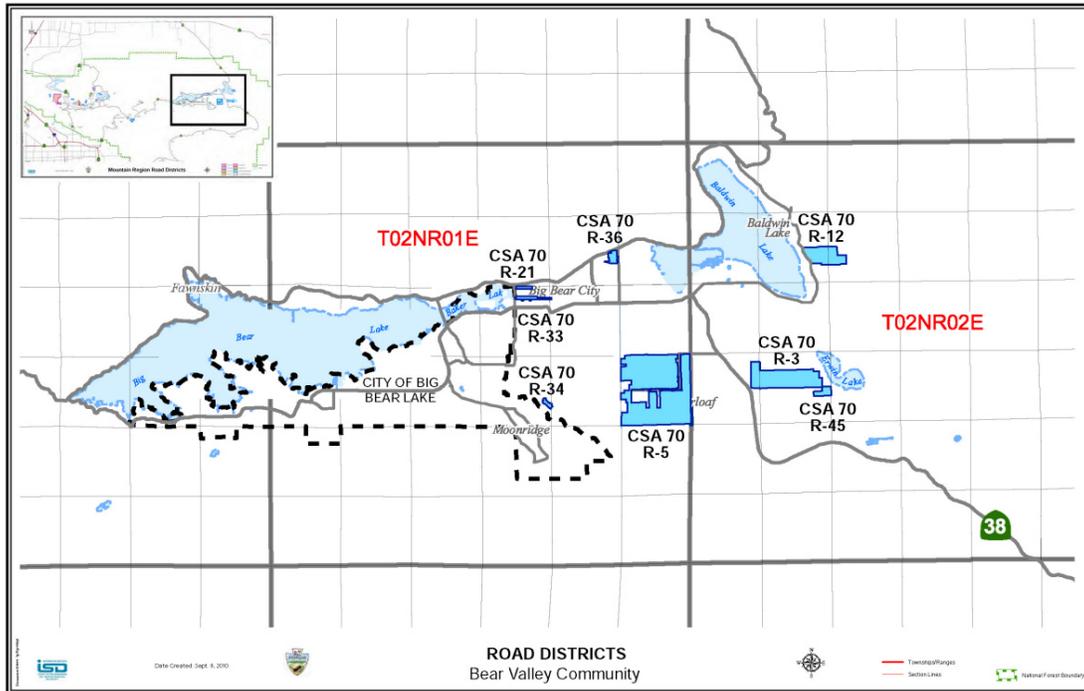
- Crest Forest and Lake Arrowhead Communities:



- Hilltop Community:



- Bear Valley Community:



County Special Districts Department, through four county service areas and 22 zones to county service areas, maintains roads and removes snow for roughly 80 miles of road. The earliest formation year is 1966 with the most recent being in 2010, with the bulk of the formations occurring in the 1980s and 90s. Since the average agency contains three miles of road, it is not feasible for each to own and operate its own equipment. Instead, equipment owned in the name of CSA 70, CSA 70 Zone D-1, and CSA 18 is used to provide the service with reimbursement then provided to CSA 70, CSA 70 Zone D-1, or CSA 18 for use of the equipment. Some of the snow removal and/or road maintenance activities are provided through contracts with local businesses. All county service areas and zones to county service areas transfer funds to CSA 70 (encompassing all of the unincorporated territory in the county) for general administration services. The FY 2010-11 Special District Department Budget identifies that CSA 70 has a staff of 109 persons; however, it is not identified how many of these are utilized for road activities only.

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. These board-governed agencies meet the conditions for one if not all of the above. Therefore, the agencies have the potential to realize cost savings. This possibility would need to be discussed and decided between the County and its departments with the landowners and voters within the agencies.

The chart on the next page provides service and financial information on each agency that provides road services in the mountain.

