LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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DATE: **MAY 8, 2013**

FROM: **KATHLEEN ROLLINGS-McDONALD, Executive Officer**
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TO: **LOCAL AGENCY FORMATION COMMISSION**

SUBJECT: **Agenda Item #8: Service Reviews for the Needles and Havasu Lake Communities**

INITIATED BY:

Local Agency Formation Commission for San Bernardino County

INTRODUCTION

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

This report contains a service review and sphere of influence update for the City of Needles, the community-based agency within the Needles community. This report also includes service reviews for a zone to County Service Area 70 and a zone to the San Bernardino County Fire Protection District related to the Havasu Lake community that provide refuse collection and fire protection, respectively.

This report is organized as follows:

- Location and Description – describes the study area and the underlying agencies
- Community History – provides a brief history of the community
- Community Discussion – revisits the Commission's community definition for Needles with options and staff recommendations

- Review of Regional and Community Services – a summary review of the services not provided by an agency under this review to include law enforcement, fire protection, ambulance, airport, library, and solid waste.

- Needles Community – Service Review and Sphere of Influence Update for the City of Needles

- Havasu Lake Community – Discusses the definition of the community and conducts service reviews for the following:

  - County Service Area 70 Zone HL
  - San Bernardino County Fire Protection District Zone FP-6
  - Private Water Companies: Havasu Water Company, Lakeview Water Company, and Black Meadows Landing

- Additional Determinations

- Recommendations for Commission Action

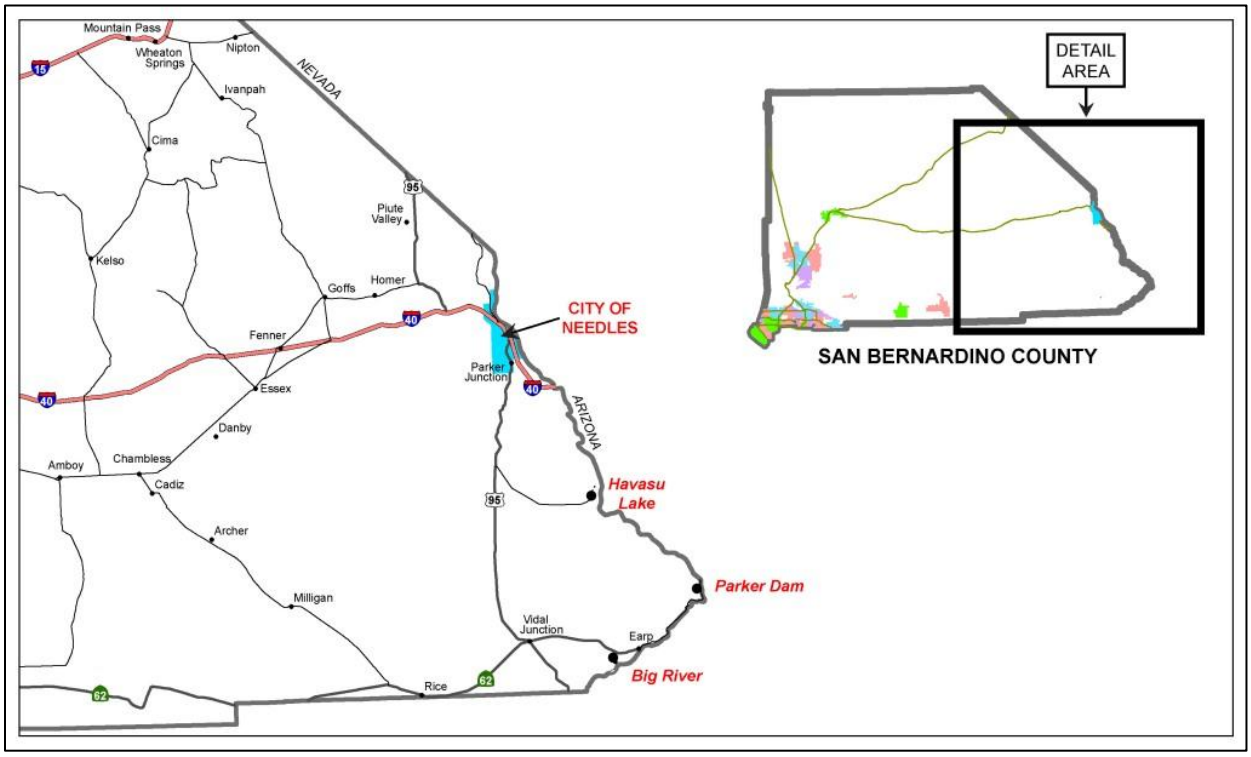
- Attachment Listing

LOCATION AND DESCRIPTION

Location

Communities along Colorado River in San Bernardino County

Below is a map illustrating the communities along the Colorado River within San Bernardino County, a copy of which is included in Attachment #1. The communities identified, from north to south, are: Needles, Havasu Lake, Parker Dam, and Big River.



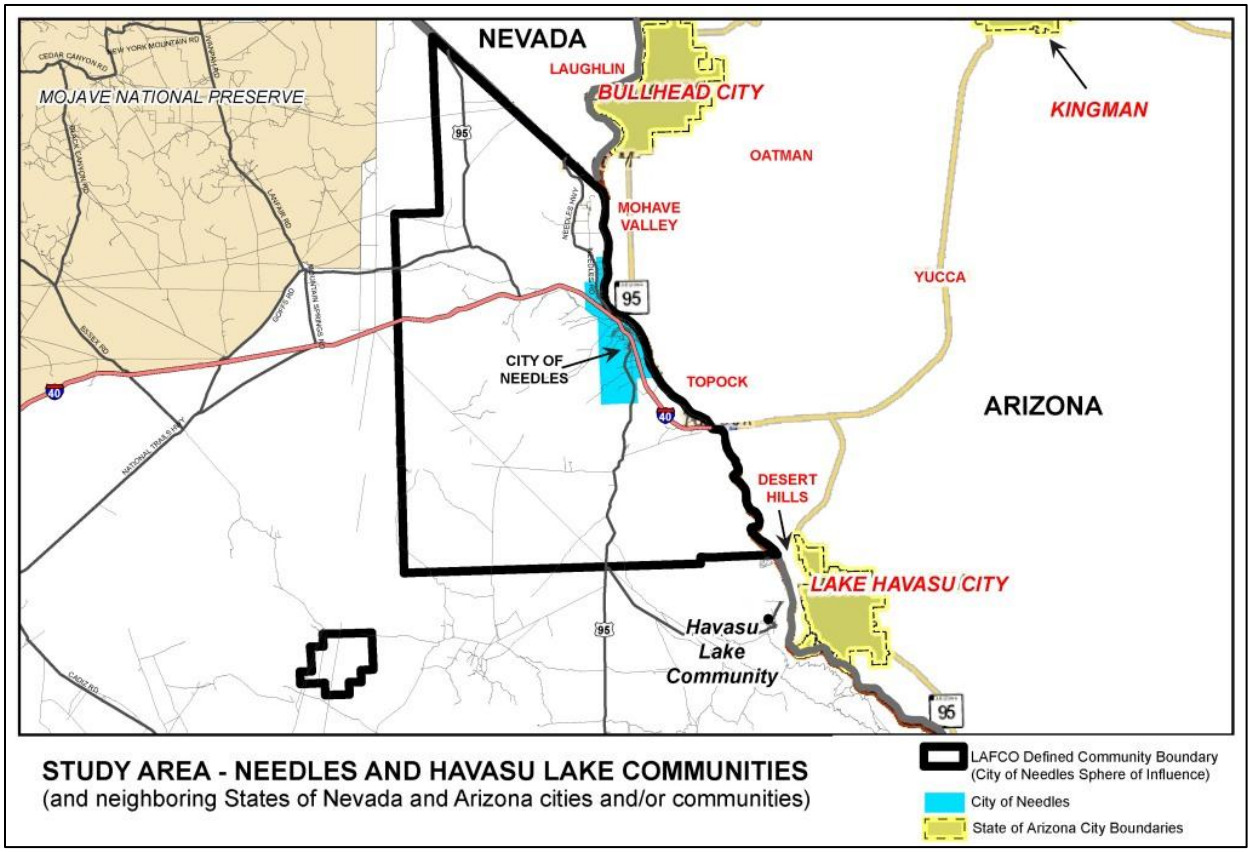
Study Area – Needles and Havasu Lake Communities

The overall service review and sphere study area is situated in the Commission's defined South Desert Region at the eastern edge of the County on the west bank of the Colorado River, approximately 144 miles east of Barstow, 26 miles south of Laughlin, NV, and 42 miles north of Lake Havasu City, AZ, by car. It is located in the Mohave Valley, which straddles the California-Arizona border.

Needles Community

Interstate 40 is the major highway through Needles, connecting Barstow to the west and Arizona to the east, and is the third-longest major east–west Interstate Highway in the United States. Interstate 40 is one of only four interstate highways that connect southern California (and its ports and other goods hubs) to the east. U.S. Route 95 also enters the city from the south on former Route 66 which intersects with I-40 within the City of Needles, traversing

roughly 11 miles, then splits with the Interstate west of the city heading north to Nevada. The Colorado River Bridge crosses the Colorado River in Topock, Arizona, connecting Needles directly with Mohave County, Arizona, and Arizona State Route 95. A map of the Needles and Havasu Lake communities with the neighboring Nevada and Arizona cities/communities is shown below, a copy of which is included in Attachment #1.



The map above provides a general location of the unincorporated Laughlin community in the State of Nevada adjacent to Lake Mojave and the incorporated cities and/or communities along the State of Arizona side of the Colorado River. The cities are Bullhead City and Lake Havasu City as well as the unincorporated communities of Mohave Valley/Fort Mohave, Topock, and Desert Hills, all of which are along the Colorado River.

However, these adjacent communities enjoy an economic advantage over the City of Needles and have thrived while Needles has stagnated or declined in population. The explanation for this lies in a number of factors: many of those residing in Needles are well established in the community, Needles residents face much higher tax rates in comparison to the Nevada and Arizona communities, as shown in the figure below. For example, the cost of goods in neighboring unincorporated Arizona is less than in Needles, this includes the purchase of gasoline, property tax payments, and personal and income tax. In fact, Needles is at an economic disadvantage with the Arizona and Nevada communities in almost every aspect. According to the executive director of the Needles Chamber of Commerce, economic recovery efforts are hampered by California's tougher employment

and environmental regulations, which pushes investment to nearby communities in Arizona and Nevada[1]. Additionally, the City's only supermarket and hospital are continually under financial challenge. Thus, the explanation of the other populations increasing while Needles is struggling, even with the City being one of the four entry/exit points into and out of Southern California.

Another issue is that in 2008, the City of Needles resumed operation of the hospital from an independent operator. The operator had proposed to close the medical center after opening a new hospital – Valley View Medical Center – just 12 miles to the east in Fort Mohave, AZ. The City has struggled to find a foothold for the continuing operation of the facility as the declining population affects its long-term sustainability.

The information shown below provides a graphic depiction of economic information related to this Tri-State area comparing the City of Needles to the other Cities and defined communities:

	City of Needles, CA	City of Bullhead City, AZ	City of Lake Havasu, AZ	Mohave Valley/ Fort Mohave, AZ	Laughlin, NV
1970 population	4,051	n/a	n/a	n/a	n/a
1980 population	4,120	10,364	15,926	n/a	n/a
1990 population	5,191	21,951	24,363	6,962	n/a
2000 population	4,830	33,769	41,938	15,995	7,076
2010 population	4,844	39,540	52,527	21,687	7,323
Sales tax rate [1]	8.00%	0.00%			8.10%
Transaction Privilege Tax [1]	0.00%	8.85%	8.85%	6.85%	0.00%
Personal income tax rate ($50,000 joint filing), highest bracket	6.00%	3.36%			0.00%
Corporate income tax rate	8.84%	6.97%			0.00%
Property tax, single family residence ($200,000)	$2,000	$1,194			$2,171
Gasoline cost per gallon, 27 Feb 2013 [3]	$4.87	$3.80	$3.74	$3.76	$3.80

[1] Arizona levies a transaction privilege tax for the privilege of conducting business in the state. TPT differs from the "true" sales tax imposed by many other U.S. states as it is imposed upon the seller or lessor rather than the purchaser/lessee. The seller/lessor may pass the burden of the tax on to the purchaser/lessee. Taxes are imposed on the total gross receipts of taxable businesses.

[2] Does not include bond debt above the base property tax.

CA - 1% of assessed value

AZ - (prop value) x (residential assessment ratio of 10%) x (5.5968% tax rate avg for Mohave County in 2009)

NV - (taxable value) x (assessment ratio of 35%) x (3.1015% tax rate avg for Clark County in 2010-11)

[3] Automotive.com, accessed 27 Feb 2013

Havasu Lake Community

As shown on the map above, LAFCO defines the Needles Community by the City's sphere of influence. As for the California community of Havasu Lake, the Commission has not identified a community definition as there is no longer any agency under its direct purview to

[1] "Needles: Population holds Steady, but Economic Challenges Remain", Press Enterprise, David Danelski, 28 March 2011.

establish a sphere of influence. Until its dissolution, County Service Area 72 was anticipated to become that community definer. However, in looking at community service needs through the various zones, LAFCO staff believes that the Havasu Lake community generally stretches from roughly Park Moabi on the north through Topock Gorge to the Havasu Dam along the California side. Within this area are resort-type developments along Lake Havasu, known as Black Meadows Landing, Havasu Landing (Resort and Casino), and Holiday Club Resort. A map showing the general Havasu Lake community is shown below, a copy of which is included in Attachment #1:

Characteristics

The overall Needles/Lake Havasu area, like Death Valley to the northwest, is known for extreme heat during the summer. Temperatures often reach 120°F in late July and early August. Nearby natural attractions include the Colorado River, Mojave National Preserve, Mitchell Caverns Natural Preserve, Havasu National Wildlife Refuge, Topock Gorge, Moabi Regional Park and Lake Havasu and Lake Mojave. The city is the eastern gateway to the Mojave National Preserve, a scenic desert preserve and is one of the oldest cities along the Colorado River.

Public Service Providers

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

Bureau of Land Management and the National Park Service (Hole in the Wall Interagency Fire Center providing service to the Needles Resource Area particularly within the Mojave National Preserve and assisting San Bernardino

County in providing emergency medical services to the many tourists travelling through the Mojave Desert on I-40 and I-15)
County Service Area 70 (multi-function, unincorporated county-wide) and its various zones for localized service
Mojave Desert Resource Conservation District
San Bernardino County Flood Control District
San Bernardino County Fire Protection District and its South Desert Service Zone

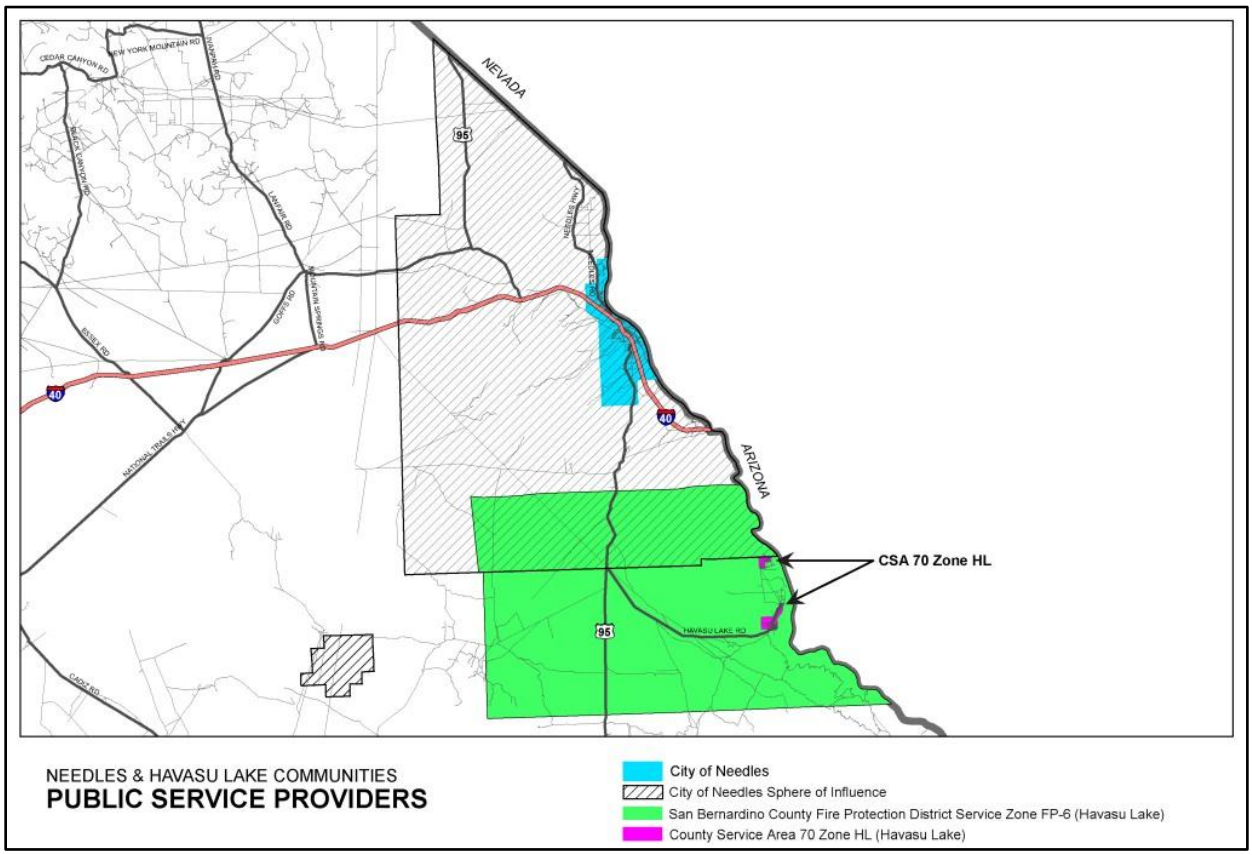
The community-based agencies providing services to the residents and landowners are listed below, organized by area, and shown on the map which follows (included as part of Attachment #1):

City of Needles – This agency actively provides water, wastewater collection and treatment, park and recreation (including operation of a golf course), electricity[2], roads, and streetlight services directly and fire protection and law enforcement through contract within its boundaries. Its boundaries encompass approximately 32 square miles (shown as a blue shade on the map).

County Service Area 70 Zone HL – This agency exists as a mechanism to provide refuse collection within its boundaries (shown as a purple shade on the map). Its boundaries encompass approximately 1,110 acres.

San Bernardino County Fire Protection District Zone FP-6 – This agency exists as a mechanism to provide funding for fire protection and emergency medical services within its boundaries (shown as a green shade on the map). Its boundaries encompass approximately 468 square miles, most of which is public lands.

[2] The City of Needles' electrical service area extends beyond its corporate boundaries. Currently, its service area is reflective of the City's contiguous sphere of influence boundary.


NEVADA
ARIZONA
CSA 70 Zone HL
95
40
NEEDLES & HAVASU LAKE COMMUNITIES
PUBLIC SERVICE PROVIDERS
City of Needles
City of Needles Sphere of Influence
San Bernardino County Fire Protection District Service Zone FP-6 (Havasu Lake)
County Service Area 70 Zone HL (Havasu Lake)

COMMUNITY HISTORY

The Mohave, one of the traditional Native American Colorado River Indian Tribes, are people that have been living in the Mohave Valley area for thousands of years prior to the European exploration of the area. In the Mohave language, they call themselves the 'Aha Makhav'. Their name comes from two words: *aha*, meaning 'river', and *makhav*, meaning 'along or beside', and to them it means 'people who live along the river'.

The historic Mojave Road traverses through the Mojave National Preserve, generally from Fort Mohave on the western bank of the Colorado River to Camp Cady easterly of Newberry Springs. Along it, in 1859, Fort Mohave (originally named 'Camp Colorado') was built along the eastern banks of the Colorado River to protect new pioneers immigrating to California and other travelers from the Mohave. The Needles area was founded in 1883 as a result of the construction of the Atchison, Topeka and Santa Fe Railway, which crossed the Colorado River at this location. The name is derived from pointed mountain peaks and the wind-blown holes in them (which can only be seen by boat from the Colorado River), the Needles, at the south end of the valley. The Railway and the Fred Harvey Company built the elegant Neoclassical and Beaux-Arts style El Garces Hotel and Santa Fe Station in 1908, which was considered the "Crown Jewel" of the entire Fred Harvey chain. The landmark building is on the National Register of Historic Places and is currently being restored.

In 1913 the City of Needles incorporated. The City of Needles was a major stop on the historic U.S. Route 66 highway from the 1920s through 1960s. For immigrants from the mid-west Dust Bowl in the 1930s it was the first town, marking arrival in California. In 1949 the US Bureau of Reclamation began a mass project to dredge a new channel for the Colorado River that would straighten out a river bend that was causing massive silt problems following the completion of Hoover Dam.

The following provides a brief history of the major governmental events for this community and its relationship with the Local Agency Formation Commission is listed chronologically by end date:

1913 The County Board of Supervisors and the voters approved the incorporation of the City of Needles ("City").

1952 The Needles Hospital opened.

1958 The County Board of Supervisors and the voters approved the formation of the Needles Cemetery District to provide maintenance and operation of a public cemetery for the City of Needles and other communities in the southeastern portion of the County. At formation, the Cemetery District did not include the smaller communities of Bagdad or Amboy to the west but included the communities of Vidal, Calzona, Earp, Parker Dam, and the Colorado River Indian Reservation.

1964 The County Board of Supervisors and the voters approved the formation of the Havasu Lake County Water District as a water service provider for the

Havasu Lake community. The purpose of the entity was to purchase an existing small private water system and expand the system.

1969 The County Board of Supervisors initiated a proposal to dissolve the Havasu Lake County Water District (LAFCO 710). According to the staff report for this item, after the district's formation apparently other means were found to supply the area with water (another private water company was subsequently formed) and the district never provided service. Additionally, there was no functioning board of directors or staff. The Commission approved the dissolution.

1970 During this period, a ring of potential subdivisions and improvements were encroaching upon the city from the north, west, and south. In response, the City of Needles initiated an application to annex roughly 11 square miles of unincorporated territory to facilitate orderly growth and development of both the City and the proposed territory (more than tripling the size of the City). The proposal however created a large unincorporated island between the proposed City boundaries and the State boundary lines adjacent to the Colorado River. The Commission recognized this circumstance which was agreeable to the City and County at that time. Additionally the proposed annexation included tide and submerged lands within the Colorado River. State Law required the State Lands Commission to approve or disapprove the boundaries of the annexation in respect to the included State-owned tide and submerged lands. The State Lands Commission approved the proposal. As for the LAFCO Commission, it modified the application to provide for a contiguous annexation area and approved the proposal on the basis that the City should make every effort to serve these areas rather than the alternative of forming single purpose special districts (LAFCO 837).

Property owners in Havasu Lake initiated a proposal to form a county service area to generate revenue and receive services from the County (LAFCO 882). The Commission approved the formation of County Service Area 72 with the following powers: road, flood control, refuse, fire protection, dump maintenance, water, and sewer services.

1971-72 The County of San Bernardino and the City of Needles formed the San Bernardino County-Needles Public Facilities Authority ("Authority) under a joint powers agreement ("JPA") to finance the construction of a new Needles Hospital. Under the terms of the JPA, it would remain in force for fifty years or until payment, or provisions for payment, of all bonds of the Authority had been made. The Authority was to sublease the hospital to the City commencing on construction completion and expiring May 2003. It is not known when the JPA was terminated but it does not appear to exist today.

1973 The Commission established the sphere of influence for the City as coterminous with its General Plan zoning boundary – generally bounded by the State line and Colorado River on the east, mountain ranges on the south,

and extended approximately eight miles to the west of the City (LAFCO 1325).

The Commission also established the sphere of influence for the Cemetery District as that of the City's sphere of influence - less than its boundaries (LAFCO 1326). According to the staff report for this action, LAFCO stated that the fate of the balance of the Cemetery District's territory would be determined in future years as other communities in the area develop.

1975-76 The Board of Directors of the for-profit Needles Hospital initiated an application to form an independent hospital district to provide a tax base to support the financial operations and the debt funding responsibilities of the hospital (LAFCO 1516). The reasons identified at the time for the proposal were a lack of physicians resulting in reduced medical staff, patient load, and income. Due to the shortage, the hospital faced operating deficits, an inability to meet bond payments, and could not meet the full needs of the area. The proposed district was drawn to encompass Health Care Service Area #1215 established by the State including roughly 3,100 square miles in order to provide for an adequate tax base. The proposal was generally opposed by residents and landowners in the Big River area. After a lengthy hearing in March 1975, the Commission approved the proposal to form the Needles-Desert Communities Hospital District as presented to it.

Following the Commission's approval, the County Board of Supervisors in August approved the proposal and established a voter election for formation of the district and passage of a special tax rate of $0.35 per $100 of assessed valuation commencing in FY 1976-77. In November, the voters approved the formation and special tax. In 1977-78 the tax rate applied by the Hospital District was $0.35 per $100 of assessed valuation (estimated to be $86,076 in revenue) which was subsequently converted into a share of the general ad valorem tax following implementation of Prop. 13.

1976 When special districts were seated on San Bernardino LAFCO, all special districts were limited to the functions/services actively provided at that time. The districts identified to LAFCO that the active functions were:

- County Service Area 72 – road, flood control, refuse, fire protection, dump maintenance, water, and sewer services
- Needles Cemetery District - internment with perpetual care
- Needles-Desert Communities Hospital District – acute general hospital services

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 on the document entitled "Exhibit A" and the procedures required to apply to the Commission for activation of any other latent powers have been defined.

1978 The Big River Property Owners Association submitted an application for detachment of its community from the Needles-Desert Communities Hospital District and Needles Cemetery District (LAFCO 1810). The LAFCO staff report for this proposal states that although the community was taxed by these districts, they did not serve Big River to any significant degree. Most residents indicated that they received hospital and/or burial services from agencies in Parker Arizona rather than Needles. Even though the districts opposed the proposal, the Commission approved the detachments on the basis that it would not affect the districts' services and neither district showed that they did indeed provide direct service to the Big River community.

1982 The Commission established the sphere of influence for the Needles-Desert Hospital District as coterminous with its boundaries (LAFCO 2202), roughly the size of Delaware. At that time, the existing 3,100 square mile service area represented the maximum possible service area for the District in view of configuration of adjacent hospital districts and the state boundary.

1986 The City initiated a proposal to annex roughly 15 square miles to the south to include the Needles Airport area (LAFCO 2355). The primary rationale for the proposal was to allow the City to plan for anticipated commercial and industrial development to occur surrounding the airport and extending City services when desired by the landowners. The Commission approved the proposal as submitted.

1990 The County Board of Supervisors approved the formation of County Service Area 70 Improvement Zone HL to meet the Havasu Lake community's growing need for services and for flexibility within the authorized functions for County Service Area 70. Zone HL was formed with the following functions: ambulance, animal control, park and recreation, refuse collection, road maintenance, streetlighting, and fire protection services. It is not known to LAFCO why the County formed this improvement zone which duplicated the service authority and territory of CSA 72.

1992 The County Board of Supervisors initiated a proposal to dissolve County Service Area 72 (LAFCO 2702). In 1990, by choice of the Special Districts Department, CSA 72 essentially became a paper district with community services provided through CSA 70 Zone HL. LAFCO staff recommended approval of the dissolution on the basis that administration of county fire protection services was consolidated under CSA 70, provision of services through Zone HL promoted a more efficient use of CSA 70 personnel, and provided to the community greater flexibility in the range and level of services available in the area. In approving the proposal, the Commission overrode its policy of maintaining a multi-function district over an improvement zone and transferred CSA 72's assets and liabilities to CSA 70 Zone HL.

1994 The Needles Public Cemetery District and the City Council initiated an application to dissolve the Cemetery District in order to assure the

continuation of the service provided by the Cemetery District at a time of financial crisis and to assure that decisions regarding services continue to be made at the local level (LAFCO 2761). The Commission approved the proposal, and as a part of the transfer of service responsibility the Cemetery District's share of the property tax transferred to the City to continue the service. Since the Cemetery District's boundaries were vastly larger than that of the City, the Commission included a condition of approval for the City to continue to provide services to the residents within the boundaries of the Cemetery District following dissolution, even though said residents were outside of the City's boundaries. Additionally, the Commission included a condition that the City, acting in a fiduciary capacity, was to make a separate accounting of funds maintained for perpetual maintenance of cemetery grounds and endowment funds. As an endowment cemetery, the endowment funds principal was impressed with a public trust and could not be spent for maintenance of the facility.

The City initiated a proposal to expand its sphere of influence by roughly 3,000 square miles (LAFCO 2756). The City's application included the following reasons for such a large sphere expansion:

- The City (through the County) provided fire protection and emergency medical services outside of its boundary and sphere.
- The City provided electrical utility service outside its boundaries.
- The City was to be the successor agency to the dissolved Needles Cemetery District, which encompassed territory vastly beyond the City's boundary.
- The City signed a water delivery contract with the Bureau of Reclamation whereby it will administer 10,000 acre-feet of water for the benefit of lands located adjacent to the Colorado River within the proposed sphere expansion area that were left out of the Arizona/California water settlement.
- The City was negotiating with the County and Caltrans concerning development along Interstate 40.

The Commission recognized the unusual role of the City in this isolated portion of the County. However, the massive expansion area proposed by the City could not be justified. LAFCO staff, with City concurrence, reduced the sphere expansion area to 600 square miles and included a 21 square mile anticipated non-contiguous well field. The Commission approved the proposal as modified.

1995 Senate Bill 1154 amended Hospital District Law. The new law became known as Local Health Care District Law (Health and Safety Code Sections 32000 et seq.) and deemed all hospital districts to be referred to as healthcare districts. Accordingly, the hospital district became known as "Needles-Desert Communities Healthcare District".

1995-96 In 1995 the Needles-Desert Communities Healthcare District initiated a proposal to dissolve the district and designate the City of Needles as the successor agency (LAFCO 2801). The City at that time owned and operated the Needles-Desert Communities Hospital. According to the staff report for this item, the primary function of the District was to assist in the recruitment and education of nursing students. Over the years it provided loans and scholarships to nursing students but did not have the ability to monitor the collection of the loans. In May 1996 the Commission approved the proposal, and as a part of the transfer of service responsibility the Healthcare District's share of the property tax transferred to the City (roughly $30,000 approximately $56,000 less than share at formation; no information provided as to the transfer of these funds). Since the Healthcare District's boundaries were vastly larger than that of the City, the Commission included a condition of approval for the City to continue to provide services to the residents within the boundaries of the Healthcare District following dissolution, even though said residents were outside of the City's boundaries. In July 1996 the County Board of Supervisors approved the dissolution subject to confirmation of the voters. At the November 1996 election, the voters approved the dissolution (844 yes, 737 no).

2008 The reorganization of the San Bernardino County Fire Protection District (LAFCO 3000) included the transfer of responsibility for fire services from County Service Area 70 Zone HL (serving the Havasu Lake area) and County Service Area 38 Zone I (serving the unincorporated area surrounding Needles) to the newly reorganized San Bernardino County Fire Protection District ("SBCFPD") along with the formation of the regional South Desert Service Zone. Included in the transfer was all of the ad valorem property tax from these zones to the South Desert Service Zone with the CSA 70 revenues being transferred to SBCFPD for administrative purposes.

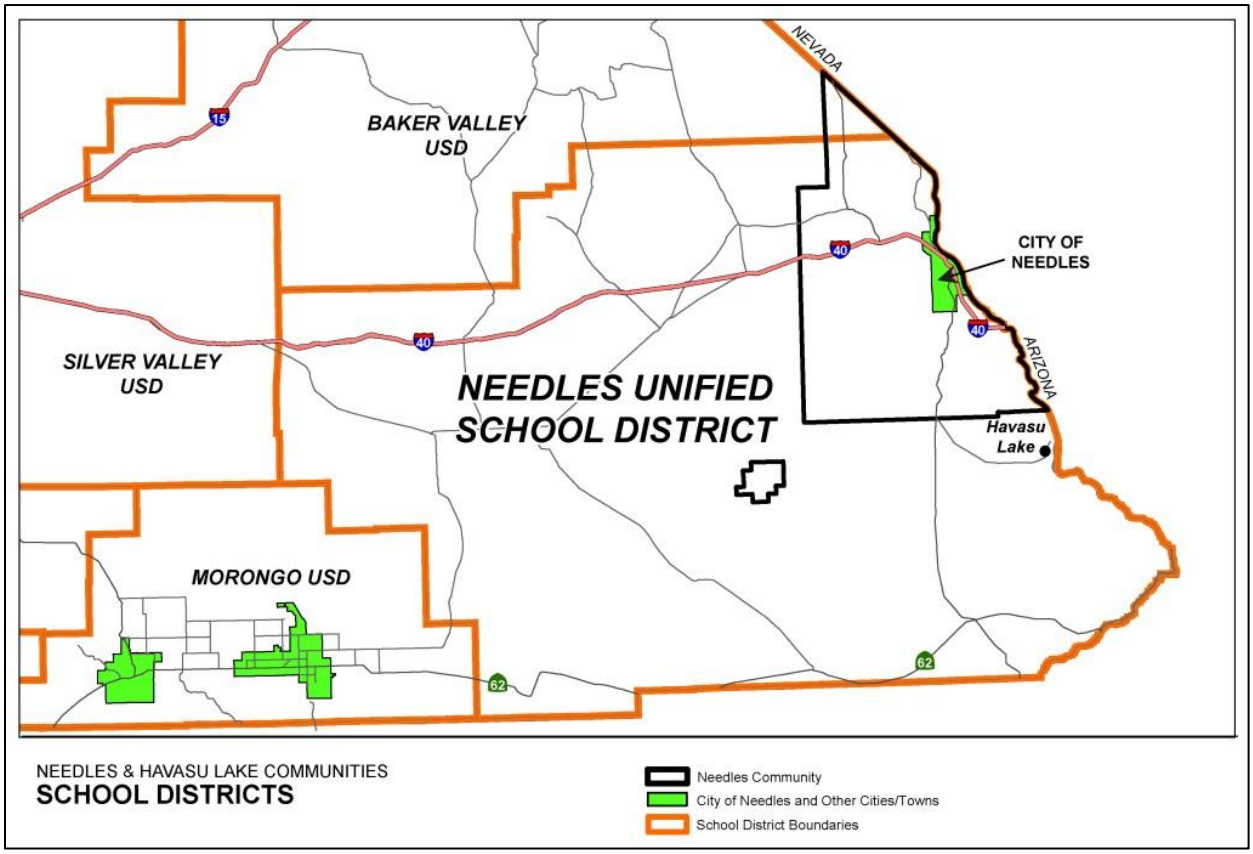
2009 The San Bernardino County Fire Protection District declared its intent to form Zone FP-6 in the Havasu Lake community and beyond for the purpose of enabling the zone to obtain additional funding for fire and emergency medical services to replace Indian gaming grant revenue lost to the area and it authorized a special tax election. The registered voters approved the special tax and the District board approved the formation of Zone FP-6. The State Constitution required appropriation limit authorization was not included in the formation election.

NEEDLES COMMUNITY DISCUSSION

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

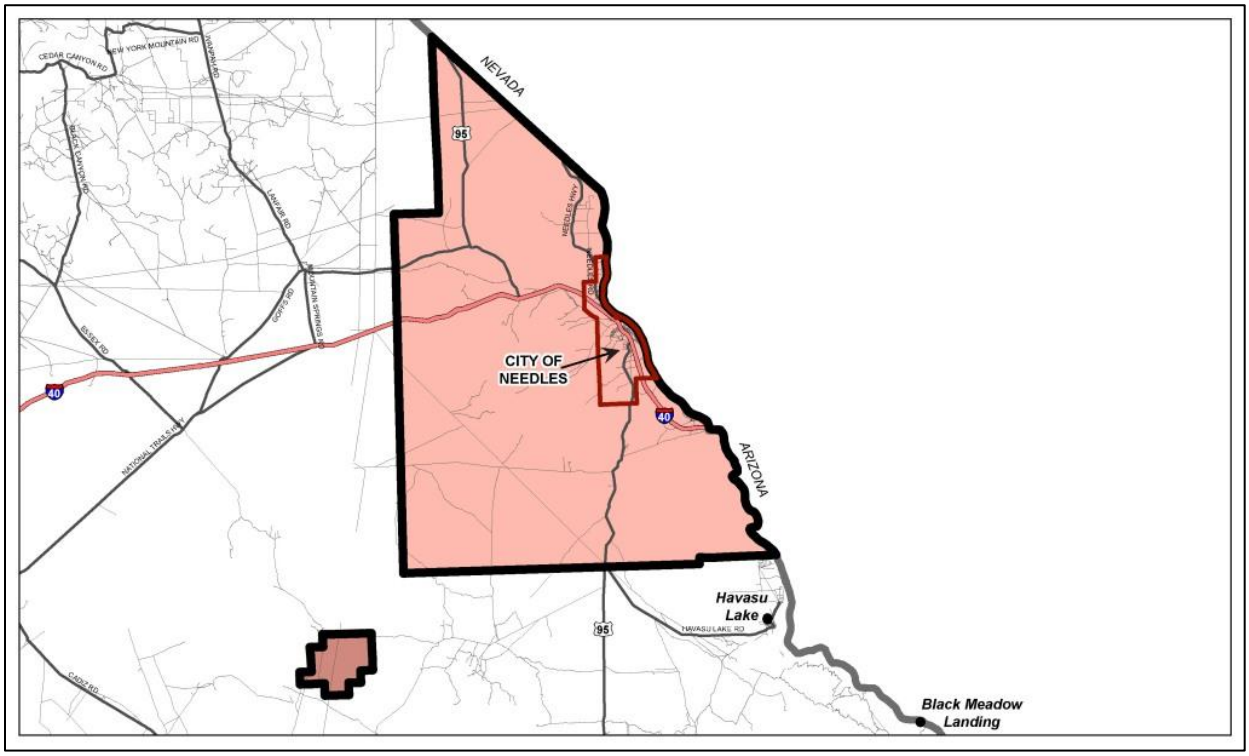
Needles Unified School District

School districts are social focal points for many communities, and the Needles Unified School District ("Needles USD") overlays the entirety of the Needles and Havasu Lake communities as well as other areas surrounding the communities (see map below). The school district is one of the largest in the United States in terms of area encompassing almost 6,000 square miles. The district runs from Amboy to Needles, and south to Parker Dam. It has 1,158 students enrolled in its high school, its middle school, and its three elementary schools. The Needles High School, due to its distance from other California schools, is a member of the Nevada Interscholastic Activities Association. Due to the regional nature of the Needles USD, it does not provide additional information in relation to the definition of the communities; except to note that it serves within and beyond the LAFCO defined Needles and Havasu Lake communities.



Commission's Historical Needles Community Definition

Since 1973 the Commission has defined the Needles community as the sphere of influence assigned the City of Needles and that definition remains today.



Looking at the City's sphere many have asked why it is so large. In brief, in 1994 the Commission expanded the City sphere, recognizing the unusual role of the City in this isolated portion of the County, for the following reasons:

- The City provided electrical utility service outside its boundaries as recognized by the California Energy Commission.
- The City was the successor agency to the dissolved Needles Cemetery District, which encompassed territory vastly beyond the City's boundary.
- The City signed a water delivery contract with the Bureau of Reclamation whereby it will administer 10,000 acre-feet of water for the benefit of lands located adjacent to the Colorado River within the proposed sphere expansion area that were left out of the Arizona/California water settlement.

Revisiting the Commission's Needles Community Definition and City Sphere

To reflect the Commission's policy direction to address its sphere of influence program on a community-by-community approach and to address actual service provision within the Needles community, the possibility of redefining the community should be considered.

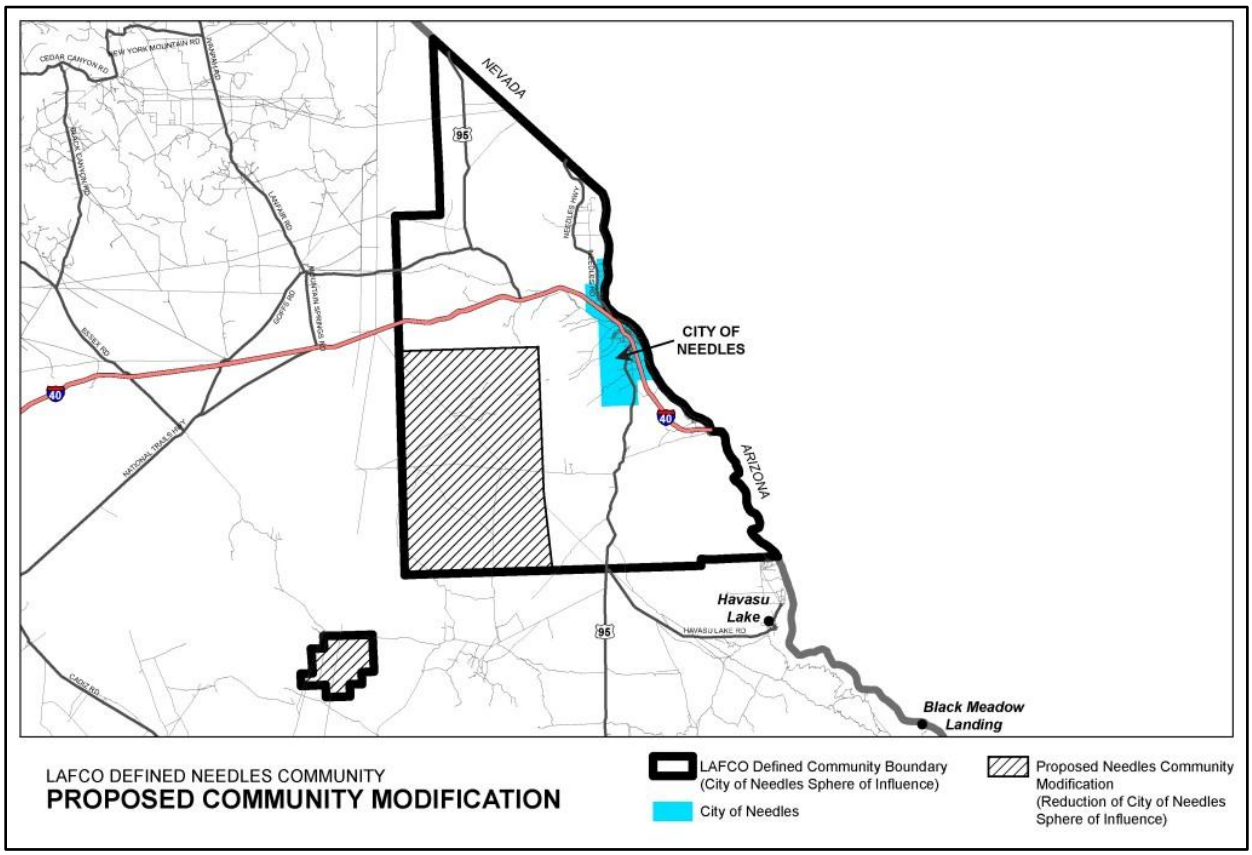
Discussion

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". In addition, the Commission's sphere of influence policies require that a City include the territory within its sphere of influence in its General Plan and master plans for service.

Particular to the area the City is obligated to plan for the provision of the full range of its service, it is the successor agency to the former cemetery and healthcare districts. Since these districts' boundaries were vastly larger than that of the City (extending southerly to the county line and over 75 miles westward), the Commission included conditions of approval for the City to continue to provide services to the residents within the boundaries of the former districts following dissolution. Definition of the Needles Community reflective of the City's obligated service area for cemetery and healthcare is not reasonable.

The City's service area for electricity provides another definition for the Needles Community. The City purchased the Needles electric utility system of CP National in the 1980s, in doing so it assumed service responsibility to that service area. However, LAFCO staff could not ascertain the exact boundaries of the City's electrical service area that it assumed at the time of its purchase of CP National. Nonetheless, the City (and the California Energy Commission) designates the electric distribution and transmission service area as that of its existing contiguous sphere of influence boundaries.

LAFCO and City staffs discussed and mapped the City's actual electrical service area and its speculative electrical service area. Based on that discussion, it was identified that the City's electrical service area is less than the City's current sphere and is shown below.



Both LAFCO and City staffs believe that this is reflective of the Needles community, allows the City to extend electrical service within its sphere of influence to any undeveloped parcel without necessity for additional approval by LAFCO under Government Code Section 56133 (out-of-agency service agreement), and allows the City to provide meaningful input regarding future development and the extension of electrical service as there is no other electrical provider in the area.

The recommendation of LAFCO staff, with City concurrence, is that the Commission's historic Needles community definition remain – as the sphere of the City of Needles -- with modification to the sphere designation area. Under normal circumstances the City of Needles would be considered to be the center of the economic, environmental, geographic and social interests for the area. However, based upon the population centers within Arizona and Nevada along the northern and eastern bank of the Colorado River this is not the case. Having said that, for the California interests the community is centered on services provided by the City of Needles or County-level services located within the City's boundaries. This community recommendation is utilized by LAFCO staff as the study area for the following service review and sphere of influence update for the City of Needles. To accomplish the Commission's policy directives to incorporate the community definition into the sphere of influence program, LAFCO staff is recommending modifications to the City's sphere in the "Sphere of Influence Update" section of this report.

Another option available to the Commission would be the retention of the existing contiguous sphere of influence, excluding the 21-square mile non-contiguous sphere in the southwest, as the community definition. Such action would support the currently recognized electric utility service area but require the City to plan for the extension of the full range of its services to vast expanses of public lands.

Regardless of which option the Commission chooses, it would not affect any agency's current boundary or service delivery as no change in jurisdiction would take place.

REVIEW OF REGIONAL AND COMMUNITY SERVICES

The City of Needles actively provides water, wastewater treatment and collection, park and recreation, electricity, roads, hospital operation and streetlight services within its boundaries. Additionally, the City succeeded to the operations of the Needles Cemetery when the cemetery district was dissolved and to the funding mechanisms of the Needles Desert Communities Healthcare District upon its dissolution. The service area of the former districts were much larger than the City, and the dissolutions included a condition of approval for the City to continue to provide services to the residents within the boundaries of the former cemetery and healthcare districts following dissolution, even though the residents were outside the City's boundaries. These services are discussed in the service review for the City of Needles.

The following provides summary information that is regional in nature on the other services that are provided within the community: law enforcement, fire protection, ambulance, airport, library, and solid waste. The County operates a government center in Needles located at 1111 Bailey Avenue. This center provides services from the County to the Colorado River communities and houses different County administrative offices including the County Sheriff and the County library.

A. LAW ENFORCEMENT

As a municipality, the City is responsible for law enforcement and has chosen to contract with the County Sheriff's Department for these services since 1989. There are currently 10 sworn personnel assigned to the City including seven deputy sheriffs and one detective. These personnel serve the City's residents on a full-time basis. Sworn supervisory staff includes one sergeant and one lieutenant. Clerical staff, dispatch and specialized law enforcement services (SWAT, aviation, intelligence, narcotics, homicide and specialized investigations, evidence processing and handling, training, etc.) are provided to the City by the San Bernardino County Sheriff's Department pursuant to the law enforcement services contract.

The contract amount for FY 2010-11 was $1,851,379 and decreased to $1,770,541 for FY 2011-12. The City elected to leave a position vacant to absorb the annual cost increase, which deleted one deputy and one marked unit. For FY 2012-13, the contract increases to $1,850,052, mainly due to additional retirement costs and an increase in charges for the Countywide Cost Allocation Plan from 3% of salaries and benefits to 5%. No staffing or equipment changes are identified for FY 2012-13. Additional costs are billed quarterly, such as overtime, vehicle fuel and maintenance, and on-call cost. The contract provides for termination by either party upon one-year advance written notice.[3]

The Colorado River Station covers the second largest geographical jurisdiction in San Bernardino County. It extends from the State of Nevada south to the Riverside County line, and from Arizona, on the Colorado River, west to Kelbaker Road at the far western

[3] County of San Bernardino Contract 99-376 A-14

portion of the Mojave National Preserve. The station is located at 1111 Bailey Avenue, and is co-located with the Sheriff operated Needles Police Department. The facility houses a 30-bed Type I jail facility, which takes in all arrestees from the Sheriff's Department, the California Highway Patrol, and all the other agencies that arrest under state law on the California side of the river. There are satellite stations in Big River and Parker Dam, a resident post at Havasu Landing, and a Water Safety Center at the County's Park Moabi Regional Park. Station personnel are responsible for law enforcement in over 5,000 square miles of unincorporated area, 32 square miles of the City of Needles, as well as 90 miles of the Colorado River, which sees nearly 17 million visitors per year. The Marine Enforcement Unit begins its busiest season with Spring Break and ends sometime after Labor Day. Memorial Day, the Fourth of July, and Labor Day weekends are taxing and officers throughout the county are brought in to assist. The focus of their efforts is geared toward educating the boating public, but much of their time is spent dealing with boaters who are driving under the influence. The vast expanse of desert in the jurisdiction's western area is home to Mitchell Caverns State Park and Mojave National Preserve. Several thousand people visit these, and other desert wonders, each year. The Search & Rescue units keep busy hunting for lost or injured hikers.

Within the National Preserve and areas in close proximity, the National Park Service law enforcement rangers protect park visitors and resources of the Preserve. Currently, there are three law enforcement rangers stationed in the Preserve who patrol the park for speeding motorists, clandestine drug labs, graffiti, and theft and damage of natural resources.

The “Needles Police Department” supplements the Sheriff personnel with reserves, citizens-on-patrol, search and rescue, school resource officer, explorers, and boating officers who volunteer to help ensure the safety of the Needles community.

The City has instituted a new rapid emergency notification service called Code RED. The new system will distribute emergency messages via telephone to targeted areas or the entire city at a rate of 1,000 calls per minute. Code RED employs a one-of-a-kind Internet mapping capability for geographic targeting of calls, coupled with a high speed telephone calling system capable of delivering customized pre-recorded emergency messages directly to homes and businesses, live individuals, and answering machines.

B. Fire Protection and Emergency Response

Fire protection and emergency medical services within the communities of Needles and Havasu Lake are provided by the San Bernardino County Fire Protection District (SBCFPD) and its South Desert Service Zone, which is governed by the County Board of Supervisors as the ex-officio board of directors. Administrative offices for the County’s South Desert Service Zone are located in the Town of Yucca Valley.

Within the City of Needles, fire protection and emergency medical services are the responsibility of the City. It has chosen to contract with the San Bernardino County Fire Protection District to provide these services. According to the contract, SBCFPD shall

provide to the City fire prevention, fire investigation, fire suppression, hazardous materials, and rescue services, and standards shall comply with SBCFPD criteria. In turn, the City agrees to adopt the SBCFPD's fire codes, cost recovery, and fee ordinances. Additionally, the City leases to the SBCPD the fire station for $1 per year and the fire vehicles, apparatus, equipment, and property for the sum of $1 per year. The term of the agreement is from 2004 until mutually terminated with one year's notice.

The FY 2010-11 cost for service was contracted at $551,983. The contracted cost decreased for FY 2011-12 to $504,823 and increased to $562,796 for FY 2012-13. The contract accounts for the cost of mutual aid calls thereby reducing the total cost to the City. For example, the current FY 2012-13 contract identifies a total personnel and operating cost of $1,406,991 less 60% of that cost ($844,194) for mutual aid calls. The total adjusted cost is $562,796.

The SBCFPD has four fire stations located within the communities of Needles and Havasu Lake. The following information was obtained from the SBCFPD website:

- Station 31 (Needles Station) – 633 Front Street, Needles, CA

  The administrative functions for fire protection both in Needles and the surrounding South Desert Service Zone are conducted from offices located in Yucca Valley. Apparatus include two Type 1 Engines, one Brush Patrol, one Water Tender and one boat. Daily staffing includes one paid Captain and three limited-term Firefighters, augmented by paid-call firefighters living in the community.

- Station 34 (Park Moabi Station) – (currently inactive)

  This station is currently inactive because of staffing shortages due to the inability to have paid call responders in the area. This station is located in Park Moabi (a County regional park), between Needles to the north and Havasu Lake to the south. Units from Station 31 (Needles) or Station 18 (Havasu Lake) respond to the area.

- Station 18 (Havasu Landing Station) – 148808 Havasu Lake Rd., Havasu Lake, CA

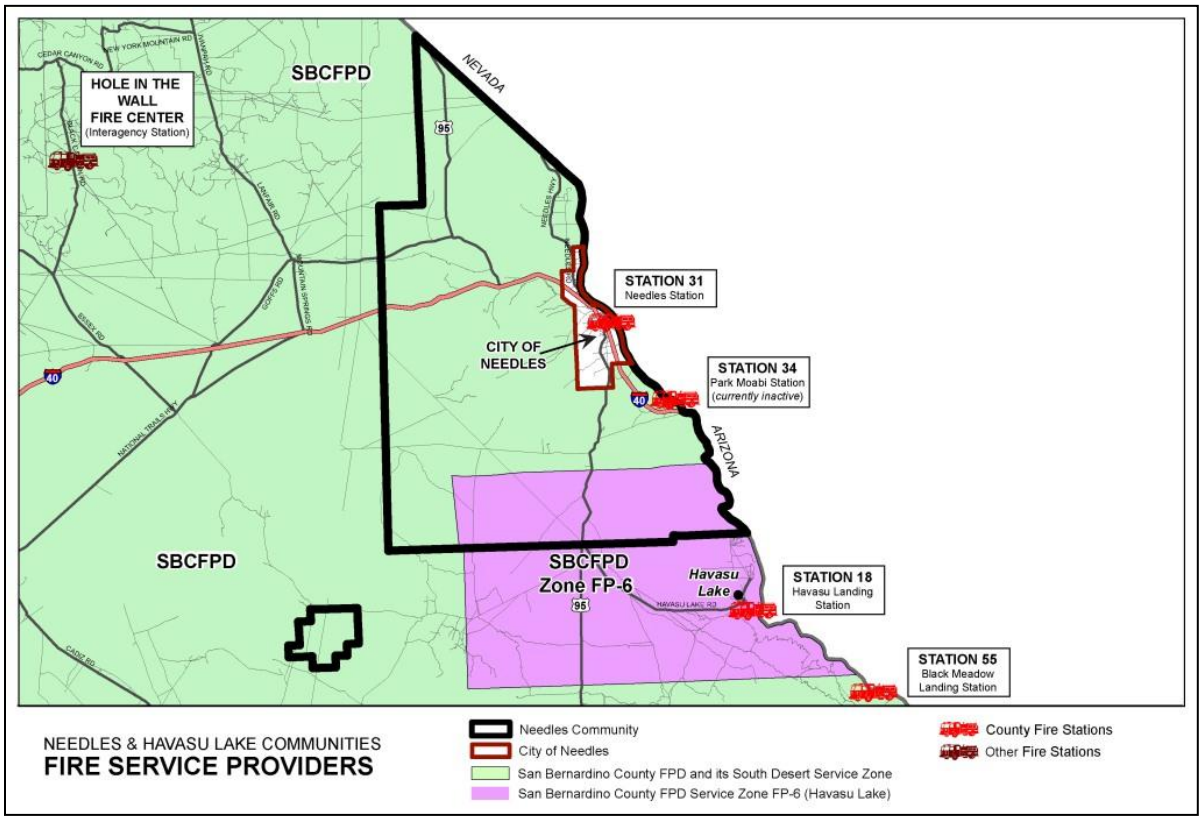
  Apparatus include one Type 1 Engine, one Brush Patrol, two ambulances, and one boat (also has patient transport capability). The station is staffed by paid-call firefighters living in the community.

- Station 55 (Black Meadow Landing Station)

  Fire Station 55 houses a single Type I engine company.

  According to the Chief of SBCFPD's South Desert Service Zone, there is a single paid-call firefighter ("PCF") at Station 55. This station is rather unique due to its remote location and the PCF is also the operator of the private resort that is located there on leased public land. While the station primarily services the resort itself, it also serves other areas along the Colorado River corridor and backs up other stations on occasion. It is not known by LAFCO staff at this time how the additional fire personnel needs are fulfilled at this station for fire response, or emergency medical. Apparatus includes one

Brush Patrol. Additional fire personnel support needs are fulfilled from our other area stations including Station 17 in Big River and Station 18 in Havasu Landing.



Wildland fires are under the jurisdiction of the Bureau of Land Management and the National Park Service, all not subject to LAFCO jurisdiction. The closest fire station beyond the communities of Needles and Havasu Lake is the County's Fire Station # 21 (Parker Strip Station). In addition, the Arizona based Fort Mohave Mesa Fire District (two fire stations) and the Mohave Valley Fire Department (two fire stations), provide assistance to these communities. Other stations nearby that could also respond are the National Park Service and the Bureau of Land Management's Hole in the Wall Interagency Fire Center (Station 605) located in the Mojave National Preserve, and Bullhead City's Fire Department (five fire stations), another Arizona based fire service provider. The Hole in the Wall fire crew's primary goal is fire suppression within the Needles Resource Area (3.5M Acres) and Mojave National Preserve (1.6M Acres), Hole in the Wall also assists San Bernardino County in providing emergency medical services to the many tourists travelling through the Mojave Desert on I-40 and I-15.

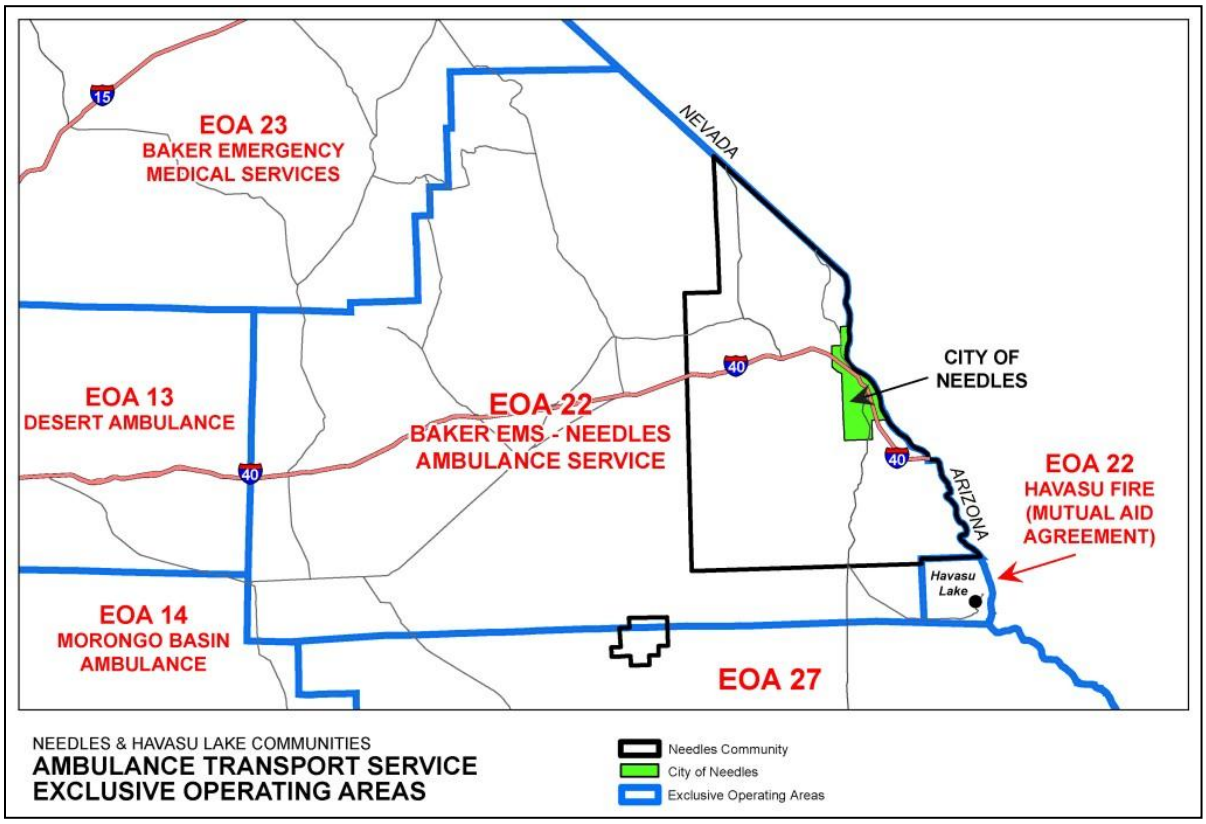
C. Ambulance

Medical response and ambulance services in the community are provided by the Baker Emergency Medical Services, Inc. ("Baker EMS"). Baker EMS is a private company

based out of Baker and provides service within the Exclusive Operating Area ("EOA") #23, and EOA #22. In 1997, Baker EMS purchased Needles Ambulance and assumed responsibility for EOA #22. When an emergency call is dispatched through to a fire station, Baker EMS is also notified at the same time. Baker EMS's Needles Ambulance Service has a total of three ambulance units that are stationed in Needles, CA.

Of note, in the southeast portion of EOA 22 Baker EMS remains the responsible entity for the service but subcontracts with SBCFPD for the service provision. According to ICEMA staff, when Baker EMS purchased Needles Ambulance in about 1997, EOA 22 was assigned to Baker EMS but SBCFPD was providing service to the southeast portion. Pursuant to State emergency regulations, if the EOA boundaries or scope of service was to change, then the entire EOA would be put out to bid. To alleviate that requirement in this circumstance, Baker EMS continues to subcontract with SBCFPD for service to this area. The agreement provides for no monetary exchange between the two agencies.

The eastern portions of EOA 27 along the Colorado River and a portion of Highways 62 and 95 are typically serviced by River Medical a division of American Medical Response (AMR) from their facilities in Parker, AZ.



EOA 27 which serves the larger Havasu community has no assigned provider identified in the Inland Counties Emergency Medical Authority documents. LAFCO staff is uncertain as to who would respond to emergencies along this section of Highway 95 and along the river.

D. AIRPORT

The County owns the Needles Airport and manages the airport through its Department of Airports. The County has granted the support operations of the airport to a fixed-based operator (FBO), Paradice Aviation, which offers maintenance, fuel, and pilot supplies to aviators. Needles Airport is located in the southern portion of the City roughly five miles south of downtown and was constructed originally to support cross country TWA flights. The nearest airports are Lake Havasu City Airport (18 miles SE) and Laughlin/Bullhead City International Airport (24 miles N).

From May 2011 to May 2012 there were on average 29 aircraft operations per day, of which 76% was transient general aviation and 24% was local general aviation.

E. LIBRARY

The County provides library services to the community through its Needles Branch Library located at the County's Needles Government Center.

F. SOLID WASTE

The City of Needles and County Service Area (CSA) 70 Zone HL both contract with Allied Waste Transportation, Inc. ("Allied Waste") for the collection and handling of solid waste. Allied Waste provides curbside garbage and recycling collection service to the residents and businesses within these communities. The nearest landfill that Allied Waste operates and manages is located in Bullhead City, AZ.

The City has an Exclusive Franchise Agreement with Allied Waste for collection and handling of solid waste through January 2, 2018 (City Ordinance No. 531-AC). When AB32, Mandatory Commercial Recycling Regulation, was enacted effective January 1, 2012 by the State of California, the City required that multifamily housing with five or more units that generate four cubic yards of waste weekly and businesses that generate four cubic yards or more of waste weekly to subscribe to a service for collecting recyclable materials with Allied Waste. The effective date for the multi-family housing units and businesses to implement a commercial recycling program was July 1, 2012.

However, for the City's unincorporated sphere of influence and the rest of the Havasu Lake community outside of CSA 70 HL, solid waste service is not available nor does the County levy its Equivalent Single Family Residence (ESFR) fees for solid waste purposes.

<u>Needles Sanitary Landfill</u>

The Needles Sanitary Landfill has been operated at various times by the County and the City; prior to 1982 the County operated the landfill. In 1982, the County relinquished to the City the operation of the landfill and the City assumed the responsibilities and duties

of operating the landfill. In 1996, the County and the City entered into a Closure Agreement whereby the County agreed to accept the landfill back into the County landfill system and to serve as lead agency for the cleanup, closure, and post-closure activities for the landfill. At that time, the City agreed to reimburse the County $665,195 for its share of the cleanup, closure and post-closure costs, to provide in-kind services for post-closure activities, to assist the County in obtaining approval from regulatory agencies for a “monolithic soil cover”, and in seeking recovery from other parties who may be responsible for the costs of cleanup, closure and post-closure. In 2002, the closure of the landfill was certified by the Permitting and Enforcement Division of the California Integrated Waste Management Board, and the $665,195 became due and payable; however, the City has made no payments to date. This occurrence is more fully described in the financial sections which follow.

CITY OF NEEDLES
Service Review and Sphere of Influence Update

INTRODUCTION:

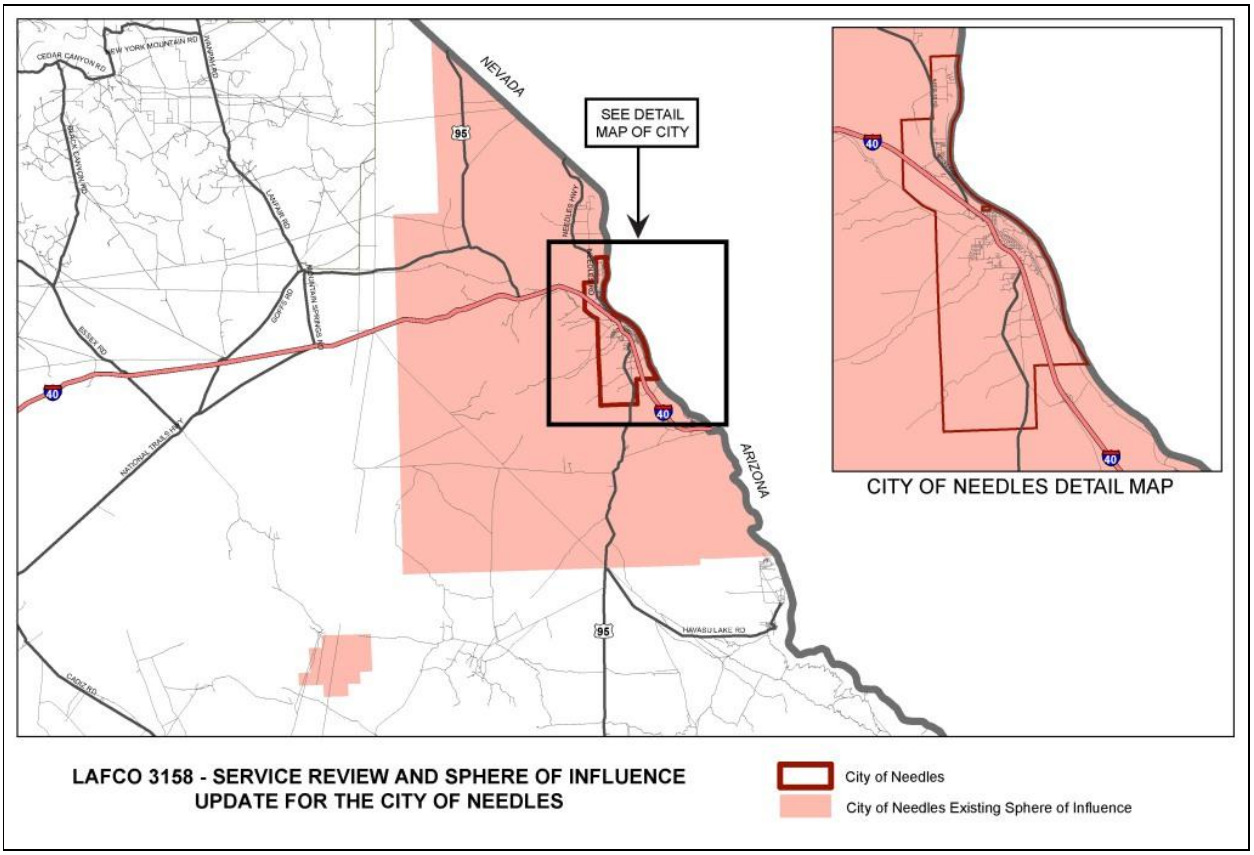
LAFCO 3158 consists of a service review pursuant to Government Code Section 56430 and sphere of influence update pursuant to Government Code 56425 for the City of Needles ("City").

The City incorporated in 1913 following both County Board of Supervisor and local voter approval. The City was established as a general law city, meaning that when the City incorporated, City leaders chose to use the existing State codes as they relate to laws, functions, and powers of the Mayor and City Council, rather than write a charter. In 1958 the City became a charter city, which articulates aspects of City affairs including the form of government; the method of election of Council members; contracting, public financing, franchises, and revenue; and revenue retention. The charter also states that the City retains general law powers and authority. The City operates under the council-manager form of government. Six council members are elected at large for four-year overlapping terms with the mayor elected to a two-year term, who also sits as a member of the Council.

As discussed in the City's Sphere of Influence Update section in this report, staff is recommending modification to the City's sphere of influence. The modification reduces the City's existing sphere of influence by a total of approximately 233 square miles (which includes the 21 square mile non-contiguous sphere area that is wholly government land).

LOCATION AND BOUNDARIES:

The service review and sphere of influence update study area encompasses approximately 789 square miles and is located in the south desert region of the County. The study area is generally bordered by portions of the Nevada State Line (Clark County) and Arizona State Line (Mohave County) on the east, a combination of section lines on the south (including the Colorado River Indian Tribe Reservation) and combination of section lines and parcel boundaries on the west and north. A map of the City (32 sq. miles) and its current sphere (789 sq. miles) is shown below and is included as a part of Attachment #2.



CITY OF NEEDLES SERVICE REVIEW

In 2003, LAFCO adopted the Governor's Office of Planning and Research (OPR) Municipal Service Review Guidelines by reference for its use during the conduct of service reviews. These Guidelines provide a step-by-step approach to understanding the service review process as set for by Government Code Section 56430 as well as factors that LAFCO may wish to address in its service review of an agency.[4]

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

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

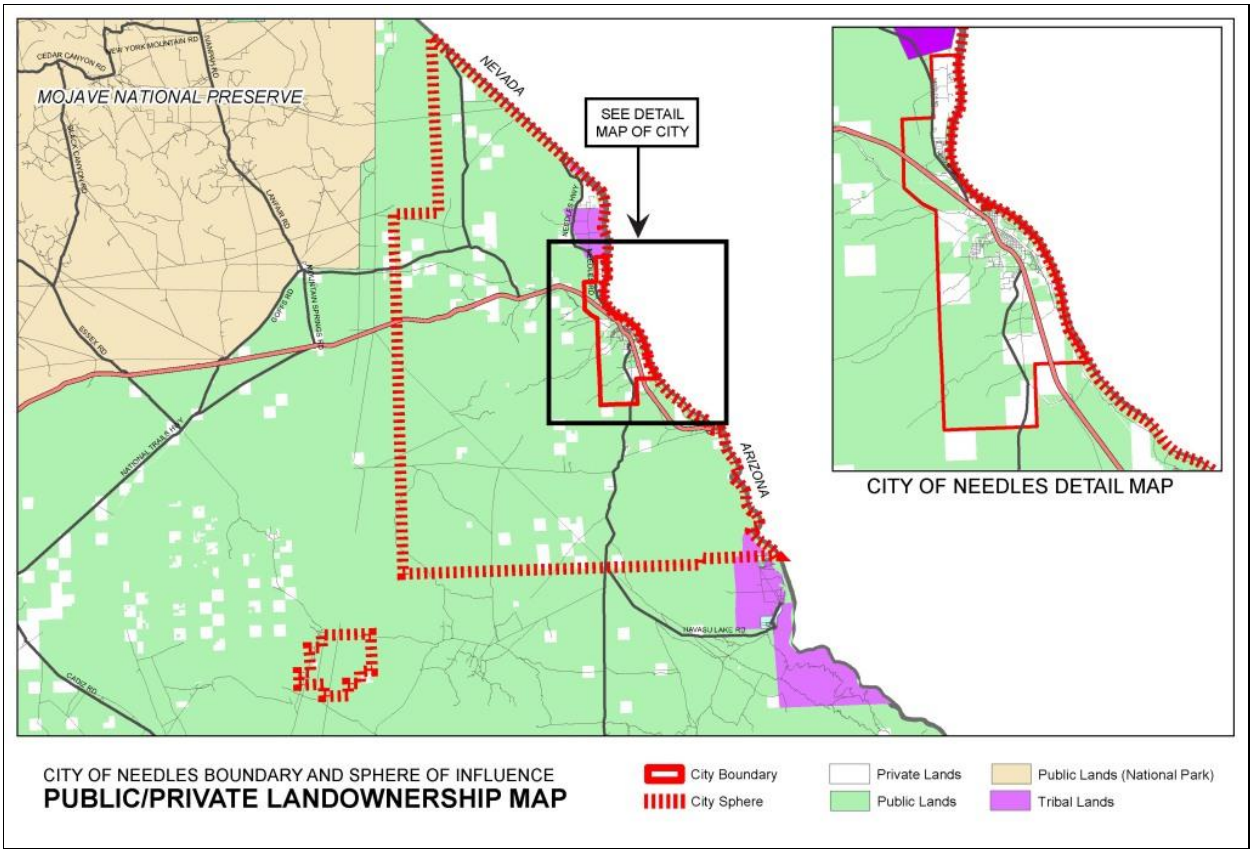
I. Growth and population projections for the affected area.

Land Ownership

The land ownership distribution and breakdown within the City of Needles' boundary and current sphere of influence are identified on the map below. Within its entire sphere, roughly 7% of the land is privately owned and the remainder, 93%, is public, which are devoted primarily to resource protection and recreational use.