INSERT ROAD CHART

ADDITIONAL DETERMINATIONS

1. The Commission's Environmental Consultant, Tom Dodson and Associates, has determined the options outlined in this report for the various agencies are statutorily exempt from environmental review. Mr. Dodson's response for each of the reviews and actions is included in their respective attachments to this report.
2. As required by State Law notice of the hearing was provided through publication in newspapers of general circulation, *The San Bernardino Sun*. 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 #27, in-lieu of individual notice, the notice of hearing publication was provided through an eighth page legal ad.
3. 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 November 17, 2010 LAFCO staff conducted a regional meeting to review the draft findings of this review with representatives from Crest Forest and Lake Arrowhead agencies.
4. Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

RECOMMENDATIONS

Staff recommends that the Commission take the following actions:

1. Continue consideration of County Service Area 68 service review and sphere of influence update (LAFCO 3121) to the March 16, 2011 Commission hearing to account for any modifications to the Hilltop and Bear Valley community descriptions.
2. For CSA 59, signal its intent to designate a zero sphere of influence for County Service Area 59, signal its intent to confirm snow removal as a service provided by CSA 59 under its roads function, and continue consideration of CSA 59 service review and sphere of influence update (LAFCO 3119) to the March 16, 2011 Commission hearing to evaluate County Special Districts Department's request to remove road maintenance as a service description under CSA 59's road function.
3. Receive and file the service reviews for the road agencies in the Mountain region of the County; make findings related to the service reviews for County Service Area 69 required by Government Code 56430 as outlined in the staff report.
4. For environmental review certify that the zero sphere of influence designation for CSA 69 (LAFCO 3122), and the confirmation of snow removal as a service provided by CSA 68, 69 and 70 under their roads function, are statutorily exempt from environmental review and direct the Executive Officer to file the Notices of Exemption within five (5) days.

5. For LAFCO 3122, approve the zero sphere of influence designation for CSA 69 and clarify CSA 69's service description under its authorized Roads function to include snow removal amending the Rules and Regulations Affecting Special Districts to reflect this addition.
6. For LAFCO 3162, confirm the delivery of snow removal services as an authorized service under the Roads function of County Service Area 70, amending the Rules and Regulations Affecting Special Districts to reflect this addition.
7. Adopt the appropriate resolutions reflecting the Commission's determinations:
 - a. Resolution No. 3120 for LAFCO 3122 - Service Review and Sphere of Influence Update for County Service Area 69
 - b. Resolution No. 3124 for LAFCO 3162 - County Service Area 70 Confirmation of Snow Removal as Service Authorized Under its Roads Function

As an option, if the Commission wishes to accommodate the County Special Districts Department's request that they be given time to review the viability of the options outlined by LAFCO staff and the ability to provide additional alternatives, it can continue all the recommendations related to Item # 8, Mountain Region Road and Snow Removal Service Review Report, to the March 16, 2011 Commission hearing for further consideration.

KRM/SM/MT

ATTACHMENTS

1. Maps
 - a. [Road Agencies in Mountain Region](#)
 - b. [Current Boundary and Spheres - County Service Areas](#)
 - c. [LAFCO Staff Recommended Sphere Expansion for CSA 68](#)
2. [Road Zones to County Service Areas – Financial and Service Chart](#)
3. County Service Area 59
 - a. [Map – Recommended Zero Sphere Designation](#)
 - b. [Service Review and Sphere Update Response](#)
 - c. [Financial Information: Budget and Audit](#)
4. County Service Area 68
 - a. [Map – Recommended Sphere Expansion](#)
 - b. [Service Review and Sphere Update Response](#)
 - c. [Financial Information: Budget and Audit](#)
5. County Service Area 69
 - a. [Map – Recommended Zero Sphere Designation](#)
 - b. [Service Review and Sphere Update Response](#)
 - c. [Financial Information: Budget and Audit](#)

- d. [Response from Commission's Environmental Consultant](#)
 - e. [Draft Resolution No. 3120 for LAFCO 3122](#)
6. County Service Area 18
- a. [Map](#)
 - b. [Service Review and Sphere Update Response](#)
 - c. [Financial Information: Budget and Audit](#)
7. County Service Area 70
- a. [Special Districts Department Memo Dated 11/29/2010](#)
 - b. [Response from Commission's Environmental Consultant](#)
 - c. [Draft Resolution No. 3124 for LAFCO 3162](#)
8. Written Responses from the Agencies
- a. [Special Districts Department Memo Dated 11/22/2010](#)
 - b. [Special Districts Department Memo Dated 11/29/2010](#)
 - c. [Lake Arrowhead Community Services Districts Response Dated 9/28/2010](#)

**MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION
HEARING OF DECEMBER 8, 2010**

A Visa Justification for the Executive Officer's expense report, as well as a staff report outlining the staff recommendation for the reconciled payments and the staff reports outlining the recommendations on Items 5 and 6 have been provided, and copies of each are on file in the LAFCO office and are made a part of the record by their reference here.