City of Needles and Its Unincorporated Sphere of Influence
Land Ownership Breakdown (in Acres)

Ownership Type	City	Unincorporated Sphere	Total Sphere Area
Private	8,698 (43%)	28,021 (6%)	36,719 (7%)
Public Lands – Federal, State, & others	11,503 (57%)	456,876 (94%)	468,379 (93%)
Total	**20,201**	**484,897**	**505,098**

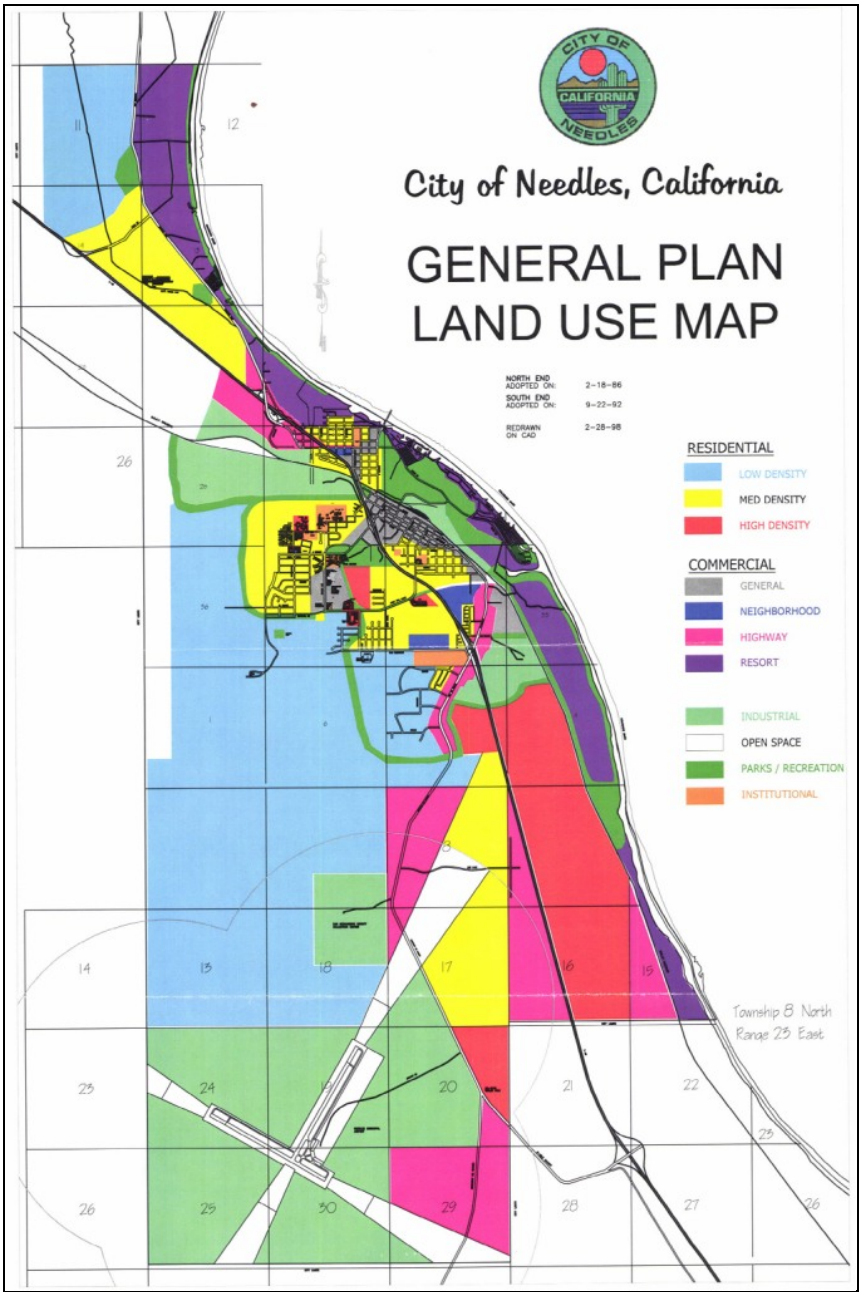


It should be noted that a portion of the reservation lands for the Fort Mojave Indian Tribe (approximately 6,136 acres) and the reservation lands for the Chemehuevi Indian Tribe (approximately 1,502 acres) are located within the City's unincorporated sphere of influence. This represents approximately 1.7% of the total public lands within the City's unincorporated sphere.

Land Use

Incorporated Area

Below is the current adopted General Plan land use and zoning map for the City of Needles (adopted in February 1986). Approximately 42% is Residential, 16% Commercial, 18% Industrial, 6% Open Space, 3% Parks and Recreation, 1% Institutional, 3% Others (i.e. highways, railroads, etc.), and approximately 11% has no land use designation[5].



[5] Current City General Plan Land Use Map does not show some areas as having a General Plan land use designation.

City of Needles General Plan Land Use
City Land Area = +/-20,201 acres

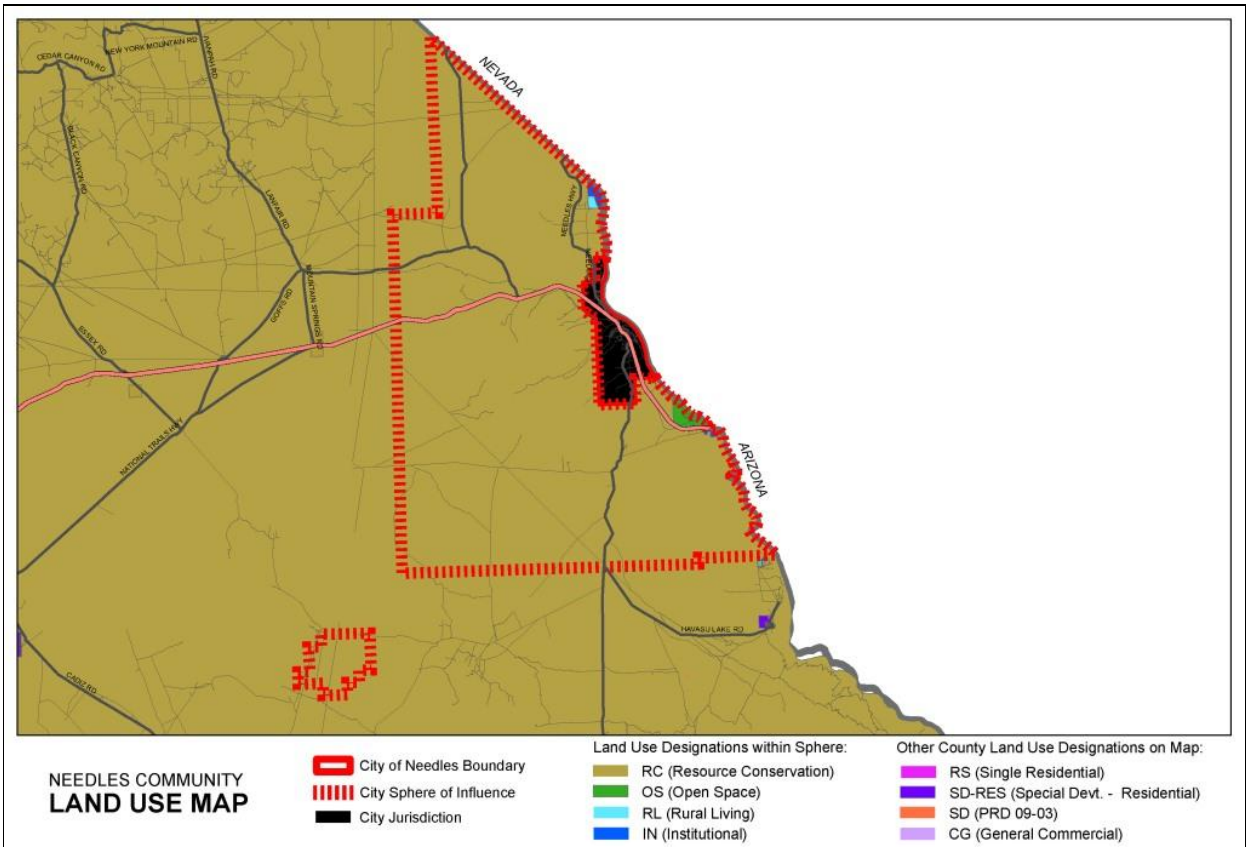
City's Land Use	% of Total Land Area
Residential – Low Density	25%
Residential – Medium Density	10%
Residential – High Density	7%
Commercial – General	1%
Commercial – Neighborhood	<1%
Commercial – Highway	8%
Commercial – Resort	6%
Industrial	18%
Open Space	6%
Parks/Recreation	3%
Institutional	<1%
Others	3%
No General Plan Land Use Designation[4]	11%
Total	**100%**

Unincorporated Sphere Area

Below is a map that identifies the County of San Bernardino's land use designations within the City of Needles' unincorporated sphere area. Within the City's unincorporated sphere area, approximately 99% is designated Resource Conservation, and the remainder 1% include Rural Living, Open Space, and Institutional land uses.

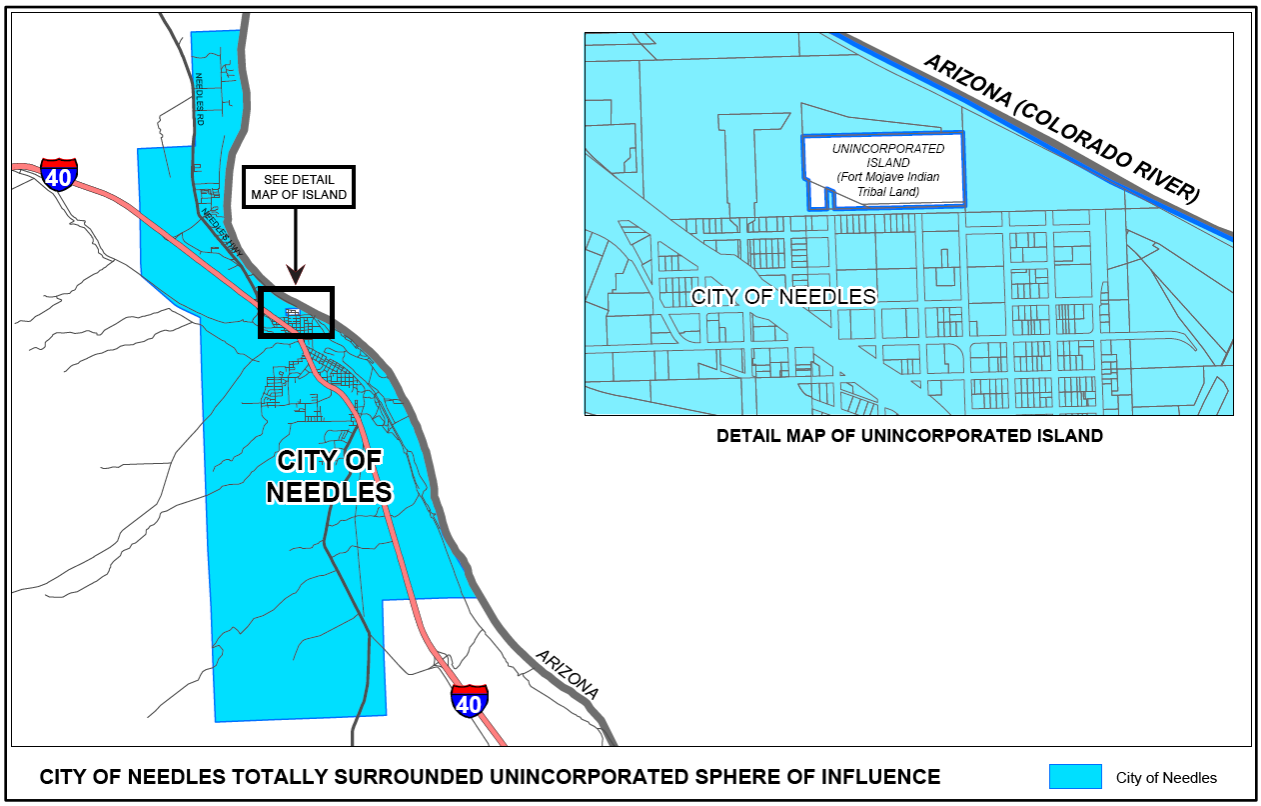
City of Needles' Unincorporated Sphere Area
General Plan Land Use Districts (In Acres)

County's Land Use	Acreage
Resource Conservation (RC)	480,828
Rural Living (RL)	431
Open Space (OS)	2,542
Institutional (IN)	1,096
Total	**484,897**



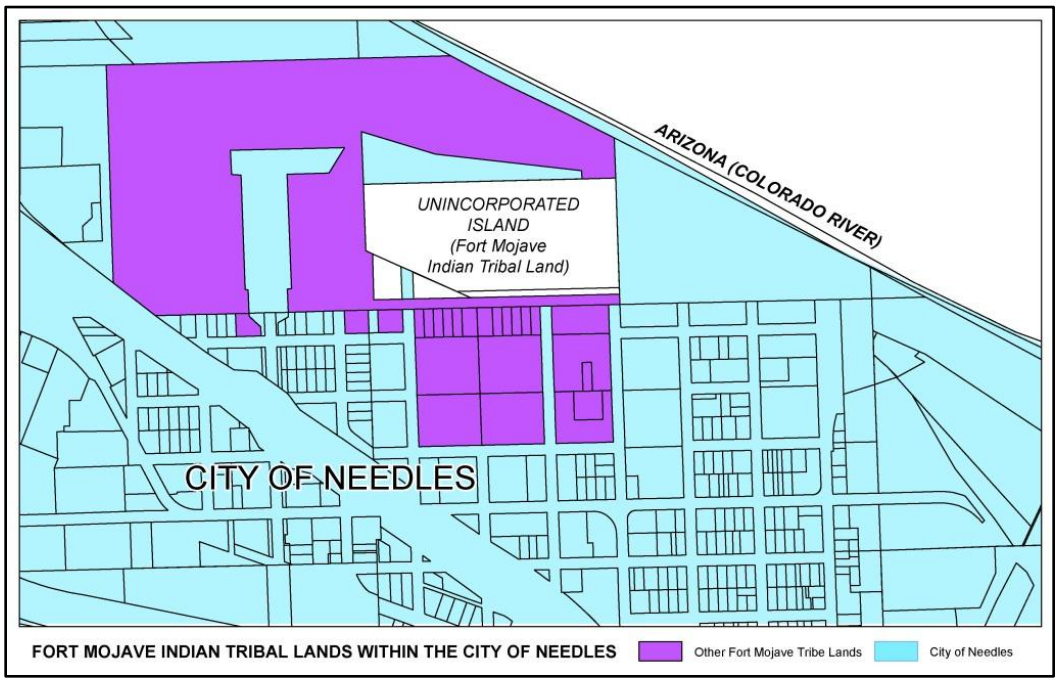
The one and only City of Needles totally surrounded island, which comprises approximately 18 acres, is part of the reservation lands for the Fort Mojave Indian Tribe. The City provides water and wastewater collection service to the Village through contract with the Tribe, and these services receive revenue from user charges rather than property tax revenue.[6]

[6] Additional discussion in this report on this total surrounded island is in Determination VI of the City's service review, page 86.



CITY OF NEEDLES TOTALLY SURROUNDED UNINCORPORATED SPHERE OF INFLUENCE

However, it should also be noted that there are other lands within the City's corporate boundaries that are also owned by the tribe (see map below). However, these lands were already in the City when they were transferred to the Fort Mojave Indian Tribe as tribal lands. The developed portion of these lands also receives water and wastewater collection services through the City.



Population

Historical Population

In order to fully understand the future of the City's population, a review of the historical population of the City and the nearby cities is provided. The community has long had an economic disadvantage in relation to the neighboring communities in Nevada and Arizona. As shown, the nearby areas in Arizona and Nevada have experienced vast and steady growth. Corresponding with this growth is a greater economic output. For the City of Needles, its population peaked in 1990, decreased in 2000, and increased by 0.03% by 2010.

	1970	1980	1990	2000	2010
City of Needles, CA	4,051	4,120	5,191	4,830	4,844
City of Bullhead City, AZ	n/a	10,364	21,951	33,769	39,540
City of Lake Havasu, AZ	n/a	15,509	24,363	41,938	55,567
Mohave Valley/Ft Mohave, AZ	n/a	n/a	6,962	15,995	21,687
Laughlin, NV	n/a	n/a	n/a	7,076	7,323

Source: Census

Population Projections

The projected growth for the City's boundaries was calculated utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the City of Needles for the given periods and the use of average annual growth

rate. By 2040, the population within the City is estimated to reach 8,767. This represents a projected annual growth rate of approximately two percent between 2010 and 2040, which also represents a total population increase of 81 percent from 2010.

City of Needles Population Projection 2010-2040 - SCAG

Census[7]			Population Projection					
1990	**2000**	**2010**	**2015**	**2020**	**2025**	**2030**	**2035**	**2040**
5,191	4,830	4,844	5,370[8]	5,954[9]	6,559[10]	7,225	7,959	8,767

Based on the actual Census data for 2000 and 2010, the City has not experienced any significant growth in the last 10 years. In fact, going back 20 years, the population within the City has actually declined approximately 7%.

In order to represent a more realistic growth projection for the community, LAFCO staff revised the projections between 2010 and 2040 based on the actual growth rate the area experienced the past 30 years using Census data between 1980 and 2010. As shown in the revised projection table below, it is estimated that the population within the City is expected to reach only 5,665 (instead of 8,767) by 2040, or a total population increase of just 17 percent (instead of 81 percent) from 2010.

LAFCO Revised City of Needles Population Projection 2010-2040

Census	Population Projection					
2010	**2015**	**2020**	**2025**	**2030**	**2035**	**2040**
4,844	4,976	5,113	5,252	5,396	5,544	5,665

Build-out

The table below provides the potential build-out within the City's territory. This build-out scenario takes into consideration the existing land use designations assigned for all the private lands within the City's boundaries and the maximum dwelling unit densities assigned for each residential land use.

[7] Data derived from the 1990, 2000, and 2010 Census for the City of Needles.
[8] 2015 projection were calculated using Average Annual Growth Rate based on the compounded rate between 2010 and 2020
[9] 2020 and 2035 population data was taken from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast using local input and latest data from the 2010 Census, the California Employment Development Department, and the California Department of Finance - (published May 2011).
[10] 2025, 2030, and 2040 projections were calculated using Average Annual Growth Rate based on the compounded rate between 2020 and 2035.

Land Use Maximum Build-Out
Within the City of Needles

Land Use	Acreage	Density (D.U. Per Acre)	Maximum Build-out (DU's)
Residential – Low Density (0-7 du/ac.)	1,130	7	7,910
Residential – Medium Density (8-17 du/ac.)	1,050	17	17,850
Residential – High Density (18-30 du/ac.)	1,065	30	31,950
Total Residential	**31,446**		**57,710**

The revised population projections identified earlier indicates that the population within the City's territory will be 5,665 by 2040. Based on the maximum residential build-out within the City's territory, the projected maximum population is anticipated to reach 146,930[11]. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the City's territory will be 2,225 with a maximum potential build-out to reach approximately 57,710. These imply that the study area will reach four percent of its potential maximum household and population capacity by 2040.

Population and Household Projection
Within the City of Needles

	Projection 2040	Maximum Build-out	Ratio of 2040 Projection with Maximum Build-out
Population	5,665	146,930	0.04
Households	2,225	57,710	0.04

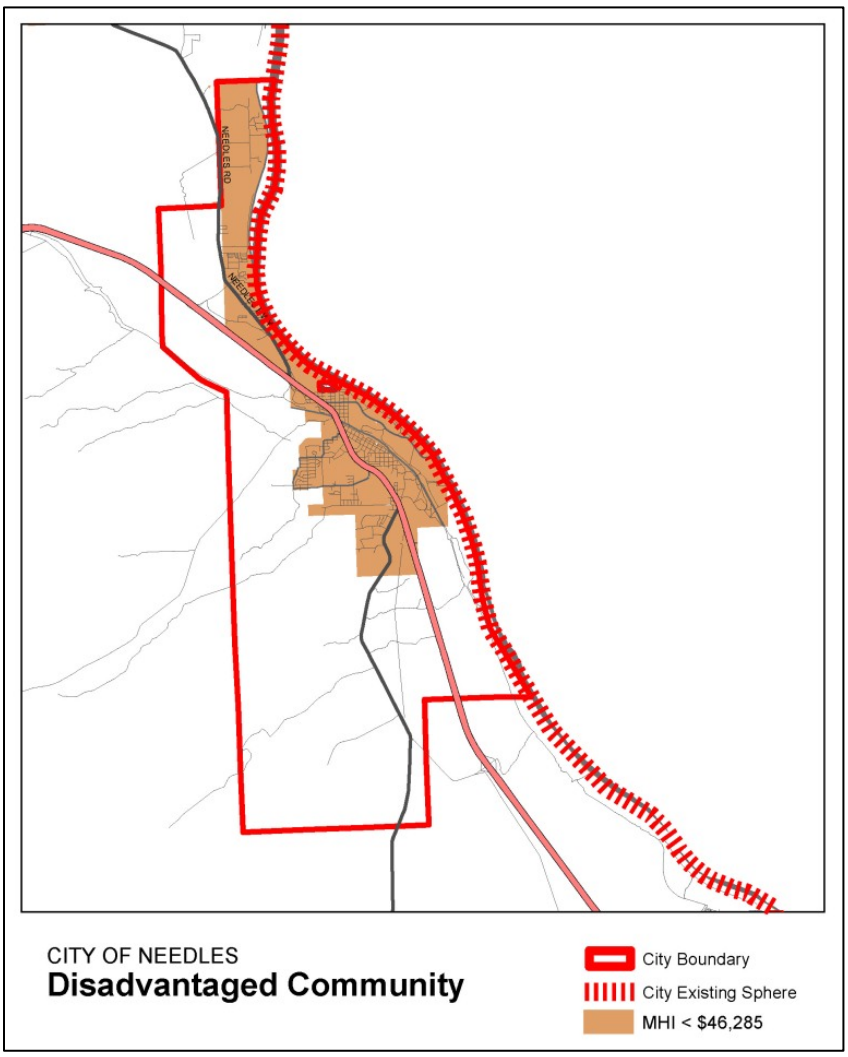
For purposes of planning and designing infrastructure and future service delivery, the seasonal and tourism population must be considered. As the population increases so does the need for service. Any future projects will increase the need for municipal services within the City's existing boundaries as well as within the surrounding unincorporated territory.

[11] Source: Persons per household @ 2.546 based on the ratio for the City of Needles as identified in the State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark. Sacramento, California, May 2010.

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

Beginning January 2012, LAFCO is now required to determine the location and characteristics of disadvantaged unincorporated communities (hereafter shown as DUC). DUCs are those communities that have an annual median household income that is less than 80 percent of the statewide annual median household income, which is under $46,285 (defined by Government Code Section 56302). Based on a combination of the Commission's definition of a DUC and the use of Census Bureau data[12], there are no disadvantaged unincorporated communities within or contiguous to the City's sphere of influence.

However, as shown on the map below, within the City of Needles, the majority of its urban core would be considered a 'disadvantaged community'.



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

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

The City is classified as a "contract city". This term is defined by the State of California as a city which has a contract with another agency or private organization for the provision of various governmental services. Such cities provide many of the basic services (i.e. law enforcement, engineering, libraries, and park) through contracts with outside entities with the contract specifying the levels of service to be provided and the financial compensation for the service. Most cities in California which incorporated after Proposition 13 did so as contract cities as a cost savings measure.

As a municipality, the City is responsible for law enforcement and fire protection within its boundaries and has chosen to contract with the County Sheriff's Department and San Bernardino County Fire Protection District for these services. The City provides some services directly within its limits such as water, wastewater, electricity, parks and recreation (includes cemetery), roads, streetlights, and hospital.

A. Water

Information for the Water section of this determination was gathered from the Lower Colorado Water Supply Project, CA Department of Public Health, County of San Bernardino Department of Environmental Health Services, CA Department of Water Resources, and the City of Needles. Not available for this review is information related to the exact locations of the City's water facilities.

Regional Water

The Needles and Havasu Lake communities are within the State's defined Colorado River Hydrologic Region. The relatively saline Colorado River provides irrigation and domestic water to much of Southern California. Of recent concern to human health is the presence of low levels of perchlorate in the Colorado River from a Kerr-McGee chemical facility in the Las Vegas Wash, the nation's largest perchlorate contamination site. In addition, high levels of hexavalent chromium occur in groundwater wells near Needles. Septic systems at recreational areas along the river are also a concern for domestic and recreational water uses.[13]

As a result of a 1964 U.S. Supreme Court decree in *Arizona v. California*, California's basic apportionment of Colorado River water was quantified, and five lower Colorado River Indian Tribes were awarded 905,000 acre-feet per year of diversions, 131,400 acre-feet of which were allocated for diversion in and chargeable to California pursuant to a later supplemental decree. Three of the five tribes – the Fort Mojave Indian Tribe,

[13] Department of Water Resources, Bulletin 160-09, California Water Plan Update 2009, Vol. 3 - Colorado River Hydrologic Region.

the Fort Yuma-Quechan Indian Tribe, and the Colorado River Indian Tribe – are pursuing additional water rights related to the boundary land claims. A settlement has been reached on the claims of the Fort Mojave Indian Tribe and the Colorado River Indian Tribe. The settlements, as approved by the U.S. Supreme Court, provide 5,122 acre-feet of additional diversions to these two tribes.[14]

Lower Colorado Water Supply Project

In the 1980s, it was recognized that Needles and others along the Colorado River did not have rights for their current and future water supply needs. On November 14, 1986, Congress enacted the Lower Colorado Water Supply Act of 1986 ("Act"). This Act authorized and appropriated funds for the Bureau of Reclamation ("BOR") to construct the Lower Colorado Water Supply Project ("Project"). The Project consists of well field facilities in the Sand Hills along the All-American Canal in Imperial County with sufficient capacity to supply up to 10,000 acre-feet of exchange water to be made available to eligible entities along the Colorado River in California. As authorized by Congress, the Project is to "...supply water for domestic, municipal, industrial, and recreational purposes only." Water for agricultural uses is not available under the Act. The Act defines eligible Project beneficiaries as "persons or Federal or non-Federal governmental agencies whose lands or interests in lands are located adjacent to the Colorado River in the State of California, who do not hold rights to Colorado River water or whose rights are insufficient to meet their present or anticipated future needs as determined by the [Interior] Secretary." Without this Project, entities such as the City of Needles might not have a water supply to meet its future growth.

The City and the BOR entered into a contract to implement this provision of the Act which allows water pumped from the Colorado River and consumptively used to be exchanged for an equivalent quantity of replacement ground water to be pumped from the Project and delivered into the All-American Canal. The contract designates the City as administrator on behalf of the Bureau of Reclamation to administer the Project for non-federal and non-Indian subcontractors. According to the contract, Needles enters into subcontracts with the Project beneficiaries, based upon recommendations of eligibility to receive Project water from the Colorado River Board and approval from the Bureau of Reclamation. The City performs all of the administration and accounting for the Project. Additionally, through the subcontracts, Project water is being attached to the land; so if there is a change in ownership, water will continue to be available on these lands.

The contract identifies that the City's service area [for the purposes of this contract] is San Bernardino County and that lands eligible to receive Project water under the administration of the City are lands within San Bernardino County which are adjacent to the Colorado River. The contract reads that the area "adjacent to the Colorado River" is to be determined by the Contractor [City] after consultation with the Colorado River Board of California. According to the Colorado River Board of California's[15] "Question

[14] Department of Water Resources.
[15] The Colorado River Board of California was established in 1937 by State statute to protect California's rights and interests in the resources provided by the Colorado River and to represent California in discussions and negotiations

and Answer Sheet" for the Project, the City of Needles and BOR are in the process of amending that contract to extend the City's administrative responsibility to include other Project beneficiaries in Imperial County and Riverside County with the exception of federally administered and Indian lands.

Bulk Hauled Water

In remote areas of the south desert, the hauling of domestic water is the sole means for domestic water. In a joint letter to the county planning and building departments in 2003, the California Department of Health Services[16] and the California Conference of Directors of Environmental Health specify that, "bulk hauled water does not provide the equivalent level of public health protection nor reliability as that provided from a permanent water system or from an approved onsite source of water supply."

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

> *Water furnished by a domestic hauler shall not be used as a source of water by any public water supply system unless it has been demonstrated to DEHS (Department of Environmental Health Services) that there are no reasonable means of obtaining an acceptable quality and quantity of groundwater, and that water treatment methods have been approved by DEHS. Exception: During an officially declared state or local emergency, a public water system may utilize hauled water as a temporary source of supply.*

LAFCO staff is unaware at this time of the designation of any licensed bulk water haulers within the City of Needles or Lake Havasu areas.

Local Water

According to the CA Department of Public Health, the City in 2011 had 1,914 connections (141 inactive) and all connections are metered. The City is not classified as an urban water supplier because it does not have more than 3,000 connections or supplies more than 3,000 acre-feet. Therefore, the City is not required to submit an Urban Water Management Plan to the State every five years.

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regarding the Colorado River and its management. It is currently organized under the State Natural Resources Agency.

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

CA Department of Public Health Survey

In February 2013, the CA Department of Public Health ("Department") completed a survey of the City's water supply facilities and operations. The system was found to be generally well maintained with corrections needed in operations. Areas that need to be addressed are valve exercise/maintenance and ensuring all backflow devices are tested annually. The survey report recommends that adequate planning for pipeline replacement due to the system age should be provided, even though no major problems have been reported. Further, the survey states that the City needs to ensure continued funding is maintained and projects prioritized in a Capital Improvement Plan. A response from the City is due to the Department by May 17, 2013 along with a plan to correct the deficiencies indicated in the deficiency list. Excerpts from the report are included below.

Water Source

Ground water is the sole source of the Needles water supply. The Needles service area overlies one groundwater basin, historically identified by the California Department of Water Resources as the Needles Valley. The DWR's Bulletin 118 (last updated February 2004) describes the Needles Valley Groundwater Basin as follows:

> *This basin underlies the portion of Mohave Valley that lies in eastern San Bernardino County. It is bounded by the Colorado River on the east and by nonwater-bearing rocks of the Dead Mountains on the northwest, of the Sacramento Mountains on the southwest, of the Chemehuevi and Whale Mountains on the south. The Mohave Valley, and its underlying groundwater basin, extends into Nevada and Arizona. The surface is drained by Piute Wash eastward to the Colorado River. Annual average precipitation ranges from about four to six inches.*
>
> *Recharge of the basin is chiefly from percolation of Colorado River, with deep percolation of irrigation water and precipitation, and subsurface inflow as minor additional sources. Groundwater levels generally fluctuate within an annual range of two feet except near pumping wells, irrigated land, and the river. About 150,000 af/yr of water infiltrates the Mohave Valley directly from the Colorado River, which mainly supports consumptive use.*

The City's wells are approximately 100 feet deep and the City has identified that they are located in the "lower part" of the City (no map reference provided). The first figure below shows the well production from 2002-2011. Water production peaked in 2007 and has decreased overall since then by 34%. This can be attributed to increased conservation methods coupled with a decrease in population. The second figure below identifies that Well 12 has the highest capacity, at 2,000 gallons per minutes. This well is also used for golf course irrigation.

Table 2: Production Data for Past Ten Years (2002-2011)

Year	Maximum Day, MG	Maximum Month, MG	Month	Annual Produced, MG
2011	2.50	64.2	July	572.8
2010	2.92	76.3	July	583.5
2009	3.03	76.9	May	676.2
2008	2.62	71.7	July	603.4
2007	4.66	99.1	July	871.0
2006	4.05	73.4	June	669.9
2005	3.91	89.0	June	825.9
2004	2.82	70.5	July	587.5
2003	4.37	85.5	July	651.6
2002	3.31	80.5	August	649.5

Notes: Source is Annual Reports submitted to the Department. Amounts include water sold to Fort Mojave Indian Tribe. NA = not available.

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

Table 3: City of Needles Sources

Sources	Status	Capacity (gpm)	Comments
Groundwater			
Well 8	Active	700	
Well 11	Active	1,800	
Well 12	Active	2,000	Used for golf course irrigation. Has manganese above MCL.
Well 15	Pending	--	2,000 gpm anticipated
	TOTAL	4,500	6.48 MGD.
Surface Water – NONE			
Connections with other systems			
Fort Mojave Indian Tribe* (Arizona Village)	Active	145 gpm	0.21 MGD. 2011 maximum sold via one-way 3 inch connection.

Notes: Capacities provided by Jerry Porter during survey. Need recent pump tests. *The City also has a 6 inch connection with California Village but is considered a service connection.

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

The figure below identifies if the City's wells meet maximum daily demand (MDD) and Peak Hourly Demand (PHD). As shown, the wells meet MDD and PHD but do not meet MDD when the highest capacity source (Well 12) is offline.

Table 4: System wide Source Capacity Compliance

Requirement for capacity	Demand	Capacity	Meets Requirement (Capacity ≥ Demand)
MDD at all times	4.66 MGD	6.48 MGD	Yes
MDD with high cap. source off	4.66 MGD	3.6 MGD	No
4 hrs PHD	0.29 MG/hr	0.27 MG/hr + 0.08 MG	Yes (Source+Storage)

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

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

The CA Dept. of Public Health Survey describes the following for the City's water supply:

> *All well sites were visited and all were found to be in sanitary conditions with minor corrections. Since the previous inspection, the City has destroyed Wells 6, 7, and 10. With the addition of the new Well 15 the City is in compliance with the source capacity requirements of the Waterworks Standards. The Department requests that pump tests be completed for all wells and boosters to obtain a calibrated flow.*
>
> *All wells have elevated total dissolved solids (TDS) near/at the short term secondary maximum contaminant level (MCL) of 1,500 mg/L. If levels are exceeded, the City may need to provide treatment or evaluate consumer acceptance and request a nine-year waiver. It is recommended that the City investigate additional sources.*

A response from the City is due to the Department by May 17, 2013, (beyond the timeframe of this report) which may include information as to how it would investigate additional sources to remedy TDS levels.

<u>Storage</u>

Water storage is provided by two 1.5 million gallon tanks for the lower pressure zone next to the Rodeo Grounds and one 1.5 million gallon tank and one 100,000 gallon tank out Parkway Street for the upper pressure zone. Total storage is 4.5 million gallons.

Table 6: City of Needles Storage Reservoirs

Reservoir Name	Type	Capacity (MG)	Zones Served	Notes/Comments
East Tank	Welded Steel	1.5	Zone 1	Last int. coating 1967
West Tank	Welded Steel	1.5	Zone 1	Last int. coating 1988
High Tank	Welded Steel	1.5	Zone 2	Last int. coating 1990
100K Tank	Welded Steel	(0.1)	Zone 2	Last int. coating 1958? Offline, used for emergencies
	Total Storage	**4.5 MG**		Excludes 100K tank.

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

Distribution

Water distribution consists of 66 miles of lines varying in diameter from 2" to 16". New water mains are a minimum of six-inch. Lines are constructed of ductile iron, asbestos cement, steel and plastic pipe. Of the 66 miles of distribution lines, 29 miles are classified as water mains. In 1994 there was 57,000 feet of downtown mains replaced and a total of at least 11.7 miles of main have been replaced since 1993 with PVC C-900, approximately 40% of the distribution system.

Table 9: Main Composition

Material	Amount (ft or %)	Size	Class/Gage	Condition
CI/steel	6,074 ft	2 in		CI/steel > 22 years
AC / CI/steel	3,861 ft	4 in		CI/steel > 22 years
AC / PVC	30,478 ft	6 in	C900-150	Majority of PVC 1994. AC > 22 yrs
AC / PVC	49,425 ft	8 in	C900-150	Majority of PVC 1994. AC > 22 yrs
AC / PVC	22,422 ft	10 in	C900-150	Majority of PVC 1994. AC > 22 yrs
AC / PVC	26,129 ft	12 in	C900-150	Majority of PVC 1994. AC > 22 yrs
AC	15,991 ft	16 in		AC > 22 years
TOTAL	**154,380 ft**	**29.2 mi**		

Notes: Source of amounts provided by City during survey. Approximately 59% of the distribution system is asbestos cement, 40% PVC with the remaining comprised of PVC and a minor amount cast iron/steel.

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

The CA Department of Public Health Survey describes the following for the City's distribution:

> *The City has approximately 6,074 ft of main that is less than minimum 4 inch. The City does not have a valve exercise program and has exercised less than 16 percent of system valves in the past three years. This was identified as a deficiency in the 2000 Annual Inspection and is a continuing deficiency.*
>
> *The Department notes that the City is currently short staffed and has been unable to dedicate the time needed to fully implement the valve maintenance program. However, the City should take steps to address valve maintenance and ensure that adequate staffing is available for the maintenance of the distribution system. The Department requests that the City submit a Valve Maintenance Program plan for review.*
>
> *In the past three years not all backflow devices have been tested annually as required. The City needs to ensure that all active connection with backflow devices are tested annually.*

The 2-inch and estimated portion of the 4-inch pipe representing approximately 5% of the City's system in need of replacement represents a significant cost for the City.

Pump Facilities

The City has two booster stations and no pressure reducing stations. Adequate pressure is maintained throughout the system. The CA Department of Public Health Survey describes the following for the City's pump facilities:

> *The booster facilities were found in need of general maintenance during the survey. It is recommended that the diesel booster at the Lillyhill Station be periodically tested and that records be maintained. All wells pump into the Lower Zone and the Upper zone is served solely by booster. In the event of a power outage, only the Lillyhill diesel booster can supply water to the Upper Zone. The City does not have emergency generators or hook-ups for generators. It is recommended that the City consider providing hook-ups for emergency generators at the wells and booster stations to provide reliability.*

Water Quality Monitoring

According to the 2011 Water Quality Consumers Confidence Report (included as a part of Attachment #2), arsenic and nitrates were detected; however, all are below the state and federal regulations for maximum contaminant level and meet the primary drinking water standards.