Commissioner McCallon moves approval of the consent calendar, second by Commissioner Derry. Chairman Mitzelfelt calls for opposition to the motion. There being no opposition, the motion passes with the following vote: Ayes: Bagley, Coleman, Curatalo, Derry, McCallon, Mitzelfelt, Smith. Noes: None. Abstain: None. Absent: Cox (Commissioner Smith voting in her stead).

PUBLIC HEARING ITEMS:

Consent Items Deferred for Discussion - None

MOUNTAIN REGION REVIEW OF ROAD AND SNOW REMOVAL SERVICES WHICH INCLUDES THE REVIEW OF COUNTY SERVICE AREA 70 ZONES R-2, R-3, R-4, R-5, R-7, R-9, R-11, R-12, R-13, R-16; R-21, R-22, R-23, R-33, R-34, R-35, R-36, R-40, R-44, R-45, R-46, AND ROAD SERVICES FOR COUNTY SERVICE AREA 79 AND ITS ZONE R-1, COUNTY SERVICE AREA 18, AND COUNTY SERVICE AREA 53: SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE/AMENDMENT FOR THE FOLLOWING:

CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3122; AND (B) LAFCO 3122 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 69 (LAKE ARROWHEAD)

CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3119; AND (B) LAFCO 3119 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 59 (LAKE ARROWHEAD)

CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3121; AND (B) LAFCO 3121 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 68

CONSIDERATION OF (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3162, AND (2) LAFCO 3162 - COUNTY SERVICE AREA 70 AFFIRMATION OF SERVICE UNDER AUTHORIZED ROADS FUNCTION TO INCLUDE SNOW REMOVAL - APPROVE STAFF RECOMMENDATION FOR CONTINUANCE TO THE MARCH 16, 2011 HEARING

LAFCO considers Mountain Region Review of Road and Snow Removal Services which includes the review of County Service Area 70 Zones R-2, R-3, R-4, R-5, R-7, R-9, R-11, R-12, R-13, R-16; R-21, R-22, R-23, R-33, R-34, R-35, R-36, R-40, R-44, R-45, R-46, and road services for County Service Area 79 and its Zone R-1, County Service Area 18 and Service Review and Sphere of Influence Updates/Amendments for LAFCO 3122, LAFCO 3119, LAFCO 3121, and LAFCO 3162. Notice of the hearing was provided through publication in a newspaper of general circulation, *The San Bernardino Sun*. 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 #27, in lieu of individual notice, the notice of hearing publication was provided through an eighth page legal ad. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on November 17, 2010 LAFCO staff conducted a regional meeting to review the draft findings of this review with representatives from Crest Forest and Lake Arrowhead agencies.

Executive Officer Kathleen Rollings-McDonald presents the staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. Ms. McDonald states that one of the most important issues that came to light during this review was the issue of road maintenance and snow removal in the overall mountain community. She says the report presents four

**MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION
HEARING OF DECEMBER 8, 2010**

different mechanisms for providing road maintenance and snow removal: CalTrans for state highways, County Transportation Department for County-maintained roads, City of Big Bear Lake for roads within that city, and County Special Districts for snow removal in county service areas (hereafter shown as CSAs) and/or zones of CSAs. She says the public can also provide for snow removal and road maintenance through homeowners associations or through cooperative banding together. She indicates on the overhead display the road service providers throughout the mountaintop. She indicates the four mountain communities, Crest Forest, Lake Arrowhead, Hilltop (Running Springs, Arrowbear and Green Valley Lake) and Bear Valley; and the Special Districts Department administers zones or CSAs within each of these communities. She says these agencies experience financial challenges and response to requests for service has been somewhat disjointed. She points out that, until county service area law was rewritten two years ago, snow removal was a separate function under extended miscellaneous services defined for county service areas. She states that none of the county service areas ever applied for that service or were designated that specific service at the time of formation. She says that today's service review will include clarification of that responsibility to correct that deficiency so that snow removal is clearly identified as an authorized service for all agencies.