The CA Department of Public Health Survey describes the following for the City's water quality monitoring:

> *The City is currently in compliance with all source monitoring. For distribution monitoring, the City missed the 2012 round of lead and copper monitoring and will need to complete monitoring this year sometime between June and September.*

City's Water Planning

The City has divided its planning for its utilities (water, wastewater, electricity) into six sections (map included as a part of Attachment #2). The sections start in the south with Section A and work northward. Particular to water service, the current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) - The City does not provide service. There are no plans for service to this area, except if Pirate Cove expands and requests connection to the City system.

- Section B (south City boundary to downtown) – The City provides water service to this section. This area, during the strong economic period, was planned to be utilized for commercial and industrial projects, allowing developers to install infrastructure. All projects have ceased and no infrastructure installations are planned. One solar project at the old landfill is still in the preliminary phase. Connections have steadily decreased.

- Section C (downtown) - The City provides water service to this section. Well 10 is currently being replaced and the Well #15 treatment facility may be replaced depending on level of iron/manganese. Connections have steadily decreased.

  The City has an out-of-agency service agreement with the Fort Mojave Indian Reservation Village for water service. The City supplies the Village with a master water meter – houses in the Village have individual meters and the Tribe bills each individual meter with payment in sum to the City. There is a one-way interconnect agreement with the Tribe for emergency situations only.

- Section D (downtown to Budweiser Road) – The City does not provide water to this area. This area continues to grow with single family residential homes; the City requires a minimum 1-acre lot for wells/septic; the area is expected to experience ongoing development, with a strong potential for developer(s) to provide infrastructure improvements.

- Section E (Budweiser Road to north sphere limits) – The City does not provide water to this area. This area is being proposed for several solar projects and may require access to water, depending on the technology.

- Section F (within western sphere of influence) – The City does not provide water to this area and there are no plans for service.

B. Wastewater

Information for the Wastewater section of this determination was gathered from the Colorado River Regional Water Quality Control Board and the City of Needles. Not available for this review is information related to the exact locations of the City's water facilities.

Regional Wastewater

The City of Needles is located within the Colorado River Water Basin regulated by the Colorado River Regional Water Quality Control Board ("Colorado Water Board"). The regulating document for this region is the Water Quality Control Plan, which was adopted by the Board in 1993, and last amended in November 2002. The Colorado Water Board is currently in the process of developing and updating various regulatory requirements concerning urban runoff, septic systems, groundwater and surface waters in their jurisdiction.

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

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

Currently, for larger, non-residential systems, the Colorado Water Board requires that "no part of the subsurface disposal systems shall be closer than 150 feet to any water well or closer than 100 feet to any stream, channel, or other water source." The Colorado Water Board also requires that a sufficient amount of land shall be reserved for a possible 100 percent replacement of the septic system. The Colorado Water Board also defers to the local agency for structural setback guidelines.

Local Wastewater

City's Wastewater Department is responsible for managing the City's sanitary sewer collection system. The collection system consists of 19.25 miles of sewer line 3.6 miles of force main, four lift stations, 390 manholes, and a 11.2 mgd wastewater treatment plant. The sewer system was first installed in 1950.

The City has four lift stations that transport the wastewater to the treatment plant where the effluent is pumped to the City's percolation ponds located behind Bashas Center. Here the water percolates back into the ground and replenishes the groundwater basin. The City's sewer collection system does not include all developed properties within the northernmost and southernmost portions of the City. In these areas along the river the population is sparse and spread, remaining on septic systems.

The current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) - The City does not provide service. There are no plans for service to this area.

- Section B (south City boundary to downtown) – The City provides service to this section. There are no plans for expanding service in this area.

- Section C (downtown) - The City provides service to this section. The lines were installed in the 1950s, and maintenance is ongoing. A treatment facility was brought online in 2001, with a daily capacity of 1.3 million gallons; current capacity is at 300,000 gallons per day. Infrastructure improvements are proposed as a part of the El Garces Renovation project, which is currently on hold pending the release of funds.

  The City has an out-of-agency service agreement with the Fort Mojave Indian Reservation Village for wastewater service. The Tribe is responsible for collection and transportation of effluent to the City's mainlines. The City is responsible for transportation to its treatment facility and treatment of the effluent.

- Section D (downtown to Budweiser Road) – The City does not provide service to this area. This area continues to grow with single family residential homes; the City requires a minimum 1-acre lot for wells/septic; the area is expected to experience ongoing development, with a strong potential for developer(s) to provide infrastructure improvements.

- Section E (Budweiser Road to north sphere limits) – The City does not provide service to this area. This area is being proposed for several solar projects and may require access to water, depending on the technology.

- Section F (within western sphere of influence) – The City does not provide service to this area and there are no plans for service.

A review of the Colorado Water Board's website does not indicate any enforcement orders within the past five years for the City of Needles.

C. Electricity

Needles Electrical System

The electrical system is administered and operated by the City's Needles Public Utility Authority ("NPUA"). The NPUA Board makes recommendations to the City Council for its action; City Council Members are also the NPUA managing body. The City and NPUA entered into a separate agreement wherein the City has agreed to continue to manage and administer the utility operations. As a result, the City performs the customer billing and collection function and pays the expenses related to the utility operations. NPUA reimburses the City on a monthly basis for expenses incurred.

According to the City, prior to 2007, the City purchased its non-hydro power from NV Energy (formerly Nevada Power). The NPUA engages in the purchase, resale, transmission, and distribution of electric power and has an allocation of the Federal Hydro Resources from the Parker-Davis Project.[17] Additionally, since 2008, the City operates with a contract with the Western Area Power Administration[18] ("WAPA") of the

[17] In 1954, the Parker Dam Power Project and the Davis Dam Project were consolidated to form the Parker-Davis Project. The major works include Davis (originally named 'Bullshead') Dam and Powerplant, Parker Dam and Powerplant, a high-voltage transmission system, and substations which sectionalize the long transmission lines. The original capacity of the Davis Powerplant was 225,000 kilowatts. Between 1973 and 1976, the generator stator windings were replaced, increasing the capacity of the powerplant to 240,000 kilowatts. The rated capacity of the Parker plant is 120,000 kilowatts. The transmission system currently includes more than 1,500 miles of high-voltage transmission lines and 32 substations. Parker Dam and Davis Dam are located on the Colorado River, 155 miles and 67 miles, respectively, downstream of Hoover Dam. Accessed from the Parker-Davis Project website on 2 Dec 2012. Last update 11 May 2011. http://www.usbr.gov/projects/Project.jsp?proj_Name=Parker-Davis%20Project

[18] Western is a wholesale power provider. Western's mission is to market and deliver reliable, renewable, cost-based hydroelectric power and related services within a 15-state region of the central and western U.S. whose role is to market and transmit electricity from multi-use water projects. They, in turn, provide retail electric service to millions of consumers in the West. The transmission system carries electricity from 56 power plants operated by the Bureau

Department of Energy for transmission, marketing, power scheduling, and management services provided by WAPA (WAPA Contract No. 08-DSR-11916). WAPA also purchases all of the City's non-hydro power.

The current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) – Service is provided to the Park Moabi/Pirate Cove facility located outside of the City's boundaries, within its sphere of influence. An upgrade is proposed as part of the expansion plans for Pirate Cove, planned to begin in late 2012/early 2013. Additionally, there is ongoing replacement of old equipment, including poles/transformers.

- Section B (south City boundary to downtown) – Service is provided to the Needles Airport, Towne Center Shopping, and residential areas. A service expansion is planned for a proposed solar project at the old landfill. This project is still in the preliminary stages with the developer to pay for a new line.

- Section C (downtown) - The City provides service to this section. Upgrades are proposed, including replacement of old equipment including poles, transformers, and wires. Additionally, there is ongoing replacement of old equipment, including poles/transformers. The City identified that is does not provide electrical service to the Fort Mojave Indian Reservation Village.

  In May 2008, the Fort Mojave Indian Tribe through its Aha Macav Power Service ("AMPS") completed the engineering, procurement, construction, and energization of a new interconnection with the City. This project serves to enhance the reliability of transmission service to the City. The project has been possible through a contractual relationship between the federal government, WAPA, City, and AMPS.[19] In addition, according to the City letter dated February 20, 2013, the City and AMPS have informal mutual aid agreements to provide emergency services to each other on an ad-hoc basis.

- Section D (downtown to Budweiser Road) – The City provides service to this area. This area is served to capacity, with an upgrade underway. The transmission line upgrade is to be paid by WAPA. Additionally, there is ongoing replacement of old equipment, including poles/transformers.

- Section E (Budweiser Road to north sphere limits) – The City provides service to this area. The transmission line upgrade is to be paid by WAPA.

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of Reclamation, U.S. Army Corps of Engineers and the International Boundary and Water Commission, and one coal-fired plant. Accessed from the WAPA website on 2 Dec 2012. Last Update unknown. http://ww2.wapa.gov/sites/Western/about/Pages/default.aspx

[19] Fort Mojave Indian Tribe. Website. http://ahamacav.com. Accessed 10 Dec 2012. Last update unknown.

- Section F (within western sphere of influence) – The City does provides service to the railroads, generally where the rail lines cross Interstate 40.

PUC Audit of the Needles Electric Distribution Facilities

The City's electrical system, as a publically-owned utility, is under jurisdiction of the California Energy Commission. In September 2012, the California Public Utilities Commission ("PUC") conducted an audit of the City of Needles' Electric Distribution Facilities. The PUC does not have direct oversight of publically-owned utilities (it regulates investor-owned utilities). However, according to the City, in this instance the PUC is endeavoring to usurp the CEC's authority with respect to infrastructure utilizing recently adopted PUC General Orders. The PUC requested, and the City allowed, a review of records and field inspections of the City's facilities. During the audit, the PUC identified violations of one or more PUC General Orders. An explanation of the violations, as identified in the audit, is as follows:

- *The City of Needles does not inspect its facilities frequently; it only inspects facilities reported by the public, or its personnel, as having a problem. The City of Needles does not inspect its distribution facilities as specified in Table 1 of General Order 165* ["Inspection cycles for electric distribution facilities"].

- *The City of Needles does not inspect its facilities thoroughly. The City of Needles does not identify and document all General Orders 95* ["Overhead electric line construction"] *& 128* ["Construction or underground electric supply and communication systems"] *violations during its detailed inspections. In addition, the city of Needles does not record the date of corrective action.*

- *The City of Needles does not submit an annual report to the Commission detailing its compliance with General Order 165.*

- *The City of Needles does not notify communication companies of any safety hazards discovered on their facilities during its inspection.*

- *During the audit, we observed many line switches and line disconnects with grounded metal operating rods passing through the supply and communication conductor level that were not protected with a suitable protective covering.*

- *During the audit, we observed many jointly used poles with a vertical run or a riser without pole steps.*

- *During the audit, we observed many pad-mounted transformers that were not secured in place (bolted down).*

The audit cover letter requested the City to advise by November 16, by electronic or hard copy, of all measures taken by the City of Needles to remedy and prevent such violations. However, the City replied informally via telephone discussion and has not prepared any documentation. According to the City, it fully cooperated with the PUC auditors and will

make best efforts to meet the targets set by the PUC audit; however, lacking personnel and financial ability by the NPUA meeting the targets is anticipated to be a challenge.

D. Parks and Recreation (includes Cemetery)

The City of Needles has approximately 42 acres of recreational opportunities made up of park and recreational areas.

City Facilities

Parks

Following is a list of the parks with acreage and respective purposes:

PARK	ACRES	TYPE
River's Edge Golf Course	6.02	Soccer Field/Park
Duke Watkins Park	6.02	Playground & Turf, Skate Park
Ed Parry Ballpark	4.60	Baseball Field
Franz Flowers Ballpark	3.31	Softball Field
Nikki Bunch Ballpark	3.25	Softball Field
Jack Smith Park & Launching Facility	11.16	Marina/Boat Launch / Playground
Rodeo Grounds	5.72	Rodeo/Special Events
Santa Fe Park & El Garces Depot	0.82	City Park/WWI Monument
Manny Morris Beach side Park	1.4	Turf / Cabanas with adjoining Public Beach along river.

Quimby Act

The Quimby Act (Government Code sections 66477 et seq.) authorizes jurisdictions to require developers to set aside land for open space or pay in-lieu fees for park improvements. The goal of the Quimby Act is to require developers to help mitigate the impacts of property improvements. This ensures that jurisdictions adopt Quimby Act standards and provide three to five acres of open space per 1,000 persons. The City's

existing General Plan park standard is four acres of parkland per 1,000 persons.[20] The City currently has 42 acres of parkland, which includes parks and special use areas. LAFCO staff is unaware of any undeveloped parkland sites. As shown below, based upon both population projections (SCAG and LAFCO) and the current acreage of parkl/open space, the City would not need to obtain additional parkland through 2040.

	2010	2015	2020	2025	2030	2035	2040
2010 parkland/open space acreage	42	42	42	42	42	42	42
Population – LAFCO projections	**4,844**	**4,976**	**5,113**	**5,252**	**5,396**	**5,544**	**5,665**
Acreage (4) per 1,000 - City standard	19.4	19.9	20.45	21.01	21.58	22.18	22.66
Population – SCAG projections	**4,844**	**5,370**	**5,954**	**6,559**	**7,225**	**7,959**	**8,767**
Acreage (4) per 1,000 - City standard	19.4	21.5	23.8	26.2	28.9	31.8	35.1

Other Community Facilities and Activities

In addition to parks, the City offers a range of community facilities and activities.

- The Duke Watkins Park includes the Needles Skate Park which was built with grant funds from the Tony Hawk Foundation.
- The Needles Municipal Aquatic Center was dedicated in 1990. It contains a 25-yard competition size swimming pool, a slide, and a kid play area that features a wading pool. There is a park within the complex, complete with shade trees, picnic tables/benches and barbecue stands.
- The Parks Department offers recreation programs including: recreation classes, aquatic programs, sports programs, summer day camp, field allocation, facility rentals, special events, and an after school program.
- The Senior Citizens Center has several services to offer including transportation to medical facilities, shopping and appointments around town, and a senior noon meal program including home delivery to eligible participants.
- Rivers Edge Golf Course is owned and operated by the City of Needles, and offers a championship par 71, 18 hole golf course. It is the only golf course in the tri state area located on the Colorado River.

Other Facilities

Nearby natural attractions include the Colorado River, Mojave National Preserve, Mitchell Caverns Natural Preserve, Havasu National Wildlife Refuge, Topoc Gorge, and the County's Moabi Regional Park.

Moabi Regional Park is the most-attended park in the county's system. If offers camping, fishing, swimming, boating, and water skiing. In 2008, the County Board of Supervisors approved roughly $600,000 in upgrades to improve the recreational vehicle camping area by allowing for full utility hook-ups. The park currently has 100 recreational vehicle camping spaces grouped into 25 sets of four each.

[20] City General Plan, Open Space and Recreation Element, Principals and Standards #8, pg. IV-6.

Cemetery

In 1994 the dissolution of the Needles Public Cemetery District was completed by LAFCO and the City was designated as the successor agency. The dissolution transferred the Cemetery District's share of the general ad valorem property tax to the City to continue the service. The City operates the Needles Riverview Cemetery through its parks and recreation department. The Cemetery is an endowment care cemetery meaning that it charges for and receives funds for the perpetual care of the gravesites. The endowment fund is impressed with a public trust and the City is obligated to maintain the principal amount in perpetuity to fund maintenance of the cemetery.

E. Roads/Transportation

Interstate 40 is the major highway through Needles, connecting Barstow to the west and Arizona to the east. U.S. Route 95 also enters the city from the south on former Route 66 which intersect with I-40 within the City of Needles, traversing roughly 11 miles, then splits with the Interstate west of the city heading north to Nevada The Colorado River Bridge crosses the Colorado River on Topock, Arizona, connecting Needles directly with Mohave County, Arizona, and Arizona State Route 95.

Caltrans is responsible for maintaining the highways and the City maintains the remainder of the public roads within its maintained system. Maintenance and highway improvements must be coordinated through Caltrans as the highways are part of the State Highway System. Even though the highways represent a constraint on the City's circulation system, it also serves as the City's primary access route as there are very limited access alternatives to the highway. Due to the highway's role as the main thoroughfare in and out of the City and region, it receives a high volume of traffic.

A review of the Southern California Association of Governments (SCAG) "2012-2035 Regional Transportation Plan" does not identify any specific plans for the Needles portion of Interstate 40 or U.S. Highway 95.

<u>Interstate 40-Highway 95 Interconnect Project</u>

The City is proceeding with the engineering design of the I-40/AZ 95 Interconnect project for which $4.8 million in Federal Transit Authority funding has been granted. The County of San Bernardino is contributing $628,000 through a grant and a loan for the local matching funds. The project will include the widening of J Street north of Interstate 40, Needles Highway between Broadway and K Street, and K Street between Needles Highway. Traffic signals will be installed at four intersections.

<u>El Garces Train Depot</u>

The City is rehabilitating a historic train station known as the El Garces Train Depot. The total cost of the rehabilitation is expected to exceed $12 million. El Garces is listed

on the National Register of Historic Places. This project is anticipated to be the economic engine that will drive the redevelopment of the Needles downtown area.

The first phase of the project involved clean-up and stabilization, at a cost of about $428,000. There are Federal Transit Authority Grants of more than $7.7 million already approved for additional construction activity. In addition, there are state funds of nearly $900,000 also approved for this project. The Federal grant funds require a twenty-five percent local match, which is being met by using City labor and infrastructure from the Needles Public Utility Authority. According to the City, the NPUA is providing utility stub outs for the project because the train depot will become a rate payer of NPUA once it is commercially ready to accept tenants.

The second phase of the project includes $223,000 approved by the state legislature for engineering and construction documents. No construction costs are anticipated for fiscal year 2012. The second phase involves demolition work, shear wall construction, and column reinforcement work. When complete, the Depot will house an intermodal transportation center for Amtrak and regional/local bus lines. The City plans for completion by October 2013, in time to celebrate the City's Centennial Celebration.

Recent and proposed California laws and regulations targeting the reduction of carbon emissions will require goods and services to be delivered by highly efficient, low-polluting-emitting trucks and trains. In August 2011, the County Board of Supervisors adopted a resolution supporting any and all legislation or regulatory adjustments necessary to allow the sitting and operation of freight transfer facilities (bump stations) near the California border at Needles, as well as other high volume freight transportation points of entry in California. The County report for this item reads that in addition to reducing air pollution and truck traffic, the sitting of bump stations in the county would promote job creation, local utility solvency and revenue influx to local communities from "turn around" freight haulers at and near bump stations.

F. Streetlights

The City, through its City's Needles Public Utility Authority, administers and operates the electrical system. Unlike other communities where Southern California Edison is the electrical service provided, in Needles the City owns and operates the streetlights within its boundaries. Therefore, the NPUA responds to problems and is responsible for the utility costs associated with the individual lights. There are no plans at this time to increase the number of the streetlights. However, if the community continues to see growth in its population, the need for streetlights will also increase.

G. Hospital

A review of LAFCO files and newspaper articles for the past 20 years reveals a turbulent time for the hospital. According to the FY 2010-11 Hospital audit, the departure of the private operator in 2008 resulted in significant lack of oversight by management.

Recent History

In 2008 operation of the hospital was transferred from an independent operator, Life Point, back to the City after Life Point decided to close the medical center. This determination was made after Life Point opened a new hospital – Valley View Medical Center[21] – just 12 miles to the east in Fort Mohave, AZ. In 2008 the medical center identified the two biggest challenges facing the hospital;

1. The need to break away from the City and be able to operate independently. The Hospital has used the staff and services of the City to supplement certain financial and management functions – particularly in 2008 and 2009. Discussions with the City continue as to payment for these services.

2. To secure financing and establish a financial accounting system. In 2009 the hospital board approved a contract for the management of the hospital with a private entity.

Title 4, Division 3, Part 2, Chapter 5 of the Government Code allows a hospital board to function, for the most part, independent of the City or its council, while the City remains ultimately responsible for any decisions made or financial indebtedness incurred by the board. At present the Hospital Board of Trustees is appointed by the City Council, provides for the management of the facility, and is composed of the following:

> Terri Anderson (President), Georgia Breault, Pamela Blake, Adela Owensby, Robert McKeever, Lana Shaw, and Norma Jean Williams.

In June 2010 the City placed a ballot measure, Measure Q, with the following question:

> *"Shall the ordinance to mandate the Board of Hospital Trustees and the Needles City Council to sell the Colorado River Medical Center Pursuant to Government Code Section 37615.1(o) be adopted?"*

The measure passed with 55% voting yes. This measure, codified as City Ordinance 516, requires the Hospital Board, with approval of City Council, to sell the hospital to a qualified nonprofit corporation which meets certain criteria.

In 2011, the Hospital took two important steps forward. It hired a permanent Chief Executive Officer and completed an audit. With the audit completed, the accounting system could be utilized to create ongoing and regular financial reports as well as operating statistical reports for management. The audit states that licensing issues are

[21] Valley View opened in November 2005 as a 102,000-square-foot acute-care facility with two adjacent medical office buildings. Growth in the area meant growth at the hospital, and Valley View's main building is now 126,000 square feet. This state-of-the-art hospital is currently licensed with 52 medical/surgical beds, 12 acute rehabilitation beds, 12 intensive care beds, an eight-bed labor, delivery and post-partum unit, and six beds in the only inpatient pediatric unit serving the Bullhead City/Laughlin/Needles area. There is a 16-bed emergency department open around the clock. The surgery department has six major operating rooms and two endoscopy suites, plus a modern, high-tech cardiac catheterization unit. www.valleyviewmedicalcenter.net. Accessed 10 Jan 2013. Last update unknown.

critical for the future of the Hospital, and that the hiring of competent management staff and training of existing managers is ongoing.

Currently, the Hospital is a licensed 25-bed rural general acute care hospital with a critical access designation[22]. The Hospital serves not only the residents of the city but also travelers on Interstate 40, Highway 95, residents of the lower Mohave Valley, AZ, and approximately 3,100 square miles of the outlaying area of San Bernardino County. The Hospital provides a fully-staffed, 24-hour emergency department with physician on duty. The Hospital also has airship capabilities and is Medicare certified. The Hospital's billing remains in the hands of a third party collection agency, HRG. Due to geographical proximity to another state, managing the process is complex and requires specific skill sets not readily available in the area. This past year, the Hospital entered into an agreement with a local hospice home to provide care for their patients on a per diem basis reimbursement.

Economic and Market Factors

The following excerpt is taken from the Hospital FY 2011-12 audit which identifies the economic and market challenges facing the Hospital.

> Competition remains a growing concern for the Medical Center. Competition will be a factor in both services performed at the Medical Center, as well as in physician offices, as other hospitals compete for the loyalty of physicians to refer patients to their facilities. One way the Medical Center can accomplish this is through the use of its status as a Critical Access Hospital. Bringing in Primary Care physicians to the community will offer an opportunity for the Medical Center to potentially draw some patients from additional Primary Care resources in the market. The only real opportunity for growth and further redevelopment of the Medical Center is through the recruitment of Primary Care Physicians into the community. Recognizing that there is not a single Primary Care practitioner in the City of Needles and there are basically two other specialty physicians available, Gastroenterology and General Surgery, it is essential to attempt this necessary recruitment. The out-migration of Primary Care impacts not only these specialists, but the Emergency Room, Outpatient Service areas, and the Inpatient Hospital service.

Current Status

Currently, the City remains the owner with the Board of Hospital Trustees operating the Hospital. In August 2012, the City Council approved the sale of the Hospital to a non-profit-group, Community Healthcare Partner Inc, a California nonprofit corporation. According to the City, it was anticipated that a draft contract would be presented to the Hospital Board of Trustees and City Council in late February for consideration. As of the date of this report no information on the presentation of this contract has been provided.

[22] A Critical Access designation requires hospitals to provide emergency care necessary to meet the needs of its patients or outpatients.

H. Needs and deficiencies in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

Municipal and industrial water

This factor is discussed above within this determination.

Wastewater

This factor is discussed above within this determination.

Structural fire protection

Structural fire protection needs and deficiencies are discussed in detail in this report in the regional and community discussion for Fire Protection and Emergency Services on page 21 and in the service review for San Bernardino County Fire Protection District Zone FP-6 on page105.

IV. Financial ability of agencies to provide services.

For this section of the report, staff has reviewed the City's budgets, audits, State Controller reports for cities, County filing records, and CalPERS Annual Valuation Reports. This determination outlines the accounting practices of the City; reviews its debt and obligations, net assets, and fund balance for the past six audited years; and looks forward by using the budgets following the most recent audit. A review of this section provides information as to the determination of sustainability based upon information provided to and obtained by LAFCO staff.

A. Overview

The City's population has been about the same (roughly 5,000) for many years. The City has been both positively and negatively impacted by the real estate market trends that occurred over the past eight years. First, for the fiscal years ended June 30, 2003 to 2006 the rapid rise in real estate values, the ease of obtaining mortgages, and speculation had a positive impact on the City. Tax collections related to real estate activities rose, and the City benefited. Real property values in and around the City have declined dramatically from the peak, and property values in neighboring states have declined even more severely. Second, according to the executive director of the Needles Chamber of Commerce, economic recovery efforts are hampered by California's tougher employment and environmental regulations, which pushes investment to nearby communities in Arizona and Nevada[23]. Additionally, the City's only supermarket and hospital are continually under financial challenge.

[23] "Needles: Population holds Steady, but Economic Challenges Remain", Press Enterprise, David Danelski, 28 March 2011.

B. General Operations and Accounting

Independent Audit

Discussed in Note 1 to the financial statements, the amounts reflected as capital assets in the accompanying financial statements do not include capital assets acquired prior to July 1, 1987, nor do they reflect numerous parcels of land owned by the City, which should be included in order to conform to accounting principles generally accepted in the United States of America. The amount that should be recorded is not known. Accordingly, the independent auditor was unable to satisfy itself as to the amount of capital assets as of June 30, 2012 or the amount of depreciation expense for the year then ended. The audits filed with LAFCO for this review, earliest being for FY 2005-06, make this same statement. Therefore, it is assumed that the City is not rectifying the auditor's concern as to the amount of capital assets.

For FY 2007-08 and FY 2008-09, the City Audit included the Hospital activities as an enterprise fund of the City. Effective with FY 2009-10, the Hospital activities are no longer included in the City audit. Therefore, for the FY 2009-10 and subsequent audits, the Hospital is not included as a component unit of the City.[24]

General Operations and Accounting

The governmental activities of the City include general government, public safety, parks and recreation, and public services. Business type activities include power and water, wastewater, refuse collection, public transportation, and a municipal golf course. When able, this Determination analyses the Governmental activities separate from the Business-type activities due to the different accounting standards for these activities.

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[24] In general, a city is considered to be financially accountable for an organization if the city appoints a voting majority of that organization's governing body and the city is able to impose its will on that organization or there is a potential for that organization to provide specific financial benefits to or impose specific financial burdens on the city. The city is also considered to be financially accountable for an organization if that organization is fiscally dependent upon the city. In certain cases, other organizations are included as component units if the nature and significance of their relationship with the city are such that their exclusion would cause the city's financial statements to be misleading or incomplete.

Since the City Council appoints the Hospital Board of Trustees, the Hospital could be considered a blended component unit. Blended component units although legally separate entities, are in substance, part of the city's operations and so data from these units are reported with the interfund data of the primary government.

According to GASB Statement 39, this Statement continues the requirement in Statement 14 to apply professional judgment in determining whether the relationship between a primary government and other organizations for which the primary government is not financially accountable and that do not meet these criteria is such that exclusion of the organization would render the financial statements of the reporting entity misleading or incomplete.
Those component units should be reported based on the existing blending and discrete presentation display requirements of Statement 14.

Additionally, since the audit for the Hospital fund is not included as a component unit of the City, the Hospital Fund is reviewed separately in this determination.

Component Units

The reporting entity "City of Needles" includes the activities of the City, the Needles Redevelopment Agency, the Needles Public Utility Authority, and the Needles Public Financing Authority. All three of these component units are blended into the City's financial statements.

- Needles Redevelopment Agency ("RDA") represents a legally separate entity for which the City is financially accountable, and, accordingly, is considered a component unit of the City. Pursuant to ABX1-26, Redevelopment Agencies in the State of California were to be dissolved effective October 1, 2011, and litigation deferred the date to February 1, 2012. Therefore, this agency has been dissolved. The City Council was allowed to become a successor agency to the RDA, which it opted to do so, and is responsible for revenue collection, maintaining the bond reserves, deposing of any excess property, and fulfilling the remaining obligations of the dissolved agency. At the present time, the "RDA" budget consists of the recognized obligation payment schedule, which is currently being reviewed by the state Department of Finance.

- Needles Public Financing Authority ("Financing Authority") was formed on March 7, 1992 for the sole purpose of providing financing for various City capital projects. The Financing Authority is governed by a seven-member board, which consists of members of the City Council.

- Needles Public Utility Authority ("Utility Authority") was formed by a Joint Powers Agreement, entered into in 1997, between the City and the RDA. The Utility Authority was formed for the purpose of acquiring, owning, operating and maintaining the City's water, sewer, and electrical enterprises. A seven member Board that consists of members of the City Council governs the Utility Authority. It is not clear at this time the future of the Utility Authority as the City's RDA has been dissolved and there is no second entity to include in the joint powers agreement to succeed to the RDA.

C. Long-term Debt

Governmental Activities

The governmental activities debt includes advances to the RDA for the purchase of land and for operations. Repayment of these debts is expected from tax increment revenues. Further, there is a balance of $1.19 million in tax allocation bonds issued by the Financing Authority, the proceeds of which were lent to the RDA. Repayment is being made from the loan payments paid by the RDA to the Financing Authority. Finally, the governmental activities debt also includes certificates of participation, the proceeds of which were used to construct a wastewater treatment plant.

- Advances to RDA: $1,912,835
  The RDA purchased land from the City resulting in a note payable. The note will be repaid with interest at 10% from tax increment revenues at such time as excess funds exist after debt service payments are made on the loan payable to the Financing Authority. The total principal and interest was due May 6, 1995; however, the RDA did not have the financial resources available to repay the note. The City and the RDA are in the process of renegotiating the note terms to enable the RDA to repay the obligation. However, a review of the past five City audits shows that no interest has accrued for this advance. Further, the Schedule of Maturities identified in the 2011-12 audit, shown on the next page, identifies that payment is not scheduled until 2037-38. Therefore, LAFCO staff questions if the advance is akin to a gift rather than a short-term advance or a long-term note. Further, with the dissolution of the RDA it is not known if repayment of the advance will occur.

  Additionally, the City provided a loan to the RDA to fund its operations. The loan is to be repaid with interest ranging from 10-12% from tax increment revenues at such times as excess funds exist after debt service payments are made on the loan payable to the Financing Authority. The status of this loan and its total amount are also unknown by LAFCO staff.

- 1992 Series A Tax Allocation Bonds: $1,190,000
  The bonds were issued to provide monies to enable the Financing Authority to fund a loan to the RDA. The bonds are payable solely from the loan payments to be made to the Financing Authority by the RDA and from the reserve account created under the Loan Agreement and investment earnings thereon. Tax revenues of the RDA from its redevelopment project secure repayment of the loan. Principal payments in amounts from $15,000 to $85,000 are due annually to 2022, with interest payments at rates ranging from 5.40% to 7.50% payable semi-annually.

- 1998 Certificates of Participation: $2,527,575
  In October 1998, the Financing Authority issued $3.1 million in certificates of participation bearing interest at the rate of 4.5%. Principal and interest installment payments are due semi-annually from August 1999 through August 2037. The certificate proceeds were used to construct a new wastewater treatment plant.

Business Activities

The business-type activities debt consists of revenue bonds issued by the public utility authority. These bonds are being repaid from the utility's operating revenues. There is also a note payable in the sanitation fund resulting from an agreement with San Bernardino County related to a municipal landfill.

- 1997 Series A Revenue Bonds: $16,680,079
  In March 1997, the Utility Authority issued $21,145,000 in revenue bonds bearing interest rates of 4.70% - 6.65%. Principal payments in various amounts are due

annually through February 1, 2032. Approximately $17,900,000 of the bond proceeds were disbursed to the City as an initial payment for the acquisition of its Water, Sewer and Electric Enterprise Funds. In addition, the City used a portion of the payment to refund the 1993 and 1995 Series A Revenue Bonds.

- Obligation with County of San Bernardino: $665,195

  The notes payable in the Sanitation Enterprise Fund of $665,195 resulted from an agreement the City made with the County of San Bernardino ("County") on January 30, 1996.[25] The County agreed to accept the landfill into the County landfill system and to serve as lead agency for the cleanup, closure and post-closure activities for the landfill. The City agreed to reimburse the County $665,195 over a 15-year period for its share of the cleanup, closure and post-closure costs, to provide in-kind services for post-closure activities, to assist the County in obtaining approval from regulatory agencies for a "monolithic soil cover", and in seeking recovery from other parties who may be responsible for the costs of cleanup, closure and post-closure.

  Per the agreement, interest shall accrue on the unpaid balance at 6% per annum compounded annually commencing on January 1 of the year following the year in which the landfill is deemed closed. Although the landfill ceased accepting waste in 1994, it was not closed until 2002. As referenced by the County's Solid Waste Programs Administrator in an email to LAFCO staff, the $665,195 is due and payable. The City's audit identifies that the City expects to increase solid waste collection fees to meet the debt service requirements. Per the terms of the County's agreement the unpaid balance is accruing 6% interest per year. The table which follows, as calculated by LAFCO staff, identifies the estimated current balance of the obligation utilizing a simple compounding interest. Accrued interest as of June 30, 2012 is over $525,000.

Year	Balance	Interest	TOTAL
2003	$665,195	$39,912	$705,107
2004	$705,107	$42,306	$747,713
2005	$747,713	$44,849	$792,562
2006	$792,562	$47,554	$840,116
2007	$840,116	$50,407	$890,523
2008	$890,523	$43,432	$933,955
2009	$933,955	$56,037	$989,992
2010	$989,992	$59,400	$1,049,392
2011	$1,049,392	$62,964	$1,112,356
2012	$1,112,346	$66,741	$1,179,087

However, the City has requested that the County reset the 15-year amortization period for the original note balance since it states it was not aware or notified by any party that the landfill had been closed. Should the City's amortization request be granted, then the

[25] County contract 96-79.

15-year repayment would assumingly begin in 2013 with a schedule as follows. Should the amortization request not be granted and with payments beginning in 2013, then the total repayment of principal and interest would be $1.94 million.

Repayment Schedule - Potential Revised					
Year	Beginning Balance	Principal	6% Interest	Total Payment	Ending Balance
2013	665,195	50,000	39,912	89,912	615,195
2014	615,195	50,000	36,912	86,912	565,195
2015	565,195	50,000	33,912	83,912	515,195
2016	515,195	50,000	30,912	80,912	465,195
2017	465,195	50,000	27,912	77,912	415,195
2018	415,195	50,000	24,912	74,912	365,195
2019	365,195	50,000	21,912	71,912	315,195
2020	315,195	50,000	18,912	68,912	265,195
2021	265,195	50,000	15,912	65,912	215,195
2022	215,195	50,000	12,912	62,912	165,195
2023	165,195	50,000	9,912	59,912	115,195
2024	115,195	50,000	6,912	56,912	65,195
2025	65,195	50,000	3,912	53,912	15,195
2026	15,195	15,195	912	16,107	-
TOTAL		**665,195**	**285,764**	**950,959**	

The figure below identifies the current debt service requirements through 2038 as identified by the City of Needles 2010-11 audit, not including the amount owed to the County related to the Needles Landfill. Of concern to LAFCO staff, is that although repayments have occurred on the 1997 bonds, repayment does not resume until 2018 with annual payments of $837,000 for seven years, with a five-year break, then payments of $1.58 million for seven years.

Long term debt – Schedule of Maturities

Debt service requirements for long-term debt are as follows:

Years ending June 30:	Advance from Other Funds	1992 Bonds	1997 Bonds	1998 COPs	Interest	Total
2013	$ -	75,000	-	54,702	1,316,958	1,446,660
2014	-	80,000	-	57,191	1,308,656	1,445,847
2015	-	85,000	-	59,793	1,299,866	1,444,660
2016	-	90,000	-	62,514	1,290,583	1,443,097
2017	-	100,000	-	65,359	1,280,613	1,445,972
2018-2022	-	610,000	5,860,000	374,211	6,038,446	12,882,658
2023-2027	-	150,000	-	467,466	4,059,767	4,677,233
2028-2032	-	-	11,075,000	583,960	3,569,404	15,228,364
2033-2037	-	-	-	729,485	109,685	839,170
2037-2038	1,626,473	-	-	72,893	11,024	1,710,390
Totals	$ 1,626,473	1,190,000	16,935,000	2,527,575	20,285,001	42,564,049

D. Post-Employment Benefits

The City contributes to the California Public Employees Retirement System (CalPERS).[26] CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. The City is a part of the Miscellaneous 2% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit plan. The most recent financial statements for the City identify that the City has contributed 100% of its annual pension cost since at least FY 2005-06 and currently has a zero net pension obligation. Copies of the CalPERS Valuation Reports as of June 30, 2010 and 2011 for both the Active

[26] PERS issues a Comprehensive Annual Financial Report (CAFR). The CAFR is issued in aggregate and includes the sum of all CalPERS plans. Copies of the CalPERS CAFR may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Pool and Inactive Pools are included as a part of Attachment #2. The following information is taken from these reports.

Contribution Rates

The City's contractually required contribution rates as identified in the CalPERS reports are as follows:

2010-11	1.928%
2011-12	2.364%
2012-13	6.315%
2013-14	6.648%, unadjusted
2014-15	7.500%, projected

As a municipality, the City is responsible for law enforcement and fire protection. It has chosen to contract with the County Sheriff's Department since 1989 and the San Bernardino County Fire Protection District since 1994. Being so, the former employees have been placed into the CalPERS Inactive Pool.

Summary of Participant Data

The table below shows a summary of the City's active member data upon which the CalPERS valuation is based:

Member Data - Active

	June 30, 2009	June 30, 2010	June 30, 2011
Projected Payroll for Contribution Purposes	$2,639,923	$5,750,129	$5,536,533
Number of Members			
Active	55	111	111
Transferred	11	11	13
Separated	88	91	105
Retired	31	31	37

According to the 2011-12 Hospital audit, during its transition time from Lifepoint, the Hospital did not fund employer contributions for a significant period of time (April 1, 2008 through November 29, 2009). There were 46 hospital employees who were not in included in the plan but are under the City's CalPERS contract. These employees have now shown up in the CalPERS valuation data as at June 30, 2010 contributing to the 56 employee increase from 2009 to 2010.

The Hospital has updated its liability amount for CalPERS due to employees to $749,658 for the period of April 1, 2008 through November 29, 2009 and includes this amount in current liabilities in its most recent audit (line Accrued payroll and related liabilities). Since November 29, 2009, the Hospital has enrolled employees, made withholdings from employee wages and deposited the appropriate amounts with CalPERS. This liability remains a point of discussion between the City and the Hospital.

The deficiency in the plan assets prior to December 2009 is being reflected as an experience loss to the plan and is being made up with additional contributions by the City in future years. Essentially, the City is paying this liability through the City retirement accounts which are City Reserves.

At some time in the future, if the reserve account is ever exhausted then that liability will come due or if the hospital is sold, the City could arguably ask for that money from the sale proceeds. Due to the complexity of the issue and conservative approach, a liability account was set up on the hospital balance sheet to account for the "underfunded" portion of retirement plan and is a part of current liabilities. It is unclear to LAFCO staff if these changes are considered by CalPERS to be an “inactive” status for this account.

The table below shows a summary of the City’s inactive member data upon which the CalPERS valuation is based:

Member Data - Inactive

	June 30, 2009	June 30, 2010	June 30, 2011
Projected Payroll for Contribution Purposes	$0	$0	$0
Number of Members			
Transferred	2	2	1
Separated	0	0	0
Retired	7	7	8

Funded Status

The information below shows the actuarial accrued liability, actuarial value of assets, market value of assets, and funded ratios. The funded status is a measure of how well funded a plan or risk pool is with respect to assets vs. accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. The actuarial value of assets (AVA) is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets (MVA) is an indicator of the short-term solvency of the plan.

Funding Status - Active

	June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits (PVB)	N/A	$	19,383,255
2. Entry Age Normal Accrued Liability	N/A		13,356,248
3. Plan's Actuarial Value of Assets (AVA)	N/A	$	13,111,761
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	$	244,487
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A		98.2%
6. Plan's Market Value of Assets (MVA)	N/A	$	11,736,771
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A		1,619,477
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A		87.9%

Funding Status - Inactive

	June 30, 2010		June 30, 2011
1. Present Value of Projected Benefits (PVB)	N/A	$	1,652,007
2. Entry Age Normal Accrued Liability	N/A		1,652,007
3. Plan' Actuarial Value of Assets (AVA)	N/A	$	1,806,727
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	$	(154,720)
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A		109.4%
6. Plan's Market Value of Assets (MVA)	N/A	$	1,600,163
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A		51,844
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A		96.9%

Hypothetical Termination Liability

The table below shows the hypothetical termination liability, the market value of assets, the unfunded termination liability and the termination funded ratio. The assumptions used, including the discount rate, take into account the yields available in the US Treasury market on the valuation date and the mortality load for contingencies. The discount rate is duration weighted and is not necessarily the rate that would be used for this plan if it were to terminate. The discount rate for this plan's termination liability would depend on the duration of the liabilities of this plan. For purposes of this estimate, the discount rate of 4.82% is based on the June 30, 2011 30-year US Treasury Stripped Coupon Rate. Please note, as of June 30, 2012 the 30-year US Treasury Stripped Coupon Rate was 2.87%.

Hypothetical Termination Liability - Active

Valuation Date		Hypothetical Termination Liability		Market Value of Assets (MVA)		Unfunded Termination Liability	Termination Funded Ratio	Discount Rate
06/30/11	$	16,942,046	$	11,736,771	$	5,205,275	69.3%	4.82%

Hypothetical Termination Liability - Inactive

Valuation Date	Hypothetical Termination Liability	Market Value of Assets (MVA)	Unfunded Termination Liability	Termination Funded Ratio	Discount Rate
06/30/11	$ 2,320,866	$ 1,600,163	$ 720,703	69.0%	4.82%

Other Post-Employment Benefits

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. Classified employees retiring after 20 or more years of service and after having reached age 58 or older are provided medical insurance coverage until the retiree becomes eligible for Medicare. Unclassified employees retiring at age 55 or later with 20 or more years of service are paid $300 per month for medical insurance coverage until the retiree becomes eligible for Medicare. No retirees received post-retirement health care benefits during the fiscal year ended June 30, 2012.

Needles Hospital

Information regarding the Needles Hospital and CalPERS is in included in Section F of this Determination.

E. Governmental Activities

The governmental activities of the City include general government, public safety, parks and recreation, and public services.

Net Assets

The accumulation of consistently presented financial information allows a reader to understand an agency's financial position and determine whether there is improvement or deterioration. One such measure of improvement or decline is the change in net assets. Net assets for the Governmental Funds have increased by 79% since FY 2006-07 as shown on the chart below. During this time Total Assets have increased by 47% and Total Liabilities have increased by 14%. From the Net Assets perspective, the financial health of the Governmental Funds overall has increased during the past five years. For FY 2011-12, the City's net assets, exclusive of the Hospital fund, decreased slightly primarily because of declining revenues and increasing costs. As of June 30, 2012, the Governmental Funds had $14.7 million in net assets. Of this amount, most is invested in capital assets, net of related debt.

Total liabilities include a bank overdraft for each audited year. According to the City's independent auditor, the overdraft in the financial statements is a function of how the funds are reported. One must look at the overall picture of cash in bank less overdraft to get the true picture of the cash position. There are not a series of bank accounts with

negative balances in them. One major bank account is used for all governmental funds, and when the general fund issues a check for another fund, it can create an overdraft in the affected fund.

Also identified below is a large annual negative unrestricted net asset figure. According to the City's independent auditor, this is a function of the required reporting of net assets. Assets that are restricted because they do not constitute currently spendable resources (such as for inventories, accounts receivable) must be reflected as restricted net assets. The overall net assets are positive, but because of the required restrictions, this means that unrestricted net assets must be negative. Only the general fund is allowed to have negative unrestricted net assets.

GOVERNMENTAL ACTIVITIES: NET ASSETS							
	2006-07	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**	**5-yr Var.**
Assets:							
Cash & investments	3,631,170	4,374,501	4,283,188	4,357,985	5,106,686	5,419,184	49%
Capital assets (net)	6,387,900	8,125,385	12,395,826	12,444,500	12,734,297	12,853,089	101%
Advances to other funds	1,626,472	1,626,472	1,636,973	1,636,723	1,626,473	1,626,473	0%
Other	4,903,126	4,698,802	4,293,707	4,420,398	4,244,441	4,346,903	-11%
Total Assets	$16,548,668	$18,825,160	$22,609,694	$22,859,606	$23,711,897	$24,245,649	47%
Liabilities:							
Bank overdraft	536,129	971,003	475,268	443,331	726,980	1,013,969	89%
Current liabilities	1,676,223	1,833,477	2,121,230	2,320,510	2,368,971	3,148,679	88%
Long-term liabilities	6,090,830	5,895,268	5,762,042	5,661,413	5,466,370	5,344,049	-12%
Total Liabilities	$ 8,303,182	$ 8,699,748	$ 8,358,540	$ 8,425,254	$ 8,562,321	$ 9,506,697	14%
Change in Net Assets	**$ 1,321,003**	**$ 1,879,926**	**$ 4,125,742**	**$ 183,198**	**$ 715,224**	**$ (410,624)**	
Total Net Assets	$ 8,245,486	$10,125,412	$14,251,154	$14,434,352	$15,149,576	$14,738,952	79%
Net Assets:							
Invested in capital assets, net of related debt	6,308,083	8,074,336	12,377,222	12,444,500	12,734,297	12,853,089	104%
Restricted							
Capital projects	378,561	(389,627)	382,008	552,015	522,750	378,978	0%
Debt service	3,345,543	3,531,381	3,055,444	2,982,685	3,912,411	3,955,489	18%
Comm. Dev. Projects	1,110,330	1,429,123	960,166	1,121,904	1,050,535	734,909	-34%
Unrestricted	(2,897,031)	(2,519,802)	(2,523,686)	(2,666,752)	(3,070,417)	(3,183,513)	10%
Total Net Assets	$ 8,245,486	$10,125,411	$14,251,154	$14,434,352	$15,149,576	$14,738,952	79%
Increase from prior year	19.1%	22.8%	40.7%	1.3%	5.0%	-2.7%	
source: Statement of Net Assets							

Fund Balance

Considering net assets does not indicate if an agency has enough fund balance to operate short and long-term operations. Governmental funds focus on the availability of resources on a short-term basis, showing inflows and outflows and resulting in an

ending balance of spendable resources. A trend of operating deficits is a key indicator of the financial health of an agency. The chart below shows fund balances for the governmental activities for the past six audited years. The fund balance has decreased by 6% since FY 2006-07 with Total Revenues decreasing by 8% and Total Expenditures increasing by 3%.

The ending fund balance for governmental funds at June 30, 2012 was $8,157,884. For FY 2011-12, governmental activities expenses increased by about $829,000 and program revenues decreased by about $534,000. This was partially offset with an increase in general revenues of about $417,000. Property taxes and transient occupancy taxes continued to play a significant role in the City's results, totaling nearly $1.8 million in revenues. Further, governmental fund balances decreased by $587,000 from the previous year, with expenses exceeding revenues by about $2.2 million. This was offset by incoming transfers, primarily from the public utility authority (a business activity) for the purchase payment and franchise fees. According to the Management Discussion and Analysis section of the FY 2011-12 audit, "the primary reason for the City being able to maintain its financial position is the operation of the public utility. The public utility generated operating income of over $1.8 million". However, LAFCO staff would question the ability to draw upon these funds for general government activities since the enterprise activity cannot expend its funds for operations outside the enterprise. So, how is it that these funds make the City an ongoing, viable entity? The chart below identifies the operating shortfall of the City for each of the last six audited years.

GOVERNMENTAL ACTIVITIES: FUND BALANCE							
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	5-yr Var.
Fund Balance:							
Non spendable					288,565	308,096	
Restricted (reserved)	5,856,033	5,911,741	6,094,137	5,886,235	4,613,738	4,433,762	
Committed (designated)	798,643	240,355	511,225	770,317	1,708,266	1,849,761	
Assigned					816,166	359,856	
Unassigned (undesignated)	2,208,193	2,688,057	1,913,152	1,924,900	1,318,359	1,206,409	
Total Fund Balances	$ 8,862,869	$ 8,840,153	$ 8,518,514	$ 8,581,452	$ 8,745,094	$ 8,157,884	-8%
Revenues:							
Taxes	2,841,529	2,825,251	2,519,986	2,216,462	2,425,276	2,356,494	-17%
Licenses, permits, fees	363,821	1,174,004	1,359,417	1,396,416	1,454,468	1,034,370	184%
Intergovernmental	1,746,734	2,419,382	4,496,119	638,213	713,412	1,202,787	-31%
Charges for service	144,128	258,868	227,889	243,535	227,870	249,065	73%
Other	575,120	368,082	546,801	440,223	522,724	383,487	-33%
Total Revenues	$ 5,671,332	$ 7,045,587	$ 9,150,212	$ 4,934,849	$ 5,343,750	$ 5,226,203	-8%
Expenditures:							
General government	968,153	998,852	987,538	770,790	680,614	618,528	-36%
Public safety	2,688,664	2,783,397	2,825,882	2,739,227	2,939,987	2,721,477	1%
Public works	603,939	606,477	900,628	914,582	1,055,969	2,101,307	248%
Park & recreation	816,587	860,621	740,164	670,902	680,304	644,996	-21%
Comm. Development	247,866	215,654	614,992	262,661	210,071	244,350	-1%
Capital outlay	1,478,393	2,187,463	4,283,719	231,828	954,867	368,242	-75%
Debt service	439,324	470,032	432,492	431,061	316,448	740,701	69%
Total Expenditures	$ 7,242,926	$ 8,122,496	$10,785,415	$ 6,021,051	$ 6,838,260	$ 7,439,601	3%
Revenues less Expenditures:	**$ (1,571,594)**	**$ (1,076,909)**	**$ (1,635,203)**	**$ (1,086,202)**	**$(1,494,510)**	**$(2,213,398)**	
Operating Transfers							
Transfers In	$ 2,102,667	$ 1,684,197	$ 1,711,310	$ 1,474,406	$ 2,371,107	$ 2,925,172	
Transfers Out	$ (436,177)	$ (630,003)	$ (397,746)	$ (325,267)	$ (581,788)	$ (918,948)	
Fund Balances, Beginning*	8,767,973	8,862,869	8,840,154	8,518,515	8,450,285	8,365,059	
Fund Balances, Ending	$ 8,862,869	$ 8,840,154	$ 8,518,515	$ 8,581,452	$ 8,745,094	$ 8,157,885	-8%
Increase from prior year	1.1%	-0.3%	-3.6%	0.7%	3.5%	-2.5%	
* Beginning Fund Balance restated for July 1, 2011 & 2012							
sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance							

General Fund Liquidity

As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. At the end of FY 2011-12, unassigned fund balance of the general fund was $1,206,409 while total fund balance reached $3,009,249. Unassigned fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 62 percent of that same amount. Therefore, while the fund balance has decreased by 25% during the past six audited years, the liquidity of the general fund is decreasing accordingly.

GENERAL FUND LIQUIDITY						
General Fund (GF)	**2006-07**	**2007-08**	**2008-09**	**2009-10**	**2010-11**	**2011-12**
Total GF expenditures	$ 5,031,165	$ 5,153,425	$ 5,326,373	$ 4,572,736	$ 4,942,883	$ 4,876,763
Unassigned GF fund balance	2,057,671	2,396,103	1,659,978	1,567,424	1,318,359	1,206,409
(as a % of total expenditures)	41%	46%	31%	34%	27%	25%
Total fund GF balance	4,034,022	4,269,276	3,458,207	3,350,332	3,094,692	$ 3,009,249
(as a % of total expenditures)	80%	83%	65%	73%	63%	62%
sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance						

Unassigned Fund Balance of the General Fund

The Government Finance Officers Association ("GFOA") currently recommends that governments establish a formal policy on the level of unrestricted[27] fund balance that should be maintained in the general fund. The current GFOA policy is vague in stating that the "adequacy of unrestricted fund balance in the general fund should be assessed based upon a government's own specific circumstances." Though the existing GFOA policy is not specific, it recommends that regardless of size, general-purpose governments should maintain unrestricted fund balance in their general fund of "no less than two months of regular general fund operating revenues or expenditures." A General Fund balance of a lesser level exposes the General Fund to the risk of not being able to meet cash flow requirements, economic uncertainties, or other financial hardships.

As shown on the chart above, the City's unrestricted fund balance during this timeframe is more than two months of regular general fund operating expenditures. Therefore, the City is above the threshold and meets the requirements of the GFOA policy. However, its general fund balance is continually decreasing. Should this trend continue, the liquidity of the City would challenge its ability to support short-term operations.

Other Governmental Funds

The Public Financing Authority exists to service various long-term obligations. The Financing Authority collects interest income, and makes principal and interest payments. The Financing Authority's fund balance decreased by about $50,000 during 2010-11 and 2011-12, ending at $2,859,938.

The All American Canal project fund serves to accumulate funds to be used for the supply of water for domestic, municipal, industrial, and recreational purposes along the All American Canal in Imperial County. The City acts as watermaster on behalf of the Bureau of Reclamation to administer the project from the Nevada border to the Mexican border for 10,000 acre-feet of water for non-Federal subcontractors. This fund expended $772,761 for capital improvements during 2010-11 and $865,800 during 2011-12.

[27] GASB Statement No. 54 removed Unrestricted fund balance and added Unassigned fund balance.

Revenues

The Governmental activities only receive a small fraction of total revenues from charges for service. The bulk of the revenue comes from taxes and transfers in, mainly from the Needles Public Utility Authority (as shown in the chart below taken from the City's audits).

GOVERNMENTAL ACTIVITIES						
General Revenues, Special Items, and Transfers						
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
Taxes:						
Property	1,161,506	1,533,019	1,334,540	1,239,224	1,426,596	1,268,275
Hotel	610,608	511,152	469,695	438,229	454,102	499,281
Fuel	379,981	321,581	313,096	296,297	137,072	180,525
State sales	602,257	543,246	468,239	312,814	407,506	420,963
Franchise	181,875	706,496	1,213,843	1,272,701	1,376,426	1,365,154
Vehicle license fees	583,448	245,092	-	-	-	-
Interest	359,876	261,367	360,310	293,951	247,799	243,366
Miscellaneous	137,932	32,092	148,839	108,017	364,224	853,095
Transfers	1,666,490	1,054,192	1,313,565	1,149,139	1,789,319	2,006,224
Total	$ 5,683,973	$ 5,208,237	$ 5,622,127	$ 5,110,372	$ 6,203,044	$ 6,836,883

As shown above, it would seem that the City stopped receiving vehicle license fees (VLF) from the state in 2008-09. However, according to the City in its letter dated February 20, 2013, it appears that the VLF revenues were categorized as Franchise Taxes in the subsequent audits. The City identifies VLF revenues received as follows:

2007	$583,448
2008	$246,780
2009	$486,372
2010	$490,528
2011	$460,129
2012	$448,527

Taxes

Property taxes and transient occupancy taxes play a significant role in the City's bottom line, totaling nearly $1.88 million in revenues for FY 2010-11 and $1.77 for 2011-12. For property taxes, the County Assessor's "Assessment Roll Re-cap Totals" identify increases of 14.6% for 2007, 6.5% for 2008, and 0.8% for 2009 with subsequent decreases of 5.7% (2010), 2.9% (2011), and 2.7% (2012).

Measure T

The November 2012 general election measure asked the voters to adopt a general utility users tax:

> *Shall Needles eliminate 2.5% of the current 7.5% franchise fee that the City of Needles charges the Needles Public Utility Authority and in its place establish a utility user tax of up to 2.5% to be applied to electric, water and sewer use charges?*

The purpose of the utility user tax proposal was to approve a continuation of the 2.5% fee that was increased by City Council two years ago and, change the nomenclature to a tax instead of a fee. The franchise fee was increased to close a budget shortfall two years ago with the assumption revenue shortfalls would be short lived. In early 2012 the State Legislature eliminated all Redevelopment Agencies. So, there is a need to continue the 2.5% fee to provide essential city services such as police, fire, parks and recreation, road maintenance, etc. at current levels. Recently passed Proposition 26, classifies a fee as a tax, and the electorate has a vote on any changes. The electorate passed the measure with 51.6%. Current rates have been adjusted to back out the 2.5% then a line item has been added to the utility bill showing the utility user tax.

Measure S

The November 2012 general election measure asked the voters to tax marijuana businesses at a rate of up to 10% of their gross receipts, for the privilege of conducting business within the City. The tax is in addition to the current business tax imposed on businesses within the City. The City may use the revenue from the tax for any legal municipal purpose. The Measure passed with 81% of the vote.

Development Impact Fees

The City has completed a revenue and cost analysis, which has been used in the adoption of an updated personal choice public service fee schedule. In addition, the City has completed a master facilities plan in 2007 for all future City infrastructure needs, leading to the adoption of a development impact fee schedule. Collections of impact fees began in 2007 and continue to date. Impact Fees are collected for two project areas, North Needles and South Fill-In Areas, and are imposed for animal control, fire suppression, streets, storm drainage, electric, general facilities, community center, parks, water, wastewater collection, and wastewater treatment. As of June 30, 2012, the North Needles area balance was $69,679 and the South Fill-In Areas balance was $50,695. No funds were collected during FY 2011-12. There is no plan to eliminate the development impact fees, nor is there a plan to refund the fees collected, as the City intends to use the fees when enough money is collected.

Transfers

As for transfers from the NPUA, the City and NPUA entered into an agreement wherein the City has agreed to continue to manage and administer the utility operations. As a

result, the City performs the customer billing and collection function and pays the expenses related to the utility operations. NPUA reimburses the City on a monthly basis for expenses incurred.

Expenditures

The chart below breaks down the expenditure activity for the Governmental funds. As shown, public safety accounts for roughly half of all Governmental expenditures. The City contracts for both public safety services (police and fire protection/emergency medical services).

Governmental Activity	2012	2011	2010
Public safety	38%	47%	48%
Public services	29%	16%	16%
Parks & recreation	11%	13%	15%
General government	9%	11%	14%
Community development	4%	9%	2%
Interest	9%	4%	5%

Police services are provided through contract with the San Bernardino County Sheriff's Department. The contract amount for FY 2010-11 was $1,851,379 and decreased to $1,770,541 for FY 2011-12. The City elected to leave a position vacant to absorb the annual cost increase, which deleted one deputy and one marked unit. For FY 2012-13, the contract increases to $1,850,052, mainly due to additional retirement costs and an increase in charges for the Countywide Cost Allocation Plan from 3% of salaries and benefits to 5%. No staffing or equipment changes are identified for FY 2012-13. Additional costs are billed quarterly such as overtime, vehicle fuel and maintenance, and on-call cost. The contract provides for termination by either party upon one-year advance written notice.[28]

Fire protection and emergency medical services are provided through contract with the San Bernardino County Fire Protection District which is governed by the County Board of Supervisors as the ex-officio board of directors. The FY 2010-11 cost for service was contracted at $551,983. The contracted cost decreased for FY 2011-12 to $504,823 and increased to $562,796 for FY 2012-13.

Other governmental expenses are funded primarily through general revenues. Parks and recreation expenses are significant for the City, as it is the City's responsibility to maintain the marinas, public swimming pool, a skate park, and the cemetery.

Cemetery

In 1994 LAFCO completed the dissolution of the Needles Cemetery District designating the City as the successor agency. The dissolution transferred the Cemetery District's share of the property tax ($35,595 in 1994) to the City to continue the service. The City

[28] County of San Bernardino Contract 99-376 A-14

provided the following information summarizing the revenues and expenses of the cemetery since 2005. As shown, the City general fund provides an annual transfer to the cemetery fund in order to sustain operations, which may or may not be the equivalent of the ad valorem property tax transferred. Without the general fund subsidy, cemetery revenues would not be adequate to cover expenses.

NEEDLES CEMETERY									
STATEMENT OF REVENUES & EXPENSES (SEVEN YEARS)									
FY 2005 - FY 2012									
		FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
REVENUES									
	Proceeds	$ 26,971	$ 30,817	$ 39,486	$ 56,356	$ 74,662	$ 29,369	$ 39,983	$ 33,521
	General Fund Trf	$ 65,398	$ 66,864	$ 83,364	$ 90,000	$ 5,987	$ 58,968	$ 34,200	$ 30,000
	Prop 1B Funds					$ 93,746			
		$ 92,369	$ 97,681	$ 122,850	$ 146,356	$ 174,395	$ 88,337	$ 74,183	$ 63,521
EXPENSES									
	Operating	$ 80,708	$ 77,513	$ 92,754	$ 91,642	$ 83,585	$ 82,256	$ 69,355	$ 77,060
	Capital	$ 20,718	$ -	$ 13,527	$ 22,472	$ 93,746	$ -	$ -	
		$ 101,426	$ 77,513	$ 106,281	$ 114,114	$ 177,331	$ 82,256	$ 69,355	$ 77,060
NET		$ (9,057)	$ 20,168	$ 16,569	$ 32,242	$ (2,936)	$ 6,081	$ 4,828	$ (13,539)
NET without Gen Fund Trf		$ (74,455)	$ (46,696)	$ (66,795)	$ (57,758)	$ (8,923)	$ (52,887)	$ (29,372)	$ (43,539)

Additionally, the 1994 dissolution included a condition that the City, acting in a fiduciary capacity, was to make a separate accounting of the Endowment Care Fund. Information provided by the County Auditor for the dissolution proposal (LAFCO 2761) identifies the required Endowment Care Fund Account level as of June 30, 1993 as $81,647. Up through the 2006-07 City audit, the Cemetery Endowment fund balance was identified. As of June 30, 2007 the audit identifies a reserve balance of $99,183 for Cemetery Endowment. Subsequent audits no longer include this information. The City provided information for this review showing the annual balance of the fund. Of note, this accounting does not identify the endowment principal, which must not decrease, or how much the Endowment is of the Total Restricted balance.

CITY OF NEEDLES CEMETERY: ANALYSIS OF THE PERPETUAL (ENDOWMENT) FUND				
	Needles Cemetery			
	Analysis of Endowment Fund	FY 2004 thru FY 2012		
	Balance End of Fiscal Year	2004	$ 158,845	
	Addition to Fund……	FY 2005	$ 9,230	
	Balance End of Fiscal Year	2005	$ 168,075	
	Addition to Fund……	FY 2006	$ 9,387	
	Balance End of Fiscal Year	2006	$ 177,462	
	Addition to Fund……	FY 2007	$ 7,242	
	Balance End of Fiscal Year	2007	$ 184,704	
	Addition to Fund……	FY 2008	$ 16,869	
	Balance End of Fiscal Year	2008	$ 201,573	
	Addition to Fund……	FY 2009	$ 11,760	
	Balance End of Fiscal Year	2009	$ 213,333	
	Addition to Fund……	FY 2010	$ 5,142	
	Balance End of Fiscal Year	2010	$ 218,475	
	Addition to Fund……	FY 2011	$ 9,420	
	Balance End of Fiscal Year	2011	$ 227,895	
	Addition to Fund……	FY 2012	$ 1,100	
	Balance End of Fiscal Year	***2012***		***$ 228,995***

While the City has a separate fund isolating the cemetery funds, the audits do not separately identify this activity from the park and recreation service. Given the condition of the LAFCO resolution, coupled with the lack of understanding of how much is restricted principal and how much is from gains, LAFCO staff recommends that the Commission include as a condition of approval for LAFCO 3158 that the City:

- Provide a full accounting of the Cemetery Endowment to include revenues, expenses, and transfers to include a breakdown of the fund balance to include principal and gains for the past ten years.

- Separately identify the restricted funds of the cemetery activity in the City's audits in both the financial statements and in the notes or management discussion and analysis.

F. Hospital Activity

As identified in the Hospital's FY 2011-12 audit:

"The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. The Hospital has

experienced recurring cash shortages and has a net deficit of $(81,977). The Hospital was offered for sale and is in the process of completing a sales contract with a qualified buyer, however there can be no assurance that this sale will be completed. These matters raise substantial doubt about the Hospital's ability to continue as a going concern. The June 30, 2012 financial statements do not include any adjustments that might result from the outcome of this uncertainty."

Revenues and Expenses

Medicare and Medi-Cal revenue represent from 68% to 71% of the Medical Center's gross patient revenues. Net patient service revenues summarized by payer for FY 2009-10 and FY 2010-11 are as follows:

	2012	2011
Medicare services	$ 8,190,746	$ 6,365,228
Medi-Cal services	6,703,904	6,890,820
Insurance, third-party payors and self-pay	7,034,311	6,330,197
Gross patient service revenues	21,928,961	19,586,245
Less contractual allowances	(10,306,430)	(10,300,434)
Less allowance for bad debts	(3,979,474)	(1,731,695)
Net patient service revenues	$ 7,643,057	$ 7,554,116

Expenses did not fluctuate significantly in 2010-11 and 2011-12. The biggest expense categories continued to be salaries, wages and benefits as well as professional services. The Hospital added a few positions throughout the year (CEO, additional biller, RN's) and aligned some departments to agree with industry standards as well as serve operating needs.

The Medical Center does not carry long-term interest bearing debt (e.g., issued bonds).

At the end of FY 2011-12, the Hospital generated a negative cash flow of ($609,502). This includes a negative Cash flow from operations of ($505,026). It should be noted that the Hospital operates without the benefit of a cash reserve. Total Days Cash on Hand at June 30, 2011 was 45 days of operating expenses and was 21 days at June 30, 2012 ($463,636). While not an uncommon condition especially for smaller healthcare facilities, it remains a serious issue for the Hospital when faced with unabated equipment, facility and, physician recruitment needs and potential operating cash flow deficits brought about by curtailed or terminating government funding programs.

HOSPITAL: CASH FLOWS					
	2008-09	2009-10	2010-11	2011-12	3-yr Var.
Cash flows from operating activities:					
Cash received from patients	8,440,081	7,434,720	7,754,882	7,710,300	-8.6%
Cash payments for operations	(2,773,978)	(3,772,127)	(3,426,267)	(4,181,109)	50.7%
Cash payments to employees	(4,883,667)	(3,120,065)	(4,351,784)	(4,034,217)	-17.4%
Net cash from operating activities	782,436	542,528	(23,169)	(505,026)	-164.5%
Cash flows from capital & related financing					
Addition to capital assets, net	(624,303)	(62,053)	(21,411)	(54,386)	-91.3%
Interest payment			(31,280)	(50,090)	
Net cash from financing	(624,303)	(62,053)	(52,691)	(104,476)	-83.3%
Net increase (decrease) in cash & equivalents	**158,133**	**480,475**	**(75,860)**	**(609,502)**	
Cash & cash equivalents, beginning	510,390	668,523	1,148,998	1,073,138	
Cash & cash equivalents, ending	668,523	1,148,998	1,073,138	463,636	-30.6%
Increase from prior year	31.0%	71.9%	-6.6%	-56.8%	-283.2%
Sources: Statement of Cash Flows					

As shown below, the deficit of revenues over expenses was $1,279,325 or an operating margin of negative 16.7% for 2011-12. The same negative operating margin was experienced for 2010-11 ($1,265,666) with a lesser negative operating margin for 2009-10, 5.3% ($371,069).

HOSPITAL: STATEMENT OF REVENUE, EXPENSE & CHANGE IN NET ASSETS					
	2008-09	2009-10	2010-11	2011-12	3-yr Var.
Operating revenues:					
Total operating revenue	9,034,399	6,961,465	7,596,867	7,678,240	-15.0%
Operating expenses:					
Salaries, wages & benefits	5,246,781	3,244,300	4,472,273	4,690,865	-10.6%
Purchase services	1,599,285	1,962,181	1,662,601	1,688,395	5.6%
Depreciation & amortization	848,647	762,061	919,269	690,087	-18.7%
Other	1,824,788	1,311,677	1,777,110	1,838,128	0.7%
Net cash from financing	9,519,501	7,280,219	8,831,253	8,907,475	-6.4%
Operating loss	**(485,102)**	**(318,754)**	**(1,234,386)**	**(1,229,235)**	
Non-operating expense (interest)		(52,315)	(31,280)	(50,090)	
Total Expenses over Revenues	(485,102)	(371,069)	(1,265,666)	(1,279,325)	163.7%
Net Assets, beginning	3,319,215	2,834,113	2,463,004	1,197,348	-63.9%
Net Assets, ending	2,834,113	2,463,004	1,197,348	(81,977)	-102.9%
Increase from prior year	-14.6%	-13.1%	-51.4%	-106.8%	631.8%
Sources: Statement of Revenue, Expense & Change in Net Assets					

Government Subsidies and Support

The Hospital is the benefactor of several government supported programs. Each of these programs has its own set of rules as to how and when they are funded and certain requirements of the Hospital to receive the funding. The AB915 program (Supplemental Outpatient Reimbursement) requires that the Hospital maintain its municipal entity status. The Hospital filed and received a Supplemental Outpatient Reimbursement (part of the AB915 program) for FY 2010 in the amount of $602,112. The Outpatient Reimbursement helped the Hospital's cash flow tremendously. The Hospital also received money from the Quality Assurance Fee (AB1653) in the amount of $1,302,982. Without both AB915 and AB1653, the Hospital would be experiencing extreme negative cash flow and would be in a dire financial situation.

Due to the potential sale of the Hospital from the City (a public entity), to another not-for-profit hospital owner/operator, and depending on how that sale and ownership transfer is structured, the Hospital may experience changes to some of its government/public sourced cash flows. It is possible that some of these changes may include termination to suspension or reduction in funding from these government and publically funded programs. An example of such a program is AB915 which is provided to healthcare providers that are public municipal entities. As such, the Hospital would lose AB915 funding if the sale of the Hospital is to a non-government entity.

Additional Retirement Plan

According to the 2011-12 Hospital audit, the Colorado River Medical Center Retirement Income Plan (the "Plan"), a single-employer defined benefit pension plan, is a separate trust fund of the City and is administered by the City of Needles. The Plan covers substantially all permanent full time employees. The Hospital contributed to the Plan approximately $65,000 and $40,000 in 2012 and 2011, respectively. However, review of this question with City of Needles personnel did not support the claims in the 2011-12 audit for its operation.

G. Business-type Activities

Business type activities include services provided by the Needles Public Utility Authority ("NPUA") (electricity, water, wastewater) and also refuse collection, public transportation, and a municipal golf course. All business-type activities are designed to be self-supporting, and costs are expected to be fully recovered by user fees and other revenues. Refuse collection activities are contracted out to a private company. Except for the transit activities, all business-type activities reflected an excess of expenses over revenues for the fiscal year ended June 30, 2012, resulting in operational deficits.

Net Assets

Net assets for the Business Funds have increased by 72% since FY 2006-07 as shown on the chart below. During this time Total Assets have increased by 4% and Total Liabilities have decreased by 4%. From the Net Assets perspective, the financial health of the Business activities overall has increased during the past six years. As of June 30, 2012, the Business activities had $5.5 million in net assets. Of this amount roughly half is unrestricted and half is invested in capital assets, net of related debt.

BUSINESS-TYPE ACTIVITIES: NET ASSETS							
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	5-yr Var.
Assets:							
Cash & investments	5,300,133	5,812,929	8,089,123	9,417,551	8,644,190	7,101,486	34%
Capital assets (net)	18,012,104	17,169,932	15,560,574	15,942,700	15,093,339	14,656,907	-19%
Other	5,419,184	6,283,152	6,450,088	4,717,505	5,545,209	8,142,661	50%
Total Assets	$28,731,421	$29,266,013	$30,099,785	$30,077,756	$29,282,738	$29,901,054	4%
Liabilities:							
Bank overdraft	624,865	329,058	841,953	1,164,451	1,063,264	1,511,654	142%
Current liabilities	3,002,331	2,628,909	2,392,306	2,339,847	2,452,104	3,036,052	1%
Long-term liabilities	21,926,260	21,557,951	21,298,590	20,826,435	20,341,268	19,872,750	-9%
Total Liabilities	$25,553,456	$24,515,918	$24,532,849	$24,330,733	$23,856,636	$24,420,456	-4%
Change in Net Assets	**$ 1,043,126**	**$ 1,572,130**	**$ 816,841**	**$ 180,087**	**$ (320,921)**	**$ 54,496**	
Total Net Assets	$ 3,177,965	$ 4,750,095	$ 5,566,936	$ 5,747,023	$ 5,426,102	$ 5,480,598	72%
Net Assets:							
Invested in capital assets, net of related debt	2,720,838	2,436,841	2,729,645	2,004,469	1,997,570	1,968,666	-28%
Restricted	-	-	-	-	-	-	
Unrestricted	457,127	2,313,254	2,837,291	3,742,554	3,451,532	3,511,932	668%
Total Net Assets	$ 3,177,965	$ 4,750,095	$ 5,566,936	$ 5,747,023	$ 5,449,102	$ 5,480,598	72%
Increase from prior year	-54.1%	49.5%	17.2%	3.2%	-5.2%	0.6%	
source: Statement of Net Assets							

NPUA

The Needles Public Utility Authority ("NPUA") is by far the most significant fund for the City. NPUA provides electricity, water and wastewater to the City's businesses and residents. All fixed assets of the utility are carried on NPUA's books, as well as the revenue bonds issued to finance the acquisition of the utility. Comprising 55% of total assets and about 59% of total revenues, the NPUA produced income of over $3.0 million in FY 2011-12. However, for FY 2011-12, interest expense of $1.244 million on the bonds issued to finance the acquisition of the utility and transfers out of about $2.0 million (including purchase payments of $1,085,300 and franchise fees) figured into the public utility's decrease in net assets of about $108,000 for the fiscal year.

Golf Course

The second biggest business activity is the operation of the golf course. At the start of FY 2011-12, the Golf Fund had negative Cash (Net Bank Overdraft) of -$976,326. During the year, it experienced a decrease in cash of $158,331 bringing the Net Bank Overdraft to $1,134,657. This large overdraft has also resulted in negative Net Assets for the Golf Fund as shown below. No known changes in operation to address neither

this deficit nor the means by which the shortfall is addressed in supplemental funding have been identified in the materials provided to LAFCO staff.

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Operating Revenues	$ 1,011,168	$ 959,617	$ 916,575	$ 729,630	$ 682,356	$ 602,673	$ 581,229
Operating Expenses	(1,201,871)	(1,174,384)	(1,200,935)	(1,029,364)	(1,033,053)	(863,446)	(843,269)
Non-Operating Rev (Exp)	-	-	-	(10,314)	(6,583)	-	-
Operating Transfers In	213,532	115,284	151,356	-	100,000	147,000	66,996
Operating Transfers Out	(69,996)	(69,996)	(69,996)	-	-	-	-
Change in Net Assets	(47,167)	(169,479)	(203,000)	(310,048)	(257,280)	(113,773)	(195,044)
Net Assets, Ending	**$ 138,714**	**$ (30,765)**	**$ (233,765)**	**$ (543,813)**	**$ (801,093)**	**$ (890,386)**	**$(1,085,430)**
The FY 2009-10 ending balance was adjusted by $24,480 in FY 2010-11.							

Sanitation

Another significant business activity is Sanitation (refuse collection) which operates at a running negative net asset of $1.8 million. This figure includes liabilities of a bank overdraft ($203,189), due to the general fund ($753,930), other liabilities ($526,068), and the note payable to the County ($665,195). Refuse collection activities are contracted out to a private company.

	FY 2010-11	FY 2011-12
Operating Revenues	$ 946,904	$ 955,327
Operating Expenses	(930,977)	(917,681)
Non-Operating Rev (Exp)	-	(67,430)
Operating Transfers In	-	-
Operating Transfers Out	(123,121)	(120,000)
Change in Net Assets	(107,194)	(149,784)
Net Assets, Ending	$(1,200,436)	$ (1,808,858)
The FY 10-11 ending balance was adjusted by ($458,638) in FY 11-12.		
Negative Net Assets includes $665,195 in principal & $526,068 in interest owed to County and $753,930 owed to General Fund		

Of concern, and question, is how the Golf Fund and the Sanitation Fund can continue to operate in the short and long-run when revenues are not adequate for ongoing operation and in the case of the Sanitation Fund, liabilities.

H. Appropriations Limit

Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative)[29], the City is restricted as to the amount of annual appropriations from the

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

proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIIIB allows the City to designate a portion of fund balance of general contingencies to be used in future years without limitation.

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. A review of the financial statements for the past five fiscal years does not identify that proceeds of taxes did or did not exceed appropriations. LAFCO staff recommends that this information be included in subsequent audits.

Government Code Section 7910[30] expands upon the Gann Initiative and requires each local government to annually establish its appropriation limits by resolution. For FY 2012-13, the City adopted an appropriation limit of $8,136,998.

I. Conclusion to Financial Determination:

The financial materials presented in this service review identify ongoing financial questions for the City of Needles and illuminate significant economic disadvantages with its neighbors of Laughlin Nevada, Bullhead City Arizona and Mohave Valley Arizona. The continuing increases in costs for public safety – contracts with County Sheriff and San Bernardino County Fire Protection District – will outstrip any increase in general fund revenue and will, in the opinion of LAFCO staff, result in a degradation of service. This degradation cannot be avoided if the City wishes to live within its revenue streams.

The ongoing saga of the Colorado River Medical Center, Needles Hospital, has been, continues to be, and may continue into the future as a significant liability. This position is taken on the basis of the existing liability to CalPERS for failure to fund retirement benefits and the obligation to the private Retirement Income Plan that the City was unaware existed. It is hoped that the sale of the facility will address these concerns and remove the pending liability of the City.

In addition it appears that enterprise activities are being tapped to prop up general fund activities through such items as franchise charges to the Needles Public Utility Authority paid into the general fund. The audit identifies “the primary reason for the City being able to maintain its financial position is the operation of the public utility” which is an enterprise activity restricting the use of the funds for the purposes of the rates charged. Questions continue surrounding the financial operation of the cemetery district transferred to the City and its endowment fund, the ongoing operation of the golf course and the continuing deficit spending in the sanitation division.

[30] Added by Stats.1980, c. 1205, p. 4059, § 2. Amended by Stats.1988, c. 1203, § 1; Stats.2007, c. 263 (A.B.310), § 25.

City of Needles staff has worked diligently to address the future financial implications – such as contacting the County to reset the landfill repayment – but the economic disadvantages of population growth to the east are beyond their control and will impact their ability to address these issues for the future. It is the opinion of LAFCO staff that a more detailed discussion of these issues needs to be undertaken related to the future governance of the City.

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

According to the contract with the San Bernardino Fire Protection District, SBCFPD shall provide to the City fire prevention, fire investigation, fire suppression, hazardous materials, and rescue services, and standards shall comply with SBCFPD criteria. Additionally, the City is to lease to the SBCFPD the fire station for $1 per year and the fire vehicles, apparatus, equipment, and property for the sum of $1 per year. In addition, the County sheriff shares facilities with the City.

The opportunity exists for shared facilities with the school district for sharing of storage facilities and park use.

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

Local Government Structure and Community Service Needs

The City operates under the council-manager form of government. Six council members are elected at large for four-year overlapping terms with the mayor elected to a two-year term. The Charter reads that no mayor shall serve more than four consecutive terms. In council proceedings, the mayor is not empowered to move or second council action, but is empowered to vote only to break a tie vote. For the November 2012 general election, there were 1,893 registered voters within the City with a 67% voter turnout for that election. City Council meetings are on the second and fourth Tuesdays of the month at 6:00pm. Below is the composition of the current council, their positions, and terms of office:

Council Member	Title	Term
Edward Paget	Mayor	2014
Tom Darcy	Council Member	2016
Tony Frazier	Council Member	2016
Jim Lopez	Council Member	2016
Terry Campbell	Council Member	2014
Linda Kidd	Council Member	2014
Shawn Gudmundson	Council Member	2014

The City has three commissions (Planning, Cemetery Advisory, and Parks and Recreation). The City Council sits as the boards of the Needles Public Utility Authority, Needles Public Finance Authority, Needles Hospital, and is the successor entity of the former Needles Redevelopment Agency.

Not including hospital staff, the City in 2011 had 81 full-time employees, part-time employees, contract employees and seasonal employees and seven elected officials. The budgets identify a cost of roughly $5,000 for the Mayor and City Council. A review of the State Controller's "Government Compensation" website identifies the following for the City for 2009-2011[31]:

	2009	2010	2011
Residents	5,793	5,809	4,874
Employees	93	88	81
Ratio of residents per City employee	62:1	66:1	60:1
Avg. wages for all City employees	$30,094	$31,102	$30,998
Amount spent on total wages	$2,798,754	$2,736,987	$2,520,875
Amount spent on total wages per resident	$483	$471	$515
Highest salary reported	$131,316	$168,843	$104,526

Operational Efficiencies

Operational efficiencies are realized through several joint agency practices, for example:

- The City is a member of the California Joint Powers Insurance Authority ("Authority"). The Authority is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage.

- The City acts as the manager and operator of the Needles Public Utility Authority's water, sewer, and electrical enterprises under a Management Agreement. The City receives a management fee equal to its actual costs and direct overhead incurred in connection with the management and operation of the enterprises.

- The County provides library services to the community through its Needles Branch Library located at the County's Needles Government Center.

- The electrical system is administered and operated by the City's Needles Public Utility Authority ("NPUA"). The NPUA Board makes recommendations to the City Council for its action; however, City Council members are the NPUA board. The City and NPUA entered into a separate agreement wherein the City has agreed to continue to manage and administer the utility operations with City employees. As a result, the City performs the customer billing and collection function and pays the expenses related to the utility operations. NPUA reimburses the City on a monthly basis for expenses incurred.

[31] California State Controller's Office. "Government Compensation in California". City of Needles. Accessed 28 February 2013. Last updated 17 Dec 2012.

- The Needles Hospital has begun a strategic initiative to develop a relationship with the County of San Bernardino Health Services agencies. Utilizing the services of a physician consultant to assist in this business development, the Hospital hopes to add Public Health and Behavioral Health Services.

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

Pursuant to Government Code Section 56133, since 1994 LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. There are no out-of-agency service agreements approved by LAFCO authorizing the City to provide service outside of its boundaries.

Correspondence from the District in 1994, on file at the LAFCO office, identifies that the City had out-of-agency service contracts at that time. The law exempted service provided prior to 1994 originally (later amended as 2001); therefore, further review by LAFCO is not required.

- Water and sewer to the Fort Mojave Indian Reservation village which is wholly surrounded by the City.

- Electrical service to the Park Moabi/Pirate Cove facility located outside of the City's boundaries, within its sphere of influence.

Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review [32]. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

In some cases, functional consolidation or integration can reduce costs so that services can be maintained and improved with fewer dollars. The following scenarios are not being

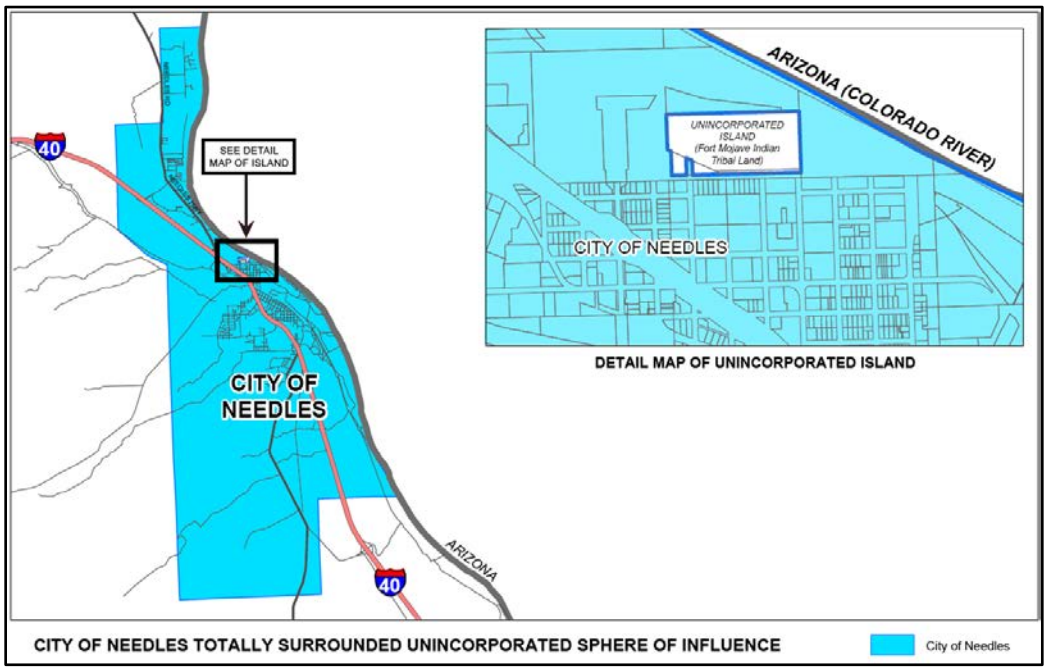
[32] State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

presented as options for the Commission to consider for action as a part of this service review. Rather, a service review should address possible options, and the following are theoretical, yet possible, scenarios for the community to consider for the future. Movement towards these scenarios would include, but not be limited to, the requirement to prepare a plan for service, fiscal impact analysis, and any other required studies.

- Annexation to SBCFPD. As a municipality, the City is responsible for providing fire protection within its boundaries[33], and it has chosen to contract with the San Bernardino County Fire Protection District ("SBCFPD") for the provision of the service. Should the City desire not to be responsible for fire protection within its boundaries, the City could annex to SBCFPD. This would require an application to LAFCO for annexation to SBCFPD which would necessitate the development of a Plan for Service and Financing Plan showing at least five years of projected revenues/expenditures. Such action would require the City's consent to the overlay of SBCFPD over the city, but would remove the City's service responsibility. In this case, SBCFPD would succeed to all of the City's fire protection assets, liabilities, and any property tax that provides for the contract with SBCFPD. This scenario would provide for a single governing and administrative body for fire protection and emergency medical services in this area of the county.

- Annexation to the City. The Fort Mojave Indian Village, comprising approximately 18 acres, is totally surrounded by the City in the north. Given the circumstances that it is within the City's sphere of influence, less than 150 acres, developed, and is totally surrounded by the City, it would normally be eligible for annexation under the Island Annexation provisions under Government Code Section 56375.3. However, being the territory of a sovereign Indian nation this is not the case. In addition, there are no property taxes to transfer from one agency to another at the present time. Without additional revenue generated for municipal services from such an annexation, it would not be considered to be sustainable; therefore, there would be no tangible benefit to annexation. Land use authority would remain under the Tribe, and fire protection, law enforcement, and electricity are already provided by the Tribe. The City provides water and wastewater collection service to the Village through contract with the Tribe, and these services receive revenue from user charges rather than property tax revenue. Therefore, this scenario is highly unlikely.

[33] Government Code Section 38611.



- Formation of new county or secession to Nevada. The Needles community has long had an economic disadvantage in relation to the neighboring communities in Nevada and Arizona. In 2008 the County Board of Supervisors proposed to replace the hospital's emergency room with an urgent care center. This sparked talks within the Needles community of either seceding from California to Nevada or forming a new county. LAFCO staff believes that both of these scenarios are not feasible.

    - Formation of a new county would require a minimum of 10,000 residents. Unable to provide a sufficient population base, the city would have to add additional population centers into its proposed county such as Barstow (150 miles away) or the Morongo Basin (with the City of Twentynine Palms 125 miles away). Such a proposal would need to gain voter approval from both San Bernardino County as a whole and from within the proposed new county. In the late 1980s, San Bernardino County voters rejected an attempt to create a new county, Mojave County, stretching from the Cajon Pass to Needles while it was supported by the voters within the proposed Mojave County.

    - Changing states would require approval not only from the United States Congress but also the legislatures of both California and Nevada. With the exception of West Virginia leaving Virginia during the Civil War, succession movements generally have failed.

- Disincorporation of the City and formation of a Community Services District. As identified at the outset of this report, the City faces an economic disadvantage with its neighboring communities in Arizona and Nevada, questioning the long-term viability of the City. The option of forming an independent single, multi-purpose special district, is a form of government that is feasible for the Needles

community. The City could propose a reorganization that would disincorporate the City and simultaneously form a community services district ("CSD"), which would assume the responsibility for providing services such as electricity, water, sewer, parks, etc. and annex to the San Bernardino County Fire Protection District for ongoing fire and emergency medical services. The new CSD could assume the responsibilities and all functions, obligations, assets, liabilities, and equipment of the City. This scenario would maintain an efficient service delivery pattern for the full range of services available within the community through a single agency.

Currently, the County provides library service and operates the airport, and ambulance service is assigned by ICEMA. Although responsible for law enforcement, and fire protection as a municipality, the City contracts with the County Sheriff's Department for law enforcement, and San Bernardino County Fire Protection District for fire protection and emergency medical services. The remaining services the City actively provides: water, wastewater, park and recreation, electricity, roads, and streetlight services.

In regard to law enforcement, road maintenance, and land use authority, services not available to a CSD, County would assume service responsibility and would receive those revenues such as Motor Vehicle In-Lieu, sales tax revenues and a share of the general ad valorem property tax revenues to support the operations. However, it is important to note that within the unincorporated area traffic control is under the jurisdiction of the California Highway Patrol, which would decrease law enforcement costs to the County.

However, the loss of the City of Needles and its local control, the community would forgo tangible and intangible aspects. First, the community would lose its identity as a city. Second, civic engagement between the citizens and its local government would remain, although with an independent special district and not a city. Third, the one function that an independent special district cannot perform is land use authority, which would revert to the County. Fourth, the sales tax revenues and motor vehicle fees that were received by the City would be received by the County instead.

However, in this scenario, regression from a municipality to a special district would be proposed in response to economic factors affecting Needles in the Tri-state area. Such a proposal, should it be submitted to LAFCO for consideration, would require a plan for service detailing the transition from city government to an independent special district. The proposal in the end would require a determination of the registered voters within the City for ultimate approval. Additionally, this theoretical scenario would be one of the first of its kind in the state and would raise many issues such as CalPERS retirement contributions, continuation of franchise taxes, etc.

CITY OF NEEDLES SPHERE OF INFLUENCE UPDATE

SPHERE OF INFLUENCE

Required Meeting between City and the County

Pursuant to Government Code §56425(b), as a part of the sphere of influence updates for cities conducted by LAFCO, the cities and the County are required to meet and discuss the potential for coordination of land use within the sphere of influence of the city. Additionally, §56425(b) states that the commission shall give great weight to any agreement between the city and county, to the extent that it is consistent with commission policies, in its final determination of the city sphere.

City and County representative met and discussed the County Development Code, the process for project review, and proposed projects within the sphere of influence. The City's letter regarding this meeting reads that, "The review procedures, as well as the County Development Code and General Plan, are understood and agreed to by both parties, and not additional discussion is planned to occur." The letter is included as a part of Attachment #2. The City has identified to LAFCO staff that for this sphere of influence update it does not request any modifications to its sphere.

County Development Code Chapter 82.22 establishes a "sphere standards overlay" to allow the implementation of County of standards that closely conform to city development standards. Adoption of such a sphere standard could "ensure that the County's approval of a proposed development in a sphere of influence is consistent with the shared objectives of the County" and the city.

LAFCO Staff Proposed Sphere Amendments:

LAFCO staff is recommending reduction of the City's sphere of influence in two areas:

Area 1

LAFCO staff has confirmed with the City and through documentation from the California Energy Commission that the City's obligated electrical service area is generally that of its current sphere of influence. However, a review of the Bureau of Land Management maps for Renewable Energy Projects and Utility Corridors as of November 23, 2012 identifies 212 square miles of the City's sphere as Desert Wildlife Management Area (DWMA). LAFCO staff recommends that this area be removed from the City's sphere of influence since DWMAs have been established by the BLM to protect high quality habitat for the threatened desert tortoise. Most DWMAs overlap with critical habitat for the desert tortoise. Individual DWMAs have a one percent surface disturbance limit to protect the desert tortoise.

- Reduce the City's existing sphere by approximately 212 square miles (135,639 acres), identified as Area 1, which generally includes all of Township 06 North,

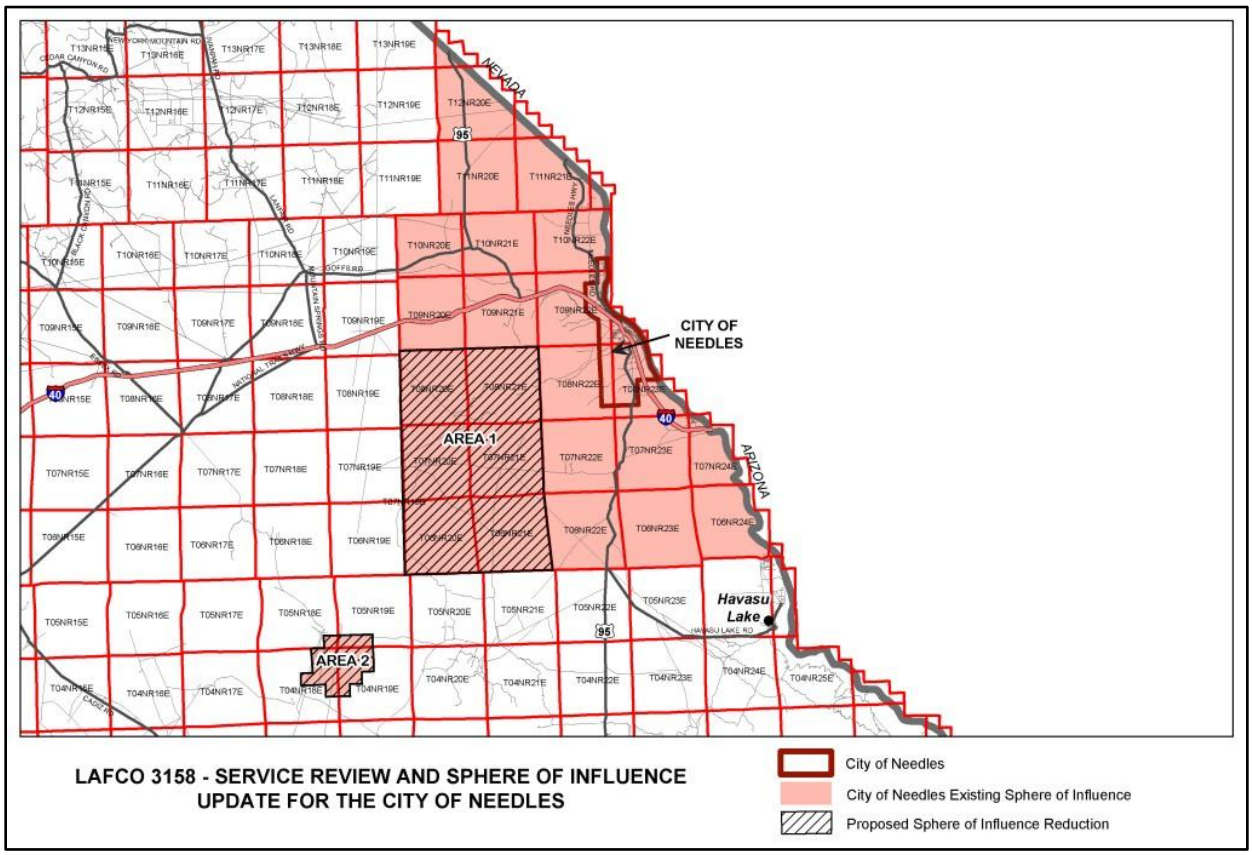
Range 20 East; Township 06 North, Range 21 East; Township 07 North, Range 20 East; Township 07 North, Range 21 East; Township 08 North, Range 20 East; and Township 08 North, Range 21 East; and,

Both LAFCO and City staffs believe that this is reflective of the Needles community, continues to allow the City to extend electrical service within its sphere of influence to any undeveloped parcel without necessity for additional approval by LAFCO under Government Code Section 56133 (out-of-agency service agreement), and continues to allow the City to provide meaningful input regarding future development and the extension of electrical service as there is no other electrical provider in the area.

Area 2

The City's sphere was expanded in 1994 to include a non-contiguous area for the stated reason that the City was to obtain a well-field for municipal use. The well-field never came to fruition, and the area is neither a part of the City's obligated electrical service area nor reflective of the Needles community.

- Reduce the City's existing sphere by removing its non-contiguous sphere encompassing 21 square miles (13,463 acres), identified as Area 2, which generally includes Sections 1, 2, 11, 12, 13, 14, 15, 24 of Township 04 North, Range 18 East; Sections 4, 5, 6, 7, 8, 9, 17, 18, 19 of Township 04 North, Range 19 East; Sections 36 of Township 05 North, Range 18 East; and Sections 31, 32, 33 of Township 05 North, Range 19 East.



FACTORS OF CONSIDERATION

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

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

According to the current adopted General Plan land use and zoning map for the City of Needles (adopted in February 1986), approximately 42% is Residential, 16% Commercial, 18% Industrial, 6% Open Space, 3% Parks and Recreation, 1% Institutional, 3% Others (i.e. highways, railroads, etc.), and approximately 11% has no land use designation[34].

For its unincorporated sphere area, the County of San Bernardino designates approximately 99% as Resource Conservation, and the remainder 1% includes a mix of Rural Living, Open Space, and Institutional land uses.

[34] Current City General Plan Land Use Map does not show some areas as having a General Plan land use designation.

Within the City's entire sphere, roughly 7% of the land is privately owned and the remainder, 93%, is public, which are devoted primarily to resource protection and recreational use. In addition, a portion of the reservation lands for the Fort Mojave Indian Tribe (approximately 6,136 acres) and the reservation lands for the Chemehuevi Indian Tribe (approximately 1,502 acres) are located within the City's unincorporated sphere of influence. This represents approximately 1.7% of the total public lands within the City's unincorporated sphere.

The City's proposed sphere reductions, Areas 1 and 2, currently have limited or no development potential since the area is 98% public lands owned by the Federal government, most of which are within BLM's Desert Wildlife Management Area, a designation for areas which have a one percent surface disturbance limit to protect the desert tortoise habitat.

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

As a municipality, the City is responsible for law enforcement and fire protection within its boundaries and has chosen to contract with the County Sheriff's Department and San Bernardino County Fire Protection District for these services. The City provides some services directly within its limits such as water, wastewater, electricity, parks and recreation (includes cemetery), roads, streetlights, and hospital.

A. Water

The City has divided its planning for its utilities (water, wastewater, electricity) into six sections (map included as a part of Attachment #2). The sections start in the south with Section A and work northward. Particular to water service, the current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) - The City does not provide service. There are no plans for service to this area, except if Pirate Cove expands and requests connection to the City system.

- Section B (south City boundary to downtown) – The City provides water service to this section. This area, during the strong economic period, was planned to be utilized for commercial and industrial projects, allowing developers to install infrastructure. All projects have ceased and no infrastructure installations are planned. One solar project at the old landfill is still in the preliminary phase. Connections have steadily decreased.

- Section C (downtown) - The City provides water service to this section. Well 10 is currently being replaced and the Well #15 treatment facility may be replaced depending on level of iron/manganese. Connections have steadily decreased.

  The City has an out-of-agency service agreement with the Fort Mojave Indian Reservation Village for water service. The City supplies the Village with a

master water meter – houses in the Village have individual meters and the Tribe bills each individual meter with payment in sum to the City. There is a one-way interconnect agreement with the Tribe for emergency situations only.

- Section D (downtown to Budweiser Road) – The City does not provide water to this area. This area continues to grow with single family residential homes; the City requires a minimum 1-acre lot for wells/septic; the area is expected to experience ongoing development, with a strong potential for developer(s) to provide infrastructure improvements.

- Section E (Budweiser Road to north sphere limits) – The City does not provide water to this area. This area is being proposed for several solar projects and may require access to water, depending on the technology.

- Section F (within western sphere of influence) – The City does not provide water to this area and there are no plans for service.

B. Wastewater

The current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) - The City does not provide service. There are no plans for service to this area.

- Section B (south City boundary to downtown) – The City provides service to this section. There are no plans for expanding service in this area.

- Section C (downtown) - The City provides service to this section. The lines were installed in the 1950s, and maintenance is ongoing. A treatment facility was brought online in 2001, with a daily capacity of 1.3 million gallons; current capacity is at 300,000 gallons per day. Infrastructure improvements are proposed as a part of the El Garces Renovation project, which is currently on hold pending the release of funds.

  The City has an out-of-agency service agreement with the Fort Mojave Indian Reservation Village for wastewater service. The Tribe is responsible for collection and transportation of effluent to the City's mainlines. The City is responsible for transportation to its treatment facility and treatment of the effluent.

- Section D (downtown to Budweiser Road) – The City does not provide service to this area. This area continues to grow with single family residential homes; the City requires a minimum 1-acre lot for wells/septic; the area is expected to experience ongoing development, with a strong potential for developer(s) to provide infrastructure improvements.

- Section E (Budweiser Road to north sphere limits) – The City does not provide service to this area. This area is being proposed for several solar projects and may require access to water, depending on the technology.

- Section F (within western sphere of influence) – The City does not provide service to this area and there are no plans for service.

C. Electricity

The current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) – Service is provided to the Park Moabi/Pirate Cove facility located outside of the City's boundaries, within its sphere of influence. An upgrade is proposed as part of the expansion plans for Pirate Cove, planned to begin in late 2012/early 2013. Additionally, there is ongoing replacement of old equipment, including poles/transformers.

- Section B (south City boundary to downtown) – Service is provided to the Needles Airport, Towne Center Shopping, and residential areas. A service expansion is planned for a proposed solar project at the old landfill. This project is still in the preliminary stages with the developer to pay for a new line.

- Section C (downtown) - The City provides service to this section. Upgrades are proposed, including replacement of old equipment including poles, transformers, and wires. Additionally, there is ongoing replacement of old equipment, including poles/transformers. The City identified that is does not provide electrical service to the Fort Mojave Indian Reservation Village.

  In May 2008, the Fort Mojave Indian Tribe through its Aha Macav Power Service ("AMPS") completed the engineering, procurement, construction, and energization of a new interconnection with the City. This project serves to enhance the reliability of transmission service to the City. The project has been possible through a contractual relationship between the federal government, WAPA, City, and AMPS. In addition, according to the City letter dated February 20, 2013, the City and AMPS have informal mutual aid agreements to provide emergency services to each other on an ad-hoc basis.

- Section D (downtown to Budweiser Road) – The City provides service to this area. This area is served to capacity, with an upgrade underway. The transmission line upgrade is to be paid by WAPA. Additionally, there is ongoing replacement of old equipment, including poles/transformers.

- Section E (Budweiser Road to north sphere limits) – The City provides service to this area. The transmission line upgrade is to be paid by WAPA.

- Section F (within western sphere of influence) – The City does provides service to the railroads, generally where the rail lines cross Interstate 40.

D. Parks and Recreation

The Quimby Act (Government Code sections 66477 et seq.) authorizes jurisdictions to require developers to set aside land for open space or pay in-lieu fees for park improvements. The goal of the Quimby Act is to require developers to help mitigate the impacts of property improvements. This ensures that jurisdictions adopt Quimby Act standards and provide three to five acres of open space per 1,000 persons. The City's existing General Plan park standard is four acres of parkland per 1,000 persons.[35] The City currently has 42 acres of parkland, which includes parks and special use areas. LAFCO staff is unaware of any undeveloped parkland sites. As shown below, based upon both population projections (SCAG and LAFCO) and the current acreage of parkland/open space, the City would not need to obtain additional parkland through 2040.

	2010	2015	2020	2025	2030	2035	2040
2010 parkland/open space acreage	42	42	42	42	42	42	42
Population – LAFCO projections	**4,844**	**4,976**	**5,113**	**5,252**	**5,396**	**5,544**	**5,665**
Acreage (4) per 1,000 - City standard	19.4	19.9	20.45	21.01	21.58	22.18	22.66
Population – SCAG projections	**4,844**	**5,370**	**5,954**	**6,559**	**7,225**	**7,959**	**8,767**
Acreage (4) per 1,000 - City standard	19.4	21.5	23.8	26.2	28.9	31.8	35.1

E. Roads/Transportation

A review of the Southern California Association of Governments (SCAG) "2012-2035 Regional Transportation Plan" does not identify any specific plans for the Needles portion of Interstate 40 or U.S. Highway 95.

Interstate 40-Highway 95 Interconnect Project

The City is proceeding with the engineering design of the I-40/AZ 95 Interconnect project for which $4.8 million in Federal Transit Authority funding has been granted. The County of San Bernardino is contributing $628,000 through a grant and a loan for the local matching funds. The project will include the widening of J Street north of Interstate 40, Needles Highway between Broadway and K Street, and K Street between Needles Highway. Traffic signals will be installed at four intersections.

F. Hospital

A review of LAFCO files and newspaper articles for the past 20 years reveals a turbulent time for the hospital. According to the FY 2010-11 Hospital audit, the

[35] City General Plan, Open Space and Recreation Element, Principals and Standards #8, pg. IV-6.

departure of the private operator in 2008 resulted in significant lack of oversight by management.

In 2008 operation of the hospital was transferred from an independent operator, Life Point, to the City after Life Point decided to close the medical center after opening a new hospital – Valley View Medical Center – just 12 miles to the east in Fort Mohave, AZ. In 2008 the medical center identified the two biggest challenges facing the hospital;

1. The need to break away from the City and be able to operate independently. The Hospital has used the staff and services of the City to supplement certain financial and management functions – particularly in 2008 and 2009. Discussions with the City continue as to payment for these services.

2. To secure financing and establish a financial accounting system. In 2009 the hospital board approved a contract for the management of the hospital with a private entity.

In June 2010 the City placed a ballot measure, Measure Q, with the following question:

> *"Shall the ordinance to mandate the Board of Hospital Trustees and the Needles City Council to sell the Colorado River Medical Center Pursuant to Government Code Section 37615.1(o) be adopted?"*

The measure passed with 55% voting yes. This measure, codified as City Ordinance 516, requires the Hospital Board, with approval of City Council, to sell the hospital to a qualified nonprofit corporation which meets certain criteria.

In 2011, the Hospital took two important steps forward. It hired a permanent Chief Executive Officer and completed an audit. With the audit completed, the accounting system could be utilized to create ongoing and regular financial reports as well as operating statistical reports for management. The audit states that licensing issues are critical for the future of the Hospital, and that the hiring of competent management staff and training of existing managers is ongoing.

Currently, the Hospital is a licensed 25-bed rural general acute care hospital with a critical access designation[36]. The Hospital serves not only the residents of the city but also travelers on Interstate 40, Highway 95, residents of the lower Mohave Valley, AZ, and approximately 3,100 square miles of the outlaying area of San Bernardino County. The Hospital provides a fully-staffed, 24-hour emergency department with physician on duty. The Hospital also has airship capabilities and is Medicare certified. The Hospital's billing remains in the hands of a third party collection agency, HRG. Due to geographical proximity to another state, managing

[36] A Critical Access designation requires hospitals to provide emergency care necessary to meet the needs of its patients or outpatients.

the process is complex and requires specific skill sets not readily available in the area. This past year, the Hospital entered into an agreement with a local hospice home to provide care for their patients on a per diem basis reimbursement.

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

A. Water

Ground water is the source of the Needles water supply. Approximately 781 million gallons per year is pumped from four wells. The wells are approximately 100 feet deep and are located in the lower part of the City. Water distribution consists of 66 miles of lines varying in diameter from 2" to 16". Lines are constructed of ductile iron, asbestos cement, steel and plastic pipe. Water storage is provided by two 1.5 million gallon tanks for the lower pressure zone next to the Rodeo Grounds and one 1.5 million gallon tank and one 100,000 gallon tank out Parkway Street for the upper pressure zone.

According to the 2011 Water Quality Consumers Confidence Report (included as a part of Attachment #2), arsenic and nitrates were detected; however, all are below the state and federal regulations for maximum contaminant level and meet the primary drinking water standards.

The City is not classified as an urban water supplier because it does not have more than 3,000 connections or supplies more than 3,000 acre-feet. Therefore, the City is not required to submit an Urban Water Management Plan to the State every five years.

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

B. Wastewater

City's Wastewater Department is responsible for managing the City's sanitary sewer collection system. The collection system consists of 19.25 miles of sewer line 3.6 miles of force main, four lift stations, 390 manholes, and a 11.2 mgd wastewater treatment plant. The sewer system was first installed in 1950.

The City has four lift stations that transport the wastewater to the treatment plant where the effluent is pumped to the City's percolation ponds located behind Bashas Center. Here the water percolates back into the ground and replenishes the groundwater basin. The City's sewer collection system does not include all developed properties within the northernmost and southernmost portions of the City. In these areas along the river the population is sparse and spread, remaining on septic systems.

A review of the Colorado Water Board's website does not indicate any enforcement orders within the past five years for the City of Needles.

C. Electricity

The City's electrical system, as a publically-owned utility, is under jurisdiction of the California Energy Commission. In September 2012, the California Public Utilities Commission ("PUC") conducted an audit of the City of Needles' Electric Distribution Facilities. The PUC does not have direct oversight of publically-owned utilities (it regulates investor-owned utilities). However, according to the City, in this instance the PUC is endeavoring to usurp the CEC's authority with respect to infrastructure utilizing recently adopted PUC General Orders. The PUC requested, and the City allowed, a review of records and field inspections of the City's facilities. During the audit, the PUC identified violations of one or more PUC General Orders.

The audit cover letter requested the City to advise by November 16, by electronic or hard copy, of all measures taken by the City of Needles to remedy and prevent such violations. However, the City replied informally via telephone discussion and has not prepared any documentation. According to the City, it fully cooperated with the PUC auditors and will make best efforts to meet the targets set by the PUC audit; however, lacking personnel and financial ability by the NPUA meeting the targets is anticipated to be a challenge.

D. Parks and Recreation

The City of Needles has approximately 42 acres of recreational opportunities made up of park and recreational areas.

In addition to parks, the City offers a range of community facilities and activities.

- The Duke Watkins Park includes the Needles Skate Park which was built with grant funds from the Tony Hawk Foundation.
- The Needles Municipal Aquatic Center was dedicated in 1990. It contains a 25-yard competition size swimming pool, a slide, and a kid play area that features a wading pool. There is a park within the complex, complete with shade trees, picnic tables/benches and barbecue stands.
- The Parks Department offers recreation programs including: recreation classes, aquatic programs, sports programs, summer day camp, field allocation, facility rentals, special events, and an after school program.
- The Senior Citizens Center has several services to offer including transportation to medical facilities, shopping and appointments around town, and a senior noon meal program including home delivery to eligible participants.
- Rivers Edge Golf Course is owned and operated by the City of Needles, and offers a championship par 71, 18 hole golf course. It is the only golf course in the tri state area located on the Colorado River.

Cemetery

In 1994 the dissolution of the Needles Public Cemetery District was completed by LAFCO and the City was designated as the successor agency. The dissolution transferred the Cemetery District's share of the general ad valorem property tax to the City to continue the service. The City operates the Needles Riverview Cemetery through its parks and recreation department. The Cemetery is an endowment care cemetery meaning that it charges for and receives funds for the perpetual care of the gravesites. The endowment fund is impressed with a public trust and the City is obligated to maintain the principal amount in perpetuity to fund maintenance of the cemetery.

E. Roads/Transportation

Caltrans is responsible for maintaining the highways and the City maintains the remainder of the public roads within its maintained system. Maintenance and highway improvements must be coordinated through Caltrans as the highways are part of the State Highway System. Even though the highways represent a constraint on the City's circulation system, it also serves as the City's primary access route as there are very limited access alternatives to the highway. Due to the highway's role as the main thoroughfare in and out of the City and region, it receives a high volume of traffic.

F. Streetlights

The City, through its City's Needles Public Utility Authority, administers and operates the electrical system. Unlike other communities where Southern California Edison is the electrical service provided, in Needles the City owns and operates the streetlights within its boundaries. Therefore, the NPUA responds to problems and is responsible for the utility costs associated with the individual lights. There are no plans at this time to increase the number of the streetlights. However, if the community continues to see growth in its population, the need for streetlights will also increase.

G. Hospital

The following excerpt is taken from the Hospital FY 2011-12 audit which identifies the economic and market challenges facing the Hospital.

> *Competition remains a growing concern for the Medical Center. Competition will be a factor in both services performed at the Medical Center, as well as in physician offices, as other hospitals compete for the loyalty of physicians to refer patients to their facilities. One way the Medical Center can accomplish this is through the use of its status as a Critical Access Hospital. Bringing in Primary Care physicians to the community will offer an opportunity for the Medical Center to potentially draw some patients from additional Primary Care resources in the market. The only real opportunity for growth and further redevelopment of the Medical Center is through the recruitment of*

> *Primary Care Physicians into the community. Recognizing that there is not a single Primary Care practitioner in the City of Needles and there are basically two other specialty physicians available, Gastroenterology and General Surgery, it is essential to attempt this necessary recruitment. The out-migration of Primary Care impacts not only these specialists, but the Emergency Room, Outpatient Service areas, and the Inpatient Hospital service.*

Currently, the City remains the owner with the Board of Hospital Trustees operating the Hospital. In August 2012, the City Council approved the sale of the Hospital to a non-profit-group, Community Healthcare Partner Inc, a California nonprofit corporation. According to the City, it was anticipated that a draft contract would be presented to the Hospital Board of Trustees and City Council in late February for consideration. As of the date of this report no information on the presentation of this contract has been provided.

IV. Existence of any Social or Economic Communities of Interest in the Area.

As one of the gateways to California, the Needles community holds a significant place in the fabric of California. However, its economic standing has suffered as the economies of communities in Arizona and Nevada have advanced. Social and economic communities of interest include the surrounding Indian tribes, Needles Unified School District, Burlington Northern Santa Fe Railroad businesses along Highway 40, Colorado River and its economic and recreational uses. The Colorado River Medical Center is the largest employer in the City but its future is also in question due to its proximity to larger and varied facilities in the adjacent states.

V. The Present and Probable Need for Public Facilities and Services of any Disadvantaged Unincorporated Communities Within the Existing Sphere of Influence for a City/Special District that Provides Public Facilities or Services Related to Sewers, Water, or Fire Protection.

The City's entire unincorporated sphere of influence is not considered to be a disadvantaged unincorporated community, as defined by Government Code Section 56033.5 and Commission policy. However, the community of Needles itself is a disadvantaged community. The City provides water and sewer services to its residents. For fire protection and medical emergency medical services, the City contracts with the San Bernardino County Fire Protection District to provide these services.

CONCLUSION FOR CITY OF NEEDLES:

Staff is recommending that the Commission make the following sphere determinations for the City of Needles:

1. Reduce the City's existing sphere by approximately 212 square miles (Area 1); and,

2. Reduce the City's existing sphere by removing its non-contiguous sphere encompassing approximately 21 square miles (Area 2).

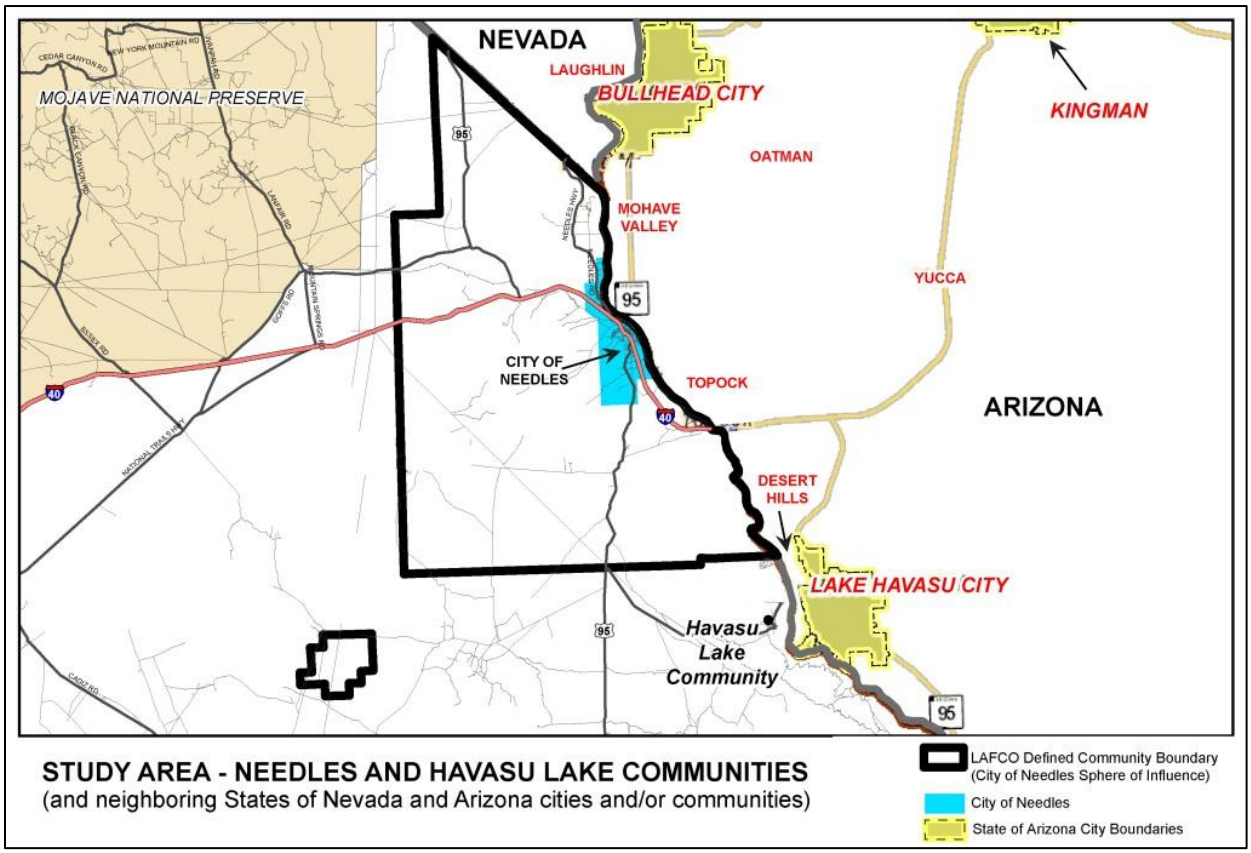
LAFCO staff recommends that the Commission include as a condition of approval for LAFCO 3158 that the City:

- Provide a full accounting of the Cemetery Endowment to include revenues, expenses, and transfers to include a breakdown of the fund balance to include principal and gains for the past ten years.

- Separately identify the restricted funds of the cemetery activity in the City's audits in both the financial statements and in the notes or management discussion and analysis.

HAVASU LAKE COMMUNITY

The Havasu Lake community is south of the Needles Community, generally running from Topock Gorge on the north to Parker Dam on the south, it includes the smaller communities of Black Meadows Landing and Havasu Landing on the western California side of Lake Havasu . The Chemehuevi Indian Reservation comprises a majority of the lands within the community. The private lands within the northern portion of the community are within the boundaries of County Service Area 70 Zone HL, which provides solid waste collection. Also, the community includes a portion of the San Bernardino County Fire Protection District's Zone FP-6 which provides service to the Havasu Lake community and beyond. However, the southern portion of the community is a part of SBCFPD's South Desert Service Zone but no other County-operated special district provides service.



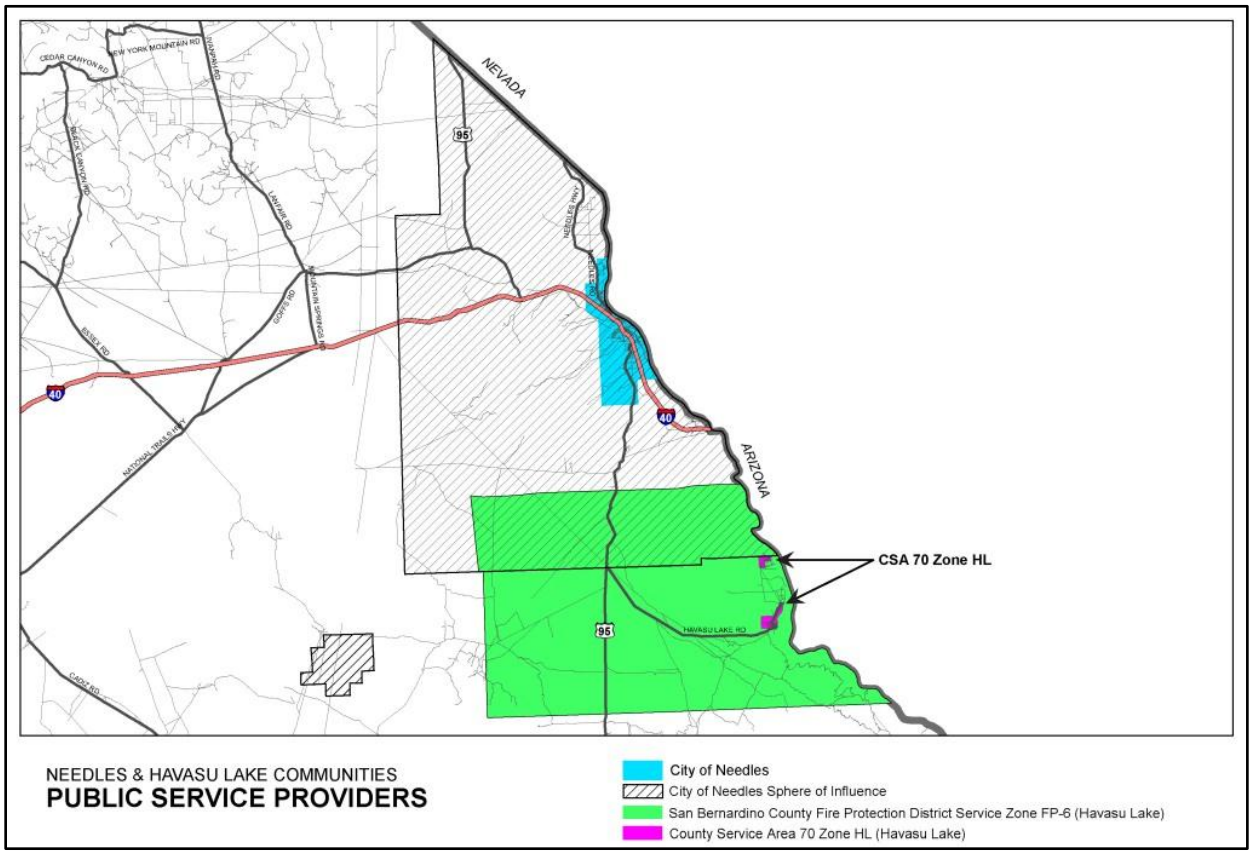
A map showing the general Havasu Lake community is shown below:

The map above provides a general location of the incorporated Lake Havasu community in the State of Arizona adjacent to the Lake Havasu Arizona State Park Lake. This incorporated community within Arizona enjoys an economic advantage over the California Havasu Lake community. The population within the community has changed little in the past 20 years while its neighboring city in Arizona (opposite side of the Lake), Lake Havasu, has grown from roughly 24,000 in 1990 to over 50,000 in 2010. The explanation for this lies in a number of factors: many of those residing in Havasu Lake are well established in the community or are weekend occupants not counted for population purposes, Havasu Lake residents in California face much higher tax rates in comparison to the Arizona community. For example, the cost of goods in neighboring incorporated Arizona is less than in Havasu Lake, this includes the purchase of gasoline, property tax payments, and personal and income tax. In fact, Havasu Lake is at an economic disadvantage with Arizona in almost every aspect.

Population Comparison 1990 - 2010

Census			
	1990	**2000**	**2010**
Havasu Lake, CA	452	463	420
City of Lake Havasu, AZ	24,363	41,938	55,567

This report provides service reviews for the San Bernardino County Fire Protection District's Service Zone FP-6 and CSA 70 Zone HL agencies (shown below with the City of Needles).



Additional services are provided as follows: law enforcement by the County Sheriff; water from a combination of the Havasu Lake Water Company, Lakeview Water Company, Black Meadows Landing, and the Chemehuevi Indian Tribe; wastewater collection by the Chemehuevi Indian Tribe for its sovereign tribal lands; and electricity by Southern California Edison. For the private lands within the area wastewater disposal is provided through on-site septic systems.

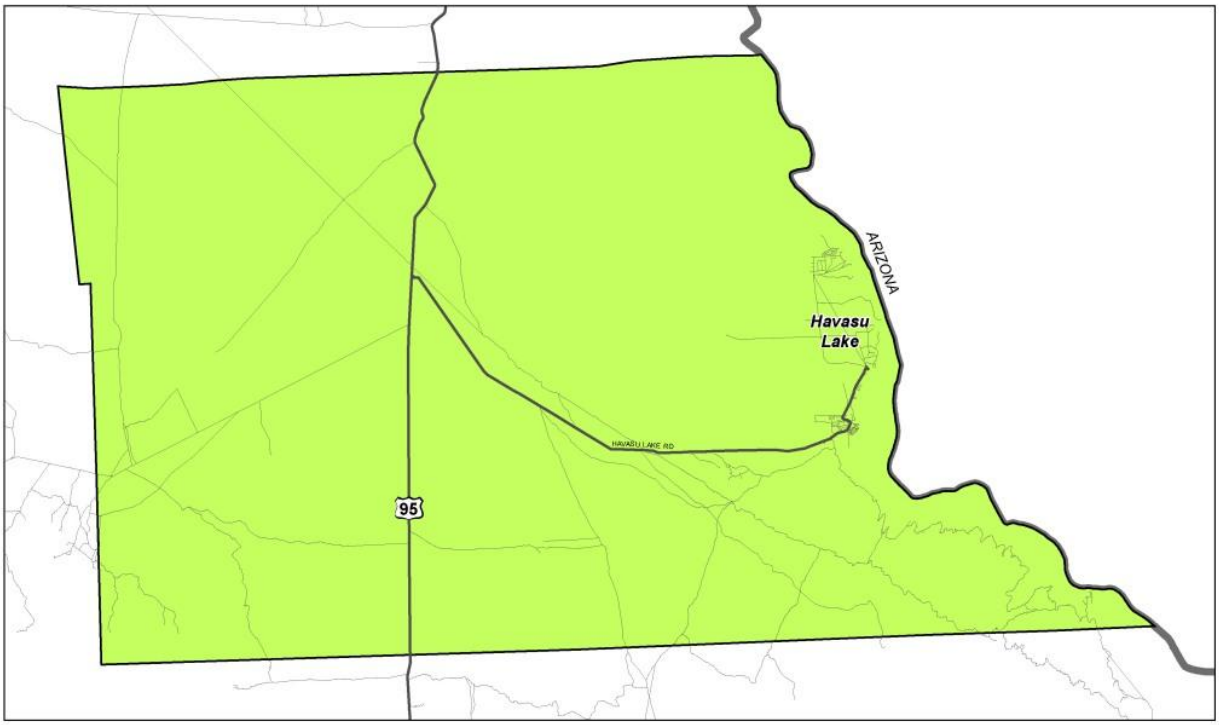
Service review information is included in this report for three private water companies: Havasu Lake Water Company, Lakeview Water Company, and Black Meadows Landing. The provision of water service by the Havasu Lake Water Company and Lakeview Water Company is regulated by the California Public Utilities Commission (CPUC) and the delivery of service outside tribal lands by the Chemehuevi Indian Tribe would also be under the auspices of the CPUC as a private utility provider. No information has been provided to LAFCO staff related to service within tribal lands.

SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT
ZONE FP-6 (HAVASU LAKE)
Service Review

INTRODUCTION:

The San Bernardino County Fire Protection District ("SBCFPD") and its South Desert Service Zone provides fire protection and emergency medical services to the Havasu Lake community. The San Bernardino County Fire Protection District Zone FP-6 ("Zone FP-6") provides increased funding for fire protection and emergency medical services to the community. Zones to fire protection districts are not under the purview of the Commission; however, information was obtained to provide the Commission and the public an outline of the broad range of municipal-type services provided within the community. Only information related to a service review for Zone FP-6 is provided in this report. In addition, there is no sphere of influence assignment for a zone to a fire protection district.

According to SBCFPD staff, an Indian Gaming grant supplemented funding for equipment and staff through FY 2006/07. The following year, the grant was not received which caused the reduction in staffing at Station 18. Due to the loss of grant revenue, Zone FP-6 was created in 2009 along with a voter-approved special tax to fund fire and emergency medical services to Havasu Lake and beyond, as determined by SBCFPD; however, Zone FP-6 does not include Black Meadows Landing a portion of this community. A map showing Zone FP-6 is shown below and is included as a part of Attachment #3.



SAN BERNARDINO COUNTY FIRE PROTECTION DISTRICT SERVICE ZONE FP-6 (Havasu Lake) SBCFPD Zone FP-6

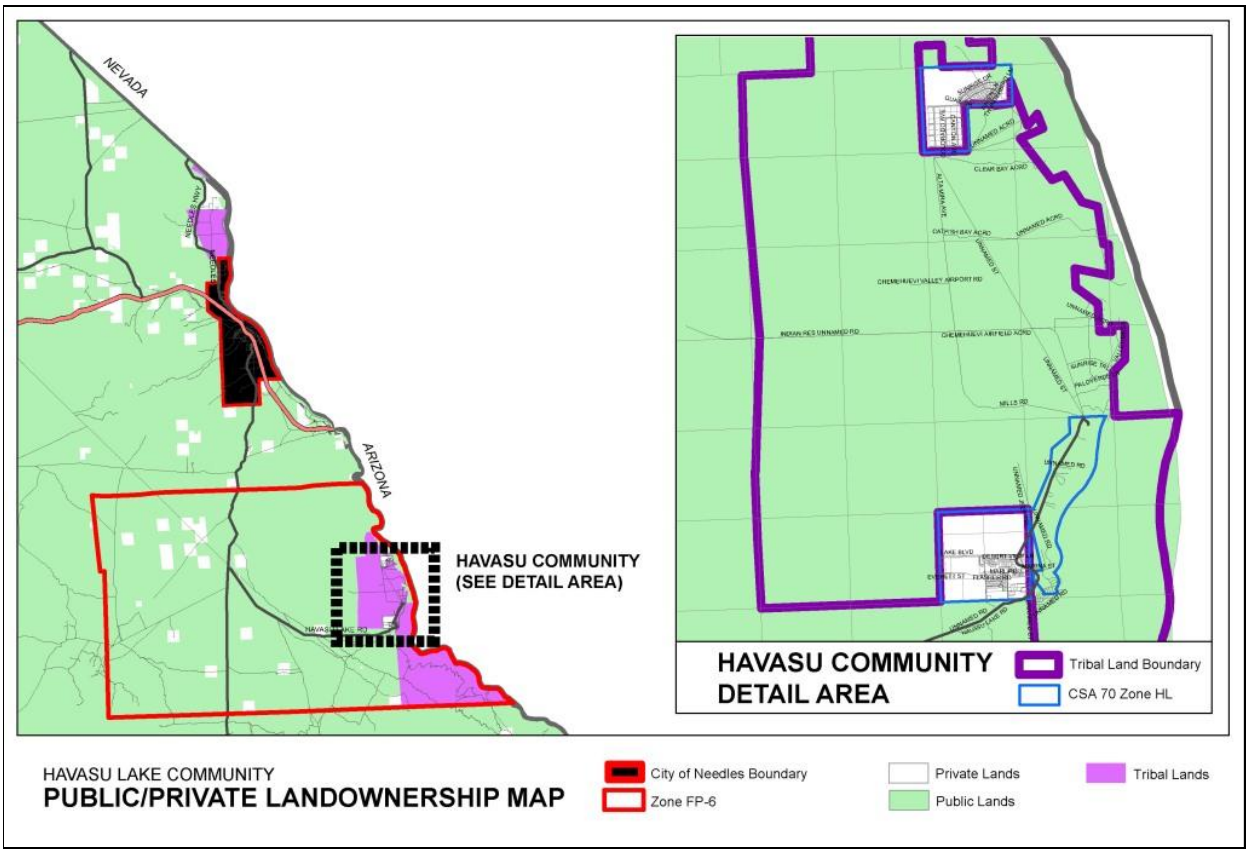
ZONE FP-6 SERVICE REVIEW

LAFCO has no direct jurisdiction over Zone FP-6; therefore, there is no sphere of influence designation. This report contains only service review information. SBCFPD prepared a service review consistent with San Bernardino LAFCO policies and procedures. SBCFPD's response on behalf of Zone FP-6 to LAFCO's original and updated requests for materials includes, but is not limited to, formation and financial information. The information submitted is included as a part of Attachment #3 and are incorporated in the information below.

I. Growth and population projections for the affected area.

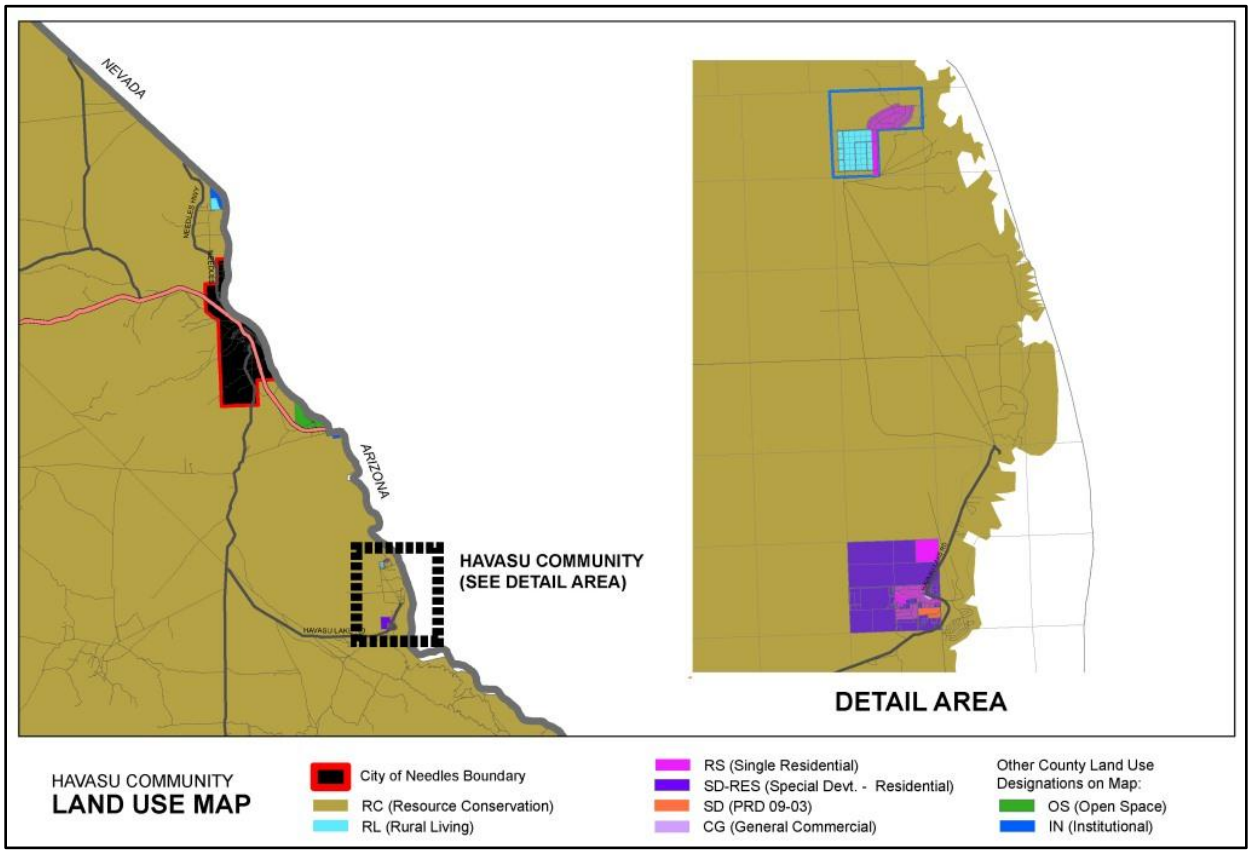
Land Ownership

The land ownership within Zone FP-6 and the community of Havasu Lake is only 4% privately owned. The remainder 96% is public, which are devoted primarily to resource protection and recreational use. However, of the 4% privately owned land, only a very small portion (one square mile of the total 19 square miles of privately owned land) is actually developed.



Land Use

Below is a map that identifies the County of San Bernardino's land use designations within the Needles and Havasu Lake communities. Within Havasu Lake, approximately 99% is designated Resource Conservation, which is everything outside of the two main areas that are shown in detail below. The remainder 1% includes Rural Living, Single Residential, Special Development, and General Commercial land uses.



In 2000, the population within Zone FP-6's boundaries was 463. Based on the 2010 Census, the current population for the area is 420. This represented an average annual growth rate of approximately -1.0 percent within the given period. This growth rate does not take into account the seasonal nature of the residents of the area and the significant tourist population.

The population projection for Zone FP-6 was calculated using the City of Needles' revised growth projection formula, which took into consideration the average growth rate of the community between 1980 and 2010. As shown in the projection table below, by 2040, it is estimated that the population within Zone FP-6 is expected to reach 494. This represents a projected annual growth rate of approximately 0.5 percent between 2010 and 2040, which also represents a total population increase of 18 percent from 2010.

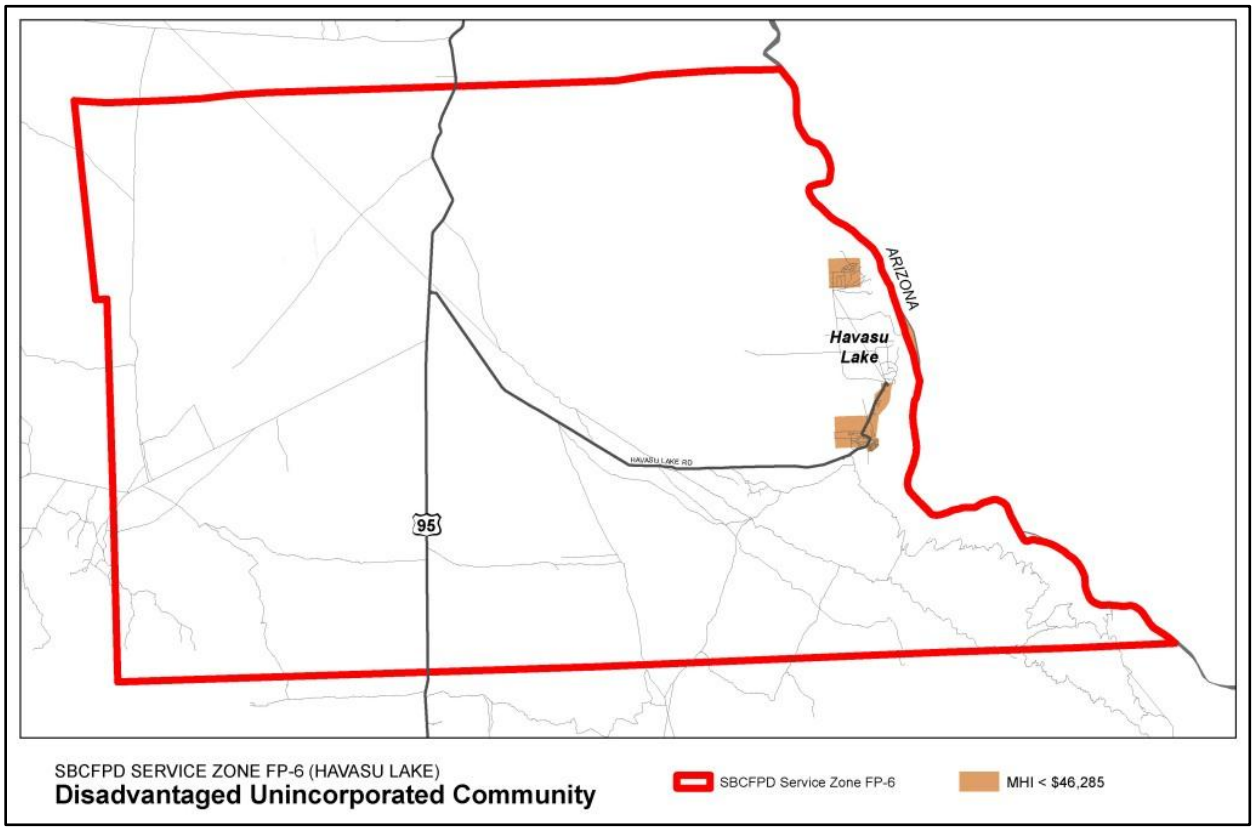
SBCFPD Zone FP-6 Population Projection 2010-2040

Census			Population Projection					
1990	**2000**	**2010**	**2015**	**2020**	**2025**	**2030**	**2035**	**2040**
452[37]	463[38]	420[39]	431[40]	443	455	468	481	494

Nonetheless, it should be noted that the population within the community is stagnant while its neighboring city in Arizona (opposite the river), Lake Havasu, has grown from roughly 16,000 in 1980 to over 50,000 in 2010.

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

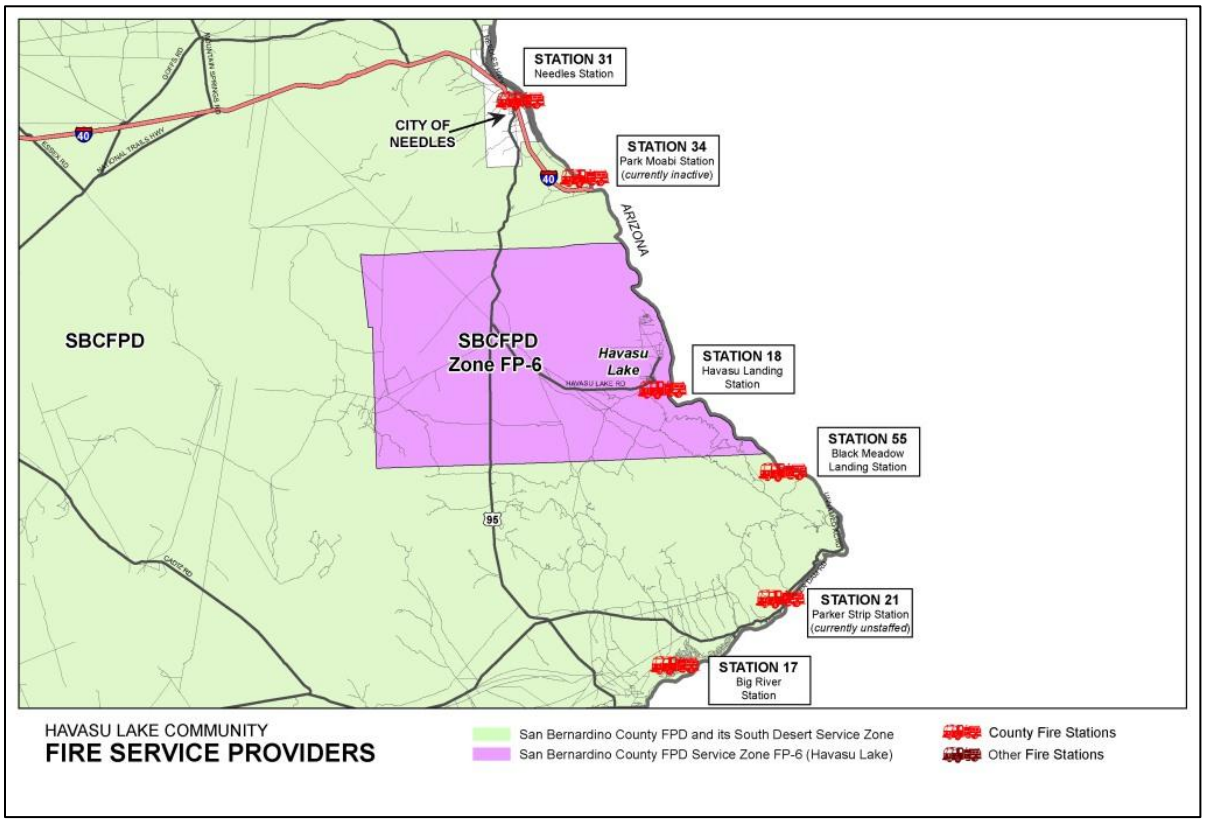
This determination does not apply since there is no sphere of influence assignment for a zone to a fire protection district. However, as shown on the map below, only the populated portion of the community of Havasu Lake is classified as within a disadvantaged unincorporated community since most of the lands within Zone FP-6 are public lands.



[37] 1990 population data was derived from the 1990 Census for SBCFPD Zone FP-6 area.
[38] 2000 population data was derived from the 2000 Census for SBCFPD Zone FP-6 area.
[39] 2010 population data was derived from the 2010 Census for SBCFPD Zone FP-6 area.
[40] 2010 through 2040 projections were calculated based on the actual growth rate experienced in the Needles area for the past 30 years using Census date between 1980 and 2010.

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

Fire Station 18 (Havasu Landing Station) serves the community and houses one Type 1 Engine, one Brush Patrol, two ambulances, and one boat (also has patient transport capability). The station is staffed by paid-call firefighters living in the community. Station 18 is leased from the Havasu Lake Firebelles Inc. According to SBCFPD, there are no current plans to change the service level for this station. If funding were to become available, a water tender apparatus, permanent fire station facility, and full-time staffing have been identified as possible future needs. Below is a map of the fire stations located within and around the area.



Wildland fires are under the jurisdiction of the Bureau of Land Management and the National Park Service, both not subject to LAFCO jurisdiction. The closest fire stations beyond the territory of FP-6 are the County's Fire Station #55 (Black Meadow Landing Station) (Fire Station #21 Parker Strip Station is currently inactive) along the Colorado river to the south, its Fire Station #17 (Big River Station) in Big River, CA, and its Fire Station #31 (Needles Station), located to the north in Needles, CA (the County's Fire Station 34 in Park Moabi is currently inactive). Other stations nearby that could also

respond are the Arizona based Fort Mojave Mesa Fire District, Mojave Valley Fire Department, and the Bullhead City's Fire Department as well as the National Park Service and the Bureau of Land Management's Hole in the Wall Interagency Fire Center (Station 605) located in the Mojave National Preserve.

The charts below identify Zone FP-6's incident response categories and times for FY 2011/12. Responses outside of the FP-6 boundary account for 19% of calls. Medical responses are the primary response both within and outside the boundaries, comprising 73% of all calls. Interestingly, traffic calls represent only 7% of all calls. Average response time (min:sec) within FP-6 is 10:30 and outside of FP-6 is 21:24.

FP-6 Responses			
Call type	**Within FP-6**	**Outside**	**Total**
Fire	19	16	35
Medical	226	38	264
Other	32	4	36
Traffic	15	10	25
Total	**292**	**68**	**360**

SBCFPD does not receive property tax revenues from the Chemehuevi Indian Tribe lands. In place of those revenues, SBCFPD has an evergreen contract (#97-304) with the Chemehuevi Indian Tribe to provide funding for services provided to the Tribe from Station 18. The permanent amount of the contract is $11,518 annually which is identified the South Desert Service Zone budget.

IV. Financial ability of agencies to provide services.

San Bernardino County Fire Protection District

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of SBCFPD has elected to omit the Management Discussion and Analysis information for each audit since its formation.

Prior to the FY 2011-12 budget cycle, the zones to SBCFPD were identified as separate funds in the audits and budgets. Thus, an understanding could be obtained of the financial working of County, its four regional service zones, and its zones with special tax revenues. However, beginning with the FY 2011-12 budget, SBCFPD has removed the fund designations of the individual zones and now operates the individual zones at the organization level (meaning that the zones now operate as line items within the fund of the respective regional service zone). As a result, a consolidated budget grouped by regional service zone is provided. Without an individual annual budget for the zones, it is difficult to ascertain the budgeted activities and direction for the zones. This representation decreases

transparency because Zone FP-6 is a unique entity, has a defined boundary, and levies a special tax which is to serve its taxpayers only. A return to a separate budget for each zone would promote transparency as it would identify the ongoing and one-time funding and expenditure activities as well as provide an annual update of policy changes. In addition, a return to this format would comply with statutory requirements outlined in Health and Safety Code Section 13911 which requires the Chief Financial Officer of the agency to provide an annual report of the special taxes collected and how they were expended.

Past responses from SBCFPD state that it is the position of SBCFPD that transparency and accountability are still intact since it maintains a detailed budget database which reflects each special tax area and each station separately, reports can be provided upon request, and all funds are independently audited. Now that the annual information related to a zone is not readily available in the adopted and published budget, one must not only request this information but know what questions to ask. It appears to LAFCO staff that this would be a requirement of SBCFPD staff to compile this data since it not already presented in budget format and is required by Fire Protection District law. However, SBCFPD has identified that it will include prior year actuals in its subsequent budgets.

South Desert Regional Service Zone

SBCFPD administers the management and operations of zones within the south desert through its South Desert Regional Service Zone. In turn, Zone FP-6 transfers its special tax revenues to the South Desert Regional Service Zone for salaries and benefits and services and supplies support. The South Desert Regional Service Zone budget funds regular, limited term firefighters, and paid call firefighters as well as administrative staff, which the FY 2012-13 budget identifies the following budgeted positions:

South Desert Regional Service Zone

	Classification
1	Office Assistant II
1	Staff Analyst
12	Firefighter
24	Limited Term Firefighter
36	PCF Firefighter
27	PCF Firefighter Trainee
9	Engineer
12	Captain
3	PCF Captain
4	PCF Lieutenant
129	Total

Beginning in 2011-12, based on GASB 54 requirements, the South Desert Service Zone will manage the Fire Protection Contract with the City of Needles; it will also record all the revenue and appropriation for all Fire Protection Zones (FP-4 Wonder Valley and FP-6 Havasu Lake) and ambulance operations (Yucca Valley Ambulance and Havasu Lake Ambulance) located within this region.

Staffing expenses of $6.8 million make up the majority of expenditures in this Service Zone budget unit and fund 129 budgeted positions of which 35 are regular positions and 94 are limited term. Additionally, operating expenses of $3.5 million support the operations of numerous fire stations including the costs related to the facilities, equipment, vehicle services, and services and supplies. These expenditures are primarily funded by property taxes of $5.2 million, fee/rate revenue from contracts and ambulance services of $1.6 million, and operating transfers in of $3.8 million which includes County general fund support of $3.7 million.

Staffing increased by a net total of 16 positions due to an increase of 12 Limited Term Firefighters and 9 Paid Call Firefighters (PCF) offset by a decrease of a District Services Coordinator, an extra-help Emergency Services Officer and 3 full time Captains. The captains were transferred to vacant positions in other regions. In addition, operating transfers in reflects the receipt of County General Fund support which represents 36% of the revenues for the South Desert region.

South Desert Service Zone

	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2011-12 Final Budget	2012-13 Adopted Budget
Appropriation						
Staffing Expenses	5,835,959	6,111,933	6,352,418	6,990,417	6,990,417	6,846,935
Operating Expenses	2,880,405	2,908,554	2,994,367	3,142,116	3,142,433	3,532,322
Capital Expenditures	109,229	32,024	206,753	254,782	254,783	83,318
Contingencies	0	0	0	0	773,028	619,380
Total Exp Authority	8,825,593	9,052,510	9,553,539	10,387,314	11,160,661	11,081,955
Reimbursements	(253,555)	(345,810)	(312,837)	(63,393)	(63,392)	0
Total Appropriation	8,572,038	8,706,700	9,240,702	10,323,922	11,097,269	11,081,955
Operating Transfers Out	6,000	0	0	740	740	101,877
Total Requirements	8,578,038	8,706,700	9,240,702	10,324,662	11,098,009	11,183,832
Departmental Revenue						
Taxes	6,074,353	5,872,331	5,253,453	5,205,498	5,172,461	5,171,914
Realignment	0	0	0	0	0	0
State, Fed or Gov't Aid	78,825	73,971	216,203	131,992	131,993	0
Fee/Rate	(60,474)	(63,036)	(54,143)	1,630,149	1,633,130	1,590,257
Other Revenue	1,018,008	89,848	96,675	140,655	122,116	14,333
Total Revenue	7,110,712	5,973,114	5,512,188	7,108,295	7,059,700	6,776,504
Operating Transfers In	2,081,442	3,102,913	2,129,211	3,641,842	3,680,033	3,787,948
Total Sources	9,192,154	9,076,027	7,641,399	10,750,137	10,739,733	10,564,452
				Fund Balance	358,276	619,380
				Budgeted Staffing	113	129

Zone FP-6

As a part of the reorganization of SBCFPD effective July 2008, the existing property tax share of County Service Area 70 Zone HL was transferred to SBCFPD's South Desert Service Zone.[41] Thereafter, Service Zone FP-6 was created to provide augmented funding for fire protection services and is funded by a voter approved special tax of $113 per parcel which was approved in May 2009 with an annual 3% cost of living increase. The current

[41] BOS Resolutions 08-116 & 08-131

special tax rate for Fiscal Year 2012-13 is $116.90 per parcel. Parcel count for 2012-13 is 1,342 and special tax revenue budgeted for 2012-13 is $140,119.

Audited Activity

The chart below shows the audited activity of the zone for the last two available years. Of concern to LAFCO staff is the new audit format accepted by SBCFPD and the County through its Auditor's Office. For the 2009-10 and 2010-11 audits, information at the fund level was provided for the four regional service zones as well as all of the individual zones to SBCFPD, such as FP-6. However, for the 2011-12 audit, the funds of the individual zones are not included as the data is rolled up into the respective regional zone. Further, the audits lack mention of the individual zones. Therefore, one cannot ascertain the year-end financial position of the zone through the audit and must have knowledge that the individual zone exists in order to ask the correct questions. Additionally, the prior audits included information about SBCFPD's annual appropriation limit. This information has been excluded from the 2011-12 audit. In place of audited data, SBCFPD staff provided actual data for FY 2011-12. However, with the change in accounting practice, the analysis of FY 2011-12 Actuals does not correspond with the prior audited methodology.

As a result, SBCFPD staff has identified that its independent auditors have agreed to provide a schedule for FP 6 and the other zones in the audited financials going forward.

Revenues, Expenditures, and Change in Fund Balance

	2009-10 Audit	**2010-11 Audit**	**2011-12 Actual**
Property Taxes	$0	$916*	$11,460
Assessments	130,736	149,549	130,490
Investment Earnings	900	548	0
Total Revenues	**131,636**	**151,013**	**141,950**
Salaries & Benefits	80,000	80,000	0
Services & Supplies	24,632	52,523	989
	104,632	**132,523**	**989**
Transfers Out	**0**	**(30,000)**	
Transfers Out to Station 18			**140,961**
Net Change in Fund Balance	**27,004**	**(11,510)**	**0**
Total Fund Balance	**27,004**	**15,494**	**15,494**

* FP-6 does not receive a share of the property tax. Amount attributed to auditor classification of prior year special tax receipt.

FY 2012-13 Budget

The figure below incudes the FY 2011-12 year-end actual information provided by SBCFPD for Station 18 at the budget preparation level. Additionally, the South Desert Service Zone receives roughly $116,000 in property tax revenue to support this station.

Property Tax	116,000	Received at South Desert Regional level
Ambulance Revenue	25,306	
Interest	156	
Tribe Contract	11,500	
Total Revenue	$152,962	
Salaries & Benefits	$185,328	These amounts include direct & indirect
Services & Supplies	$58,694	costs. Indirect are based on % of full-
Total Expenditures	$244,022	time equivalents (FTE) or % of calls.
Amount Provided for Station 18	$91,060	
Fund Balance	$49,902	To be used as equipment reserve

Appropriation Limit

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

The required appropriation limit authorization was not included at the formation election as directed by the State Constitution. By action taken on June 26, 2012 the Board of Supervisors of the County of San Bernardino (as the ex-officio board of directors for SBCFPD) set the appropriation limit for Zone FP-6 at $144,042. Article XIIIB also requires the annual calculation of the whether expenditures exceeded the appropriations limit to be included as part of an annual financial audit. However, the financial audits for 2009-10 and 2010-11 do not identify if the district exceeds its appropriations limit or designates a portion of the fund balance of general contingencies to be used in future years.

As a result, SBCFPD staff has identified that the District and the County Auditor's Office are actively working on the appropriation limit issue identified above.

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

SBCFPD consolidates the administrative operations and facilities for its four service zones and its myriad of special tax zones.

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

Local Government Structure and Community Service Needs

Zone FP-6 is governed by the SBCFPD board of directors, which is the County Board of Supervisors as the ex-officio board. It is within the political boundaries of the First Supervisorial District. Zone FP-6's budgetary needs are a part of the South Desert Service Zone budget prepared as a part of the District's annual budgeting process. The annual budget for the District as a whole is presented to the Board of Directors for review and approval as required by law.

Operational Efficiency

As a mechanism to control costs, SBCFPD has consolidated many of the administrative and technical functions necessary to manage the various zones under it and its four service zones. Therefore, Zone FP-6 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it through Station 18 and pays a proportional cost of the administrative functions of SBCFPD and its South Desert Service Zone**.**

Government Structure Options

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review [42]. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

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

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

preparation of a plan for service, fiscal impact analysis, and any other studies deemed necessary.

- Expansion of Zone FP-6. The zone could expand to include additional territory to be representative of the Lake Havasu community. Such an action would include the private landowners in the annual assessment and potentially expand the contract with the Chemehuevi Indian Tribe. At this time LAFCO staff is unaware of support or opposition to such a change from the larger Lake Havasu community, SBCFPD, or the County Administrative Office.

COUNTY SERVICE AREA 70 ZONE HL (Havasu Lake) Service Review

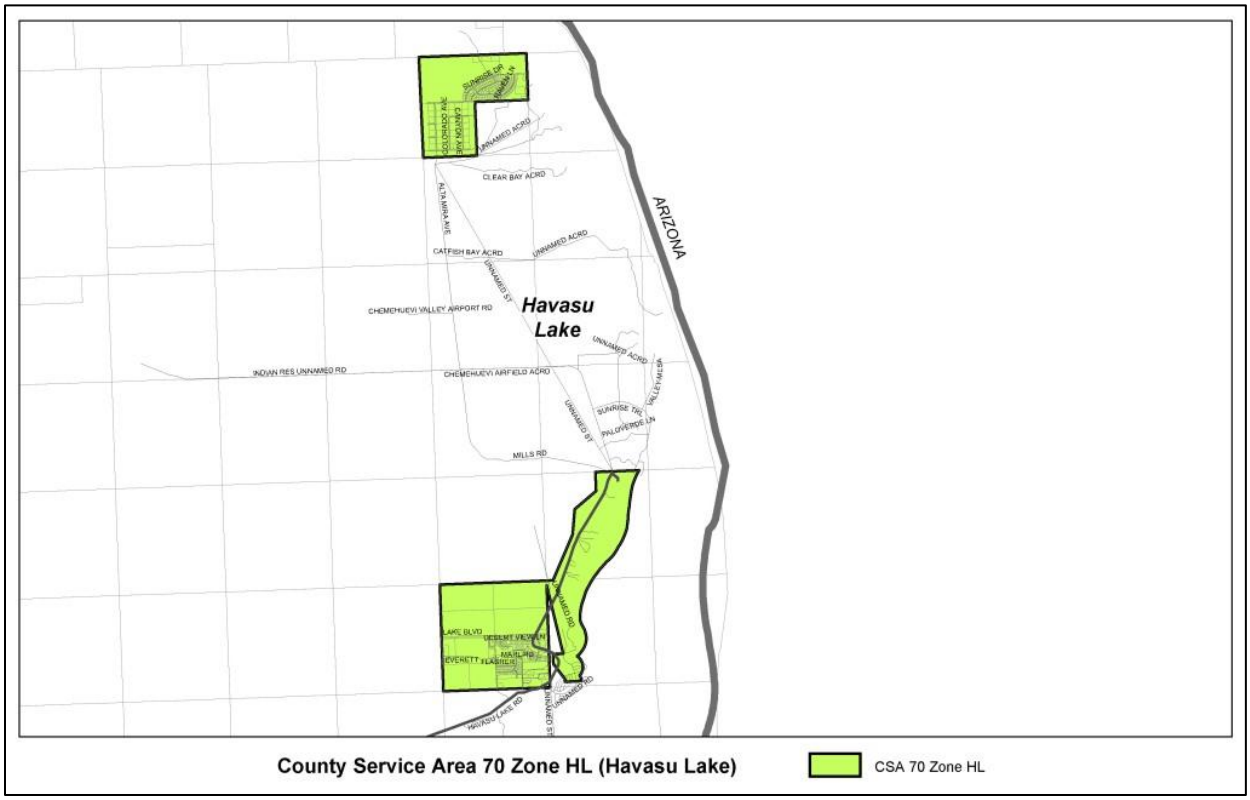
INTRODUCTION:

County Service Area 70 Zone HL (hereafter shown as "Zone HL") provides collection and handling of solid waste within the northern portion of the Havasu Lake community. Zone HL is not under LAFCO purview and has no sphere of influence; therefore only information related to a service review is provided for this report.

Zone HL was formed in 1990 by action of the County of San Bernardino Board of Supervisors and approved by the electorate serving the Havasu community. When Zone HL was formed, powers authorized were ambulance service, animal control, park and recreation, refuse collection, road maintenance, streetlighting and fire protection service. Services actually provided have only ever been refuse collection, fire protection, and to a minor extent park and recreation by virtue of Zone HL ownership of a Senior Center building operated and maintained by Havasu Lake Senior Citizens Coalition. Although the services of ambulance, animal control, road maintenance, and streetlighting were authorized upon formation, the services have never been provided by the District. As noted in the timeline for this community, Zone HL was determined to be the successor to the dissolution of County Service Area 72 which has been formed to provide service to the area in 1970.

The reorganization of the San Bernardino County Fire Protection District (LAFCO 3000) included the transfer of responsibility for fire services from County Service Area 70 Zone HL (serving the Havasu Lake area) to the newly reorganized San Bernardino County Fire Protection District ("SBCFPD") along with the formation of the regional South Desert Service Zone. Included in the transfer was all of the ad valorem property tax from Zone HL to SBCFPD's South Desert Service Zone.

A map of Zone HL is shown below and is included as a part of Attachment #4.



CSA 70 ZONE HL SERVICE REVIEW

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

I. Growth and population projections for the affected area.

In 2000, the population within Zone HL's boundaries was 290. Based on the 2010 Census, the current population for the area is 253. This represented an average annual growth rate of approximately -1.4 percent within the given period.

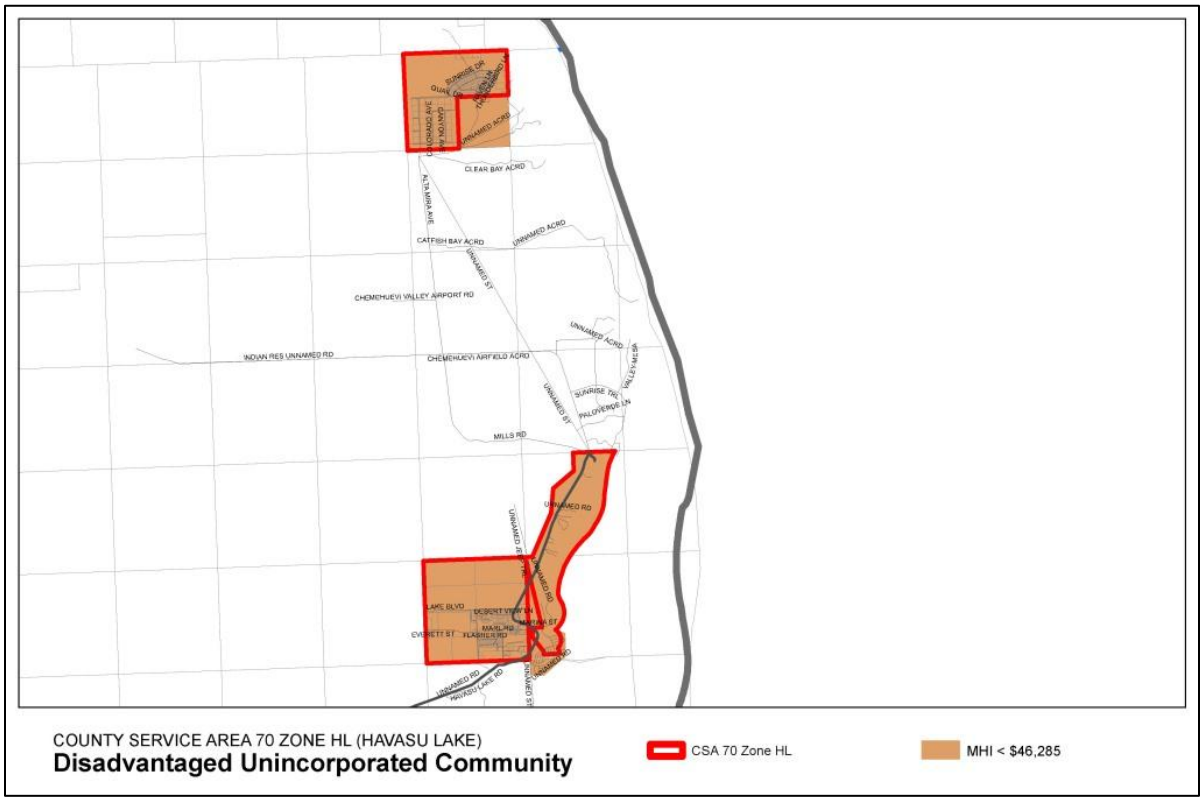
The population projection for Zone HL was calculated using the City of Needles' revised growth projection formula, which took into consideration the average growth rate of the community between 1980 and 2010. As shown in the projection table below, by 2040, it is estimated that the population within Zone HL is expected to reach 297. This represents a projected annual growth rate of approximately 0.5 percent between 2010 and 2040, which also represents a total population increase of 17 percent from 2010. However, the growth does not anticipate a return to the 2000 population until 2035, 25 years from the date of this report.

CSA 70 Zone HL Population Projection 2010-2040

Census		Population Projection					
2000	**2010**	**2015**	**2020**	**2025**	**2030**	**2035**	**2040**
290[43]	253[44]	260[45]	267	274	282	290	297

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

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



[43] 2000 population data was derived from the 2000 Census for SBCFPD Zone FP-6 area.

[44] 2010 population data was derived from the 2010 Census for SBCFPD Zone FP-6 area.

[45] 2015 and 2020 projections were calculated using Average Annual Growth Rate based on the growth rate from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast (published May 2011) for the unincorporated County area between 2010 and 2020 data.

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

Solid Waste

Zone HL contracts with a private company based out of Arizona for the collection, transportation, and disposal of solid waste. The waste is ultimately disposed in Arizona. According to Special Districts Department staff, being that the waste is ultimately disposed in Arizona, the California laws that pertain to separation of recyclable materials do not apply.

Senior Center

In 1991 the Havasu Lake Community Center was funded and constructed with an $80,000 Community Development Block Grant authorized by the County Board of Supervisors and an $81,900 grant from the State to the Havasu Lake Senior Citizens Coalition ("Senior Coalition"). That same year, the County and the Senior Coalition entered into a contract whereby the County would manage the construction of the project and the Senior Coalition would grant title, in fee, to the property for the Senior Center to Zone HL. Zone HL is to make the Senior Center available to use as a senior center for a minimum of 20 years (2011). The contract reads that it will remain in effect for the useful life of the improvements, and can be terminated by either party given advance notice. At this time, the useful life of the improvements remains and neither party desires to terminate the contract.

Zone HL owns the Senior Center; however, no contract for maintenance and operation of the facility through the Senior Coalition has been provided. All costs associated with the Senior Center are paid either by the Senior Coalition, grant funds, donations, or through policy needs funds. Zone HL does not receive a portion of the general tax levy, nor is there a service charge in place for the Senior Center. Insurance for Zone HL is provided through the County Risk Management Department's administered "Special Districts JPA", which includes County Special Districts Department and SBCFPD. There have not been any JPA insurance expenses identified for the Senior Center Building owned by Zone HL. Further, the 1991 construction contract obligates the County as a whole for the liability associated with this facility for the useful life of facility.

IV. Financial ability of agencies to provide services.

Zone HL utilizes the County Special Districts Department for management of its operations and transfers a proportional share to CSA 70 Countywide for salaries and benefits and services and supplies support.

Audited Activity

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

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

As shown below, capital assets fluctuate annually. According to Special Districts Department staff, the Community Center was categorized under the Capital Fund in 2008-09, under the Operational Fund in 2009-10, then switching two more times to finally landing under the Operational Fund since 2011-12. This can cause confusion to the reader in determining the year-to-year health of Zone HL. However, as shown in the following figure, the fund balance is seriously low.

NET ASSETS				
	2008-09	2009-10	2010-11	2011-12
Assets:				
Cash & equivalents	10,917	1,868	24	5,482
Capital assets (net)	-	155,277	36,520	142,739
Total Assets	$ 10,917	$ 157,145	$ 36,544	$ 148,221
Liabilities:				
Total Liabilities	$ -	$ 4,400	$ 1,200	$ 1,200
Total Net Assets	$ 10,917	$ 152,745	$ 35,344	$ 147,021
Net Assets:				
Invested in capital assets, net of related debt		155,277	36,520	142,739
Unrestricted	10,917	(2,532)	(1,176)	4,282
Total Net Assets	$ 10,917	$ 152,745	$ 35,344	$ 147,021
source: Statement of Net Assets				

The chart below identifies the cash of the proprietary fund – solid waste. The senior center operates solely from donations, user fees, and grants. Therefore, its fund balance is expected to be low. However, of primary concern, the cash of the solid waste fund is virtually non-existent. Should an emergency occur, the operation of the service would be questionable.

PROPRIETARY FUND: CASH FLOWS				
	2008-09	**2009-10**	**2010-11**	**2011-12**
Cash flows from operating activities:				
Receipts from customers	43,315	49,775	63,235	63,046
Payments to suppliers	(43,078)	(50,383)	(58,674)	(57,851)
Payments to employees	(9,301)	(10,647)	(7,657)	(4,328)
Net cash from operating activities	$ (9,064)	$ (11,255)	$ (3,096)	$ 867
Cash flows from noncapital financing:				
Property taxes	(1,086)	1,875	2,125	1,242
Transfers in	2	20,000	13	
Transfers out		(19,300)		
Intergovernmental				2,000
Investment earnings	632	167	80	39
Net cash from financing	$ (452)	$ 2,742	$ 2,218	$ 3,281
Net increase (decrease) in cash & equivalents	**(9,516)**	**(8,513)**	**(878)**	**4,148**
Cash & cash equivalents, beginning	18,931	9,415	902	24
Cash & cash equivalents, ending	$ 9,415	$ 902	$ 24	$ 4,172
Sources: Statement of Cash Flows				

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, Zone HL 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**.** The proportional costs for salaries and benefits is identified above as “Payments to employees” and the proportional cost for administrative functions is a part of “Payments to suppliers”.

Budget

Revenues

Zone HL no longer receives a share of the ad valorem property taxes (the audit chart above incorrectly classifies a collection as property taxes). A service charge against the property is set and approved by the Board of Supervisors through a resolution annually and paid upon the property tax bill of the property owners within Zone HL. A standard inflationary increase is not used in the calculation of rates. Rather, rates are reviewed and recalculated annually from an analysis of expenses. Rates did not increase for FY 2012-13. Maintaining rates at the FY 2011-12 level, 27 newly improved and previously uncharged residential parcels were charged the annual service charge. Current annual charges are as follows:

- $217.97, per improved residential parcel for one pickup per week.
- $417.51 per improved commercial parcel without a personal refuse bin.
- $1,598.93 per improved commercial parcel for one pickup per week (small bin).
- $2,328.72 per improved commercial parcel for one pickup per week (large bin).

According to Special Districts Department, given the relatively high delinquency rate, service charge revenues have been difficult to predict. The remote location of the zone limits the number of contract waste haulers available for refuse collection. For FY 2012-13 Revenue of $73,478 primarily includes service charges (FY 2012-13 budget shown below).

CSA 70 Zone HL Financial Activity

	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2011-12 Final Budget	2012-13 Adopted Budget
Appropriation						
Staffing Expenses	0	0	0	0	0	0
Operating Expenses	*52,379*	65,618	66,748	60,870	60,870	64,638
Capital Expenditures	0	0	0	0	0	0
Contingencies	0	0	0	0	521	7,706
Total Exp Authority	*52,379*	65,618	66,748	60,870	61,391	72,344
Reimbursements	0	0	0	0	0	0
Total Appropriation	*52,379*	65,618	66,748	60,870	61,391	72,344
Operating Transfers Out	0	30,000	0	0	0	0
Total Requirements	*52,379*	95,618	66,748	60,870	61,391	72,344
Departmental Revenue						
Taxes	*(756)*	51,150	1,193	241	1,242	250
Realignment	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0
Fee/Rate	*43,315*	0	63,235	63,046	63,047	73,178
Other Revenue	486	30,854	93	39	84	50
Total Revenue	43,045	82,004	64,521	63,326	64,373	73,478
Operating Transfers In	0	0	0	2,000	2,000	0
Total Financing Sources	43,045	82,004	64,521	65,326	66,373	73,478
Net Budget	*(9,334)*	(13,614)	(2,227)	4,456	4,982	1,134
				Budgeted Staffing	0	0

* Special Districts Department provided information revising the 2008-09 Actuals. LAFCO staff has overlaid those figures above in italics. Original figure taken from 2012-13 Budget.

Expenses

For FY 2012-13, appropriation of $72,344 primarily includes other professional and specialized services for the Allied Waste Contract, a property lease agreement, transfers for allocated operating costs, and contingencies. There is no staffing associated with this Zone. An outlier identified in the chart above is a $30,000 Operating Transfers Out in FY 2009-10 to the Zone HL Capital Improvement Project fund for roofing of the Senior Center funded by a Community Development Block Grant. Accordingly, the FY 2009-10 audit records this transaction as a Transfers Out from the Enterprise Fund and a Transfers In to the Capital Project Fund .

Budget Activity

The budget deficit in 2009-10 identified above was due to a number of factors: highest percentage of delinquencies ever experienced (13% for both FY 2008-09 and FY 2009-10), an unanticipated new requirement to pay $4,400 per year in property rent for collection site (owner had previously allowed use of the site rent free as a service to the community), and carryover of a payment to the contract refuse hauler that wasn't accrued to the prior fiscal year. The deficit was reconciled with a short term $25,000 loan from CSA 70 Countywide revolving loan fund in September 2010. Repayment of the loan in December 2010 came from an increase in customer receipts in 2010-11. According to the loan documentation provided by Special Districts Department, receipt of the loan funds was not placed into a revenue account of Zone HL. Rather, per the practice of the County Auditor's Office, the funds were placed into the Cash in Treasury account as an asset with repayment coming from the Advance from Other Funds as a liability. As a result, this short term loan from CSA 70 is not identified in the budget chart above, although it is identified in the Zone HL budget text, and is not identified in Zone HL's audit. LAFCO staff's position is that this practice decreases transparency and does not reveal the true financial operations and position of the agency.

The budget deficit for FY 2010-11 was due to lingering effects of increased delinquencies, charges incurred from County Real Estate Services as fees to develop property rent contracts, and increased costs for waste hauling due to environmental recovery fees paid to the contract waste hauler. The deficit was reconciled through another $25,000 short term loan from CSA 70 Countywide and implementation of a service charge rate increase. As with the loan identified for the budget deficit in 2009-10, LAFCO staff understands that the loan was neither identified in the budget text nor in the audit prepared. Again, this lack of transparency does not provide the public with the ability to understand the true financial position of their government.

The current budget identifies the following activities which have had significant changes from the prior year:

- Major changes in appropriation include an increase in operating expenses of $3,768 primarily due to increased service and allocated operating costs.

- Major changes in revenue include a decrease in operating transfers in of $2,000 that includes revolving loan funds received in 2011-12.

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

No substantive issues relative to this factor were identified. The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70.

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

Zone HL is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the First Supervisorial District. Zone HL's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. The annual budget is presented to the County 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, Zone HL has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department**.**

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

Government Structure Options

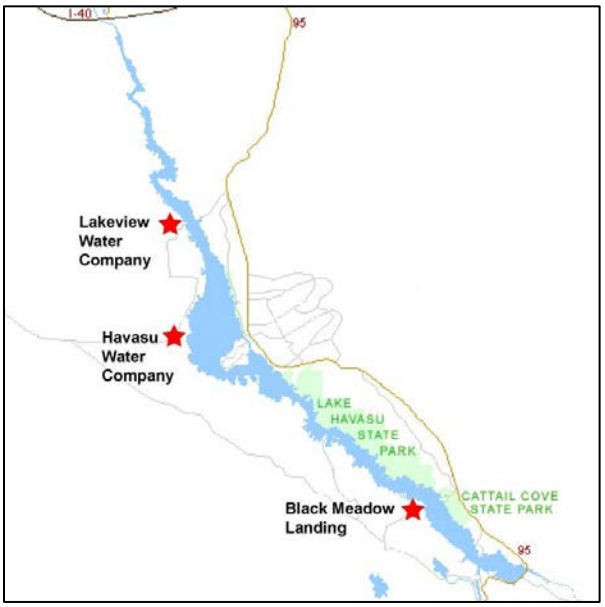
In some cases, functional consolidation or integration can reduce costs so that services can be maintained and improved with fewer dollars. The following scenarios are not being presented as options for the Commission to consider for action as a part of this service review. Rather, a service review should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

There are no private lands or other special districts adjacent to Zone HL (except for an overlap with SBCFPD Zone FP-6), therefore expansion or consolidation with another agency are not options for consideration. However, as outlined in the opening paragraph the expansion of either agency to service the larger Lake Havasu community for their respective services could provide for an increased level of service. At this time, no position on this option has been provided from the community, SBCFPD, County Special Districts or the County Administrative Office.

PRIVATE WATER PROVIDERS
Service Review Information

INTRODUCTION:

The Havasu Lake community has three private water systems in addition to the Indian tribes that provide water to their respective lands. The Havasu Water Company is a private water company regulated by the California Public Utilities Commission ("CPUC"). The CPUC investigates water and sewer system service quality issues and analyzes and processes utility rate change requests. The CPUC works directly with utility management to track and certify compliance with CPUC requirements or for the Lakeview Water Company and Black Meadow Landing, the County of San Bernardino – Division of Environmental Health Services (EHS) regulates these systems. Information on water service to tribal lands was not obtained for this report. The map below shows the general location of these water systems along Havasu Lake.



Havasu Water Company

The Havasu Water Company is a private retail water provider that serves a portion of the Havasu Lake community, which is classified as a community water system. According to the California Secretary of State database, the company has been in existence since 1960. The system is regulated by the State Department of Public Health – Division of Drinking Water and Environmental Management and is required to file with the California Department of Corporations.

Records obtained from the State Department of Public Health (DPH) identifies that the last inspection performed by DPH on the system was in December 2012. The system has an active permit with the State from 1998 (Permit No. 03-13-97P-004).

The water system has approximately 230 connections with approximately 10 inactive connections throughout the system.

Water Supply

Havasu Water Company's water supply comes directly from Havasu Lake through a surface water treatment plant (SWTP). Records indicate that the treatment plant has a capacity of 280 GPM. Therefore, the current source capacity (0.4 MGD) adequately meets the maximum day demand based on the production information submitted in the previous 10 years, which was 0.1897 MGD, or 131.7 GPM in 2004. The DPH report indicates that the overall treatment plan is well maintained and is adequately operated

Storage

Havasu Water Company has a total of 0.11 MG of storage capacity. The table below provides a summary of its water storage facilities:

Reservoir Name	Type	Capacity (gal)	Comments
SWTP	Bolted steel	100,000	
Hydro Pneumatic Tank	Hydro pneumatic	7,000 available	10,000 gallons total capacity
Total Storage		**110,000**	

In accordance with the California Waterworks Standards (§64554(a)(2)), systems with less than 1,000 service connections must have a storage capacity equal to or greater than the Maximum Day Demand (MDD). Based on the actual storage capacity and the MDD for the system, it does not meet the required standard given that it does not have an additional source of supply or an emergency source connection that can meet the MDD requirement.

Water Distribution

Havasu Water Company's distribution system is comprised of a single pressure zone at 80-100 psi. made of an assortment of sizes and unknown proportions of PVC, Galvanized Steel, and Asbestos Cement pipes. The distribution system has a combination of 8-inch piping (approximately 2,630 ft.), 6-inch piping (13,150 ft.), and 4-inch piping (2,630 ft.) and 2-inch piping (2,630 ft.) The DPH report indicates that the distribution system appears to be in fair physical condition.

Lakeview Water Company

Information regarding the Lakeview Water Company was obtained from San Bernardino County Environmental Health Services.

Lakeview Water Company is a private retail water provider that serves a portion of the Havasu Lake community, which is classified as a state small water system. According to the California Secretary of State database, the company has been in existence since 1965. The water system is regulated by the County of San Bernardino – Division of Environmental Health Services (EHS). According to the County's records, the last inspection completed by County EHS on the system was in March 2011.

The water system supplies water to 13 single family residences. The system consists of two vertical wells, a pressure tank, and a gravity storage tank.

Water Supply

The table below provides a summary of Lakeview Water Company's overall source of water which indicates that it has adequate water capacity:

Source	Status	Capacity (GPM)	Comments
Groundwater:			
• Well 1 (vertical well)	Active	50	
• Well 2 (vertical well)	Offline	50	Well capped
Total Production		**100**	
Surface Water: *(None Used)*			
Connections with other systems:			
None			

Storage

Lakeview Water Company has a total of 0.121 MG of storage capacity, which is adequate to meet current demand for the system. The table below provides a summary of its water storage facilities, which appear to be in good condition:

Reservoir Name	Type	Capacity (gal)	Zone
Storage Tank	Bolted steel	120,000	n/a
Pressure Tank		1,000	n/a
Total Storage		**121,000**	

<u>Black Meadow Landing</u>

Information regarding the Black Meadow Landing was obtained from San Bernardino County Environmental Health Services.

Black Meadow Landing is classified as a transient non-community water system. The water system is regulated by the County of San Bernardino – Division of Environmental Health Services (EHS). According to the County's records, the last inspection completed by County EHS on the system was in March 2011.

The water system supplies water to 300 RV sites, a 52 unit motel, a restaurant, and a general store with a transient population of more than 1000 per month. The system consists of a single vertical well (150 GPM), two gravity storage tanks (40,000 and 5,000 gallons) and a booster pump.

ADDITIONAL DETERMINATIONS

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

2. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on February 12 and 14, 2013 LAFCO staff met with the community agencies and representatives to review the determinations and recommendations made within its draft report, to solicit comments on the determinations presented and to respond to any questions.

3. Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

4. The Commission's Environmental Consultant, Tom Dodson and Associates, has recommended that the options outlined in this report for the City of Needles are statutorily exempt from environmental review. Mr. Dodson's response is included in Attachment #2 to this report.

RECOMMENDATIONS

To complete the considerations for the Needles and Havasu Lake communities, staff recommends that the Commission take the following actions:

1. Determine to affirm the Commission's definition of the Needles community, which is the sphere of influence of the City of Needles, with the modifications recommended to be adopted at this hearing.

2. Receive and file the service reviews for the Needles and Havasu Lake community agencies; and make the findings related to the service reviews required by Government Code 56430 as outlined in the staff report.

3. For environmental review certify that the sphere of influence reductions for the City of Needles (LAFCO 3158) are statutorily exempt from environmental review and direct the Clerk to file the Notice of Exemption within five (5) days.

4. For LAFCO 3158, approve a modified sphere of influence for the City of Needles as identified in this report with the following conditions of approval:

    - Provide to LAFCO a full accounting of the Cemetery Endowment to include revenues, expenses, and transfers with a breakdown of the fund balance to include principal and gains for the past ten years.

    - Separately identify the restricted funds of the cemetery activity in the City's audits in both the financial statements and in the notes or management discussion and analysis.

5. Continue the resolution setting forth the Commission's findings and determinations to the July 17, 2013 hearing.

ATTACHMENTS

1. Maps
    a. Communities along Colorado River in San Bernardino County
    b. Study Area - Needles and Havasu Lake Communities
    c. Detail of General Havasu Lake Community
    d. Existing Boundaries for the Needles and Havasu Lake Communities Public Service Providers

2. City of Needles
    a. Map – Current Boundary and Sphere
    b. Map – LAFCO Staff Proposed Sphere Modifications
    c. Service Review and Sphere Update Response
    d. 2011 Water Quality Consumer Confidence Report
    e. Utility Section Map
    f. Financial Information: Budget and Audit
    g. City letter Regarding Required Meeting with County
    h. CalPERS Annual Valuation Reports for 2011 and 2010
    i. Response from Commission's Environmental Consultant

3. San Bernardino County Fire Protection District Zone FP-6
    a. Map – Current Boundary
    b. Formation Documents
    c. Financial Information: Budget and Audit

4. County Service Area 70 Zone HL
    a. Map – Current Boundary
    b. Formation Documents
    c. Financial Information: Budget