Ms. McDonald states that the report includes available options and staff's evaluation. One option is designation of one single road agency for the mountain region which would include administration of funding with more transparency and potentially allow the communities to have a say in definition of those services. She says the staff report includes an option to expand County Service Area 68's sphere of influence to include the mountaintop to accomplish the option as outlined. The second option would provide for creation of a single road agency for each of the defined communities, i.e. for Crest Forest, Lake Arrowhead CSD, the Hilltop region, and for Bear Valley. She says information has been requested from the communities regarding this option and County Special Districts has provided its response in that it wishes to consider other alternatives. The question was also reviewed with the Lake Arrowhead CSD Board of Directors and the response was that there is not enough revenue to provide the service in the area. LAFCO staff reviewed with the County Public Works Department the potential for the County to create permanent road divisions and assume responsibility for the public roads. She says that the report outlines the County Public Works concerns regarding liability and risk through such a change. The staff report has identified LAFCO staff's concern regarding the issue of liability should road maintenance be eliminated due to funding restrictions. Staff is requesting further time to review the issue with legal counsel. She explains that liability is an issue, whether it is through the Public Works Department or through County Special Districts. The final option is maintenance of the existing structure. She says that staff's recommendation is that the Commission indicates its intent to adopt Option One, which expands the sphere of influence for CSA 68 to encompass the entirety of the mountain region, with the provision that community definitions are to be established for the Hilltop and Big Bear areas, as those communities have not yet been defined. Additionally, the option would identify the areas of Crest Forest and Lake Arrowhead as defined by the sphere of influence for CSA 68.

With regard to CSA 59, Ms. McDonald indicates on the overhead display the financial activity for the last four years, which shows a dwindling fund balance and reduced ability to provide ongoing service. She says County Special Districts has requested consideration of removal of maintaining roads as an active service of its road maintenance function, leaving only snow removal. County Special District has indicated that there is not enough funding to continue to provide that service, as the community has not supported a special tax. However, LAFCO staff has identified that additional information is needed to address the infrastructure that has been maintained by CSA 59 for many years and its implications for liability. She says the audits for the year ending June 30, 2009, identify that the District has capital assets. The only capital assets are the roads, which have depreciated and stand at over \$700,000. She adds that the request to divest road maintenance service will need to address what will happen following removal of road maintenance service and the potential for liability. LAFCO staff is not prepared to discuss that issue at today's hearing, so staff will request that this matter be

**MINUTES OF THE LOCAL AGENCY FORMATION COMMISSION
HEARING OF DECEMBER 8, 2010**

continued to the March hearing.

Ms. McDonald explains that CSA 69 anticipates a major activity for this year in the range of \$567,000 in road maintenance. She says the government structure options evaluated in the review include the expansion of boundaries to serve adjacent territory, consolidation with other road districts within the unincorporated area of the mountain, assumption of road responsibility by Lake Arrowhead which has been declined and maintenance of the status quo.

For the sphere of influence update, it is staff's recommendation that the Commission indicate its intent to expand the sphere of influence for CSA 68 to encompass the mountaintop, and to continue consideration to the March 16, 2011 hearing following the discussion and development of the communities for Hilltop and Big Bear. For CSA 59, staff recommends designation of a zero sphere of influence, and continuation of the matter to the March hearing in order for staff to provide full information on the potential risk and liability for the removal of road maintenance as an active service for this district, and designation a zero sphere of influence for CSA 69. Ms. McDonald states that LAFCO staff requests clarification of all the County Service Areas to retain snow removal as an active function.

With regard to CSA 18, park and recreation and road maintenance services are provided in the Cedarpines Park area. She says this area also has financial challenges and the actual costs for road maintenance were difficult to determine versus the actual park and recreation function. She says the potential exists for structural options for expansion of boundaries and consolidation with other unincorporated areas for road service alone. Potential also exists for Rim of the World Park and Recreation District to assume park and recreation functions for the agency. This is the only part of the Rim of the World School District that is not part of Rim of the World Park and Recreation District.

Staff has initiated a change of organization for CSA 70 to address snow removal. She says that 21 of the 22 service zones that provide snow removal and road maintenance are identified under CSA 70. In order to better clarify that, LAFCO 3162 has been initiated to affirm that the roads function for CSA 70 includes snow removal. She refers to page 44 of the staff report which identifies all road maintenance and snow removal agencies on the mountaintop, date of formation, current funding structure, appropriation limits and varying possible percentages for determination of administrative support.

Ms. McDonald summarizes the staff recommendation to continue consideration of CSA 68 to the March hearing, take action to signal the Commission's intent to find a zero sphere for CSA 59 and continue the finding to limit the road function to snow removal alone; receive and file the service reviews for this region; find a zero sphere for CSA 69; determine that the changes are statutorily exempt from environmental review; confirm snow removal as an active function for CSA 70 and adopt the appropriate resolutions for those services.

She reports that staff conducted a meeting with the agencies affected in the Crest Forest and Lake Arrowhead communities and provided a draft report to those agencies. On November 22, 2010, the Special Districts department provided a written response to the report disagreeing with some of the determinations. A request was made to continue this matter in its entirety to allow time to provide additional information or alternatives to the staff's recommendation. Staff would be directed to work with Special Districts to evaluate the alternatives and present a supplemental report in March.

Chairman Mitzelfelt calls for questions from the Commission.

Commissioner McCallon moves to continue the item in its entirety to the March 16, 2011 hearing, second by Commissioner Derry. Commissioner Colven asks what defines "excessive snow." Ms. McDonald states events can be differing and events would be dependent upon agencies to respond to

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the need. She says the agencies must maintain a reserve so that they can respond when necessary. She notes that recently the County Public Works Department and CSA 79 have proposed to contract and coordinate provision of services on County-maintained roads and roads within CSA 79 R-1, so that a unified response can be achieved. She says that often agencies contract their equipment out to other agencies.

Chairman Mitzelfelt opens the public hearing and asks if there are members of the public who wish to speak on this item. Jeff Rigney, Director of Special Districts, thanks Ms. McDonald for LAFCO staff's work on this review. He appreciates continuation of this item to the March hearing. He points out that Special Districts is not opposed to change and that, unlike fire and police services, road services are not required in these areas. These areas formed specific county service areas or zones for the specific level of service desired. For example, residents of Cedarpines Park are charged for maintenance of dirt roads, paving of one or two roads a year, and 24-hour snow removal. In Big Bear's Sugarloaf area residents pay a large assessment for road paving at once and maintenance, as well as substantial snow removal. He says it is important to not dilute service levels in the individual areas. He thanks the Commission for allowing additional time.

Chairman Mitzelfelt announces that the public hearing will remain open until the March 16, 2011 hearing when the item is resumed.

Chairman Mitzelfelt calls for opposition to the motion. There being no opposition, the motion passes with the following vote: Ayes: Bagley, Coleman, Curatalo, Derry, McCallon, Mitzelfelt, Smith. Noes: None. Abstain: None. Absent: Cox (Commissioner Smith voting in her stead).

CREST FOREST AND LAKE ARROWHEAD REVIEW PROVIDING FOR COMMUNITY DEFINITION AND REVIEW OF THE REGIONAL SERVICES OF STREETLIGHTING AND FIRE PROTECTION AND SPHERE OF INFLUENCE UPDATE/ AMENDMENT FOR THE FOLLOWING:

CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3118; AND (B) LAFCO 3118 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 54

CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3120; AND (B) LAFCO 3120 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA SL-1

CONSIDERATION OF: (A) CEQA STATUTORY EXEMPTION FOR LAFCO 3127; AND (B) LAFCO 3127 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR CREST FOREST FIRE PROTECTION DISTRICT - APPROVE STAFF RECOMMENDATION

LAFCO considers Crest Forest and Lake Arrowhead Review providing for community definition and review of the regional services of streetlighting and fire protection and sphere of influence update/amendment for LAFCO 3118, LAFCO 3120, and LAFCO 3127. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *San Bernardino Sun*. 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 #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on November 17, 2010 LAFCO staff conducted a meeting with the Crest Forest and Lake Arrowhead agencies to review the determinations made within the four reports.

Senior LAFCO Analyst Sam Martinez presents the staff report, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. Mr. Martinez states that in 2007 the County adopted its General Plan update, which included adoption of four community plans for the mountains. He points out on the overhead display the Rim of the World Unified School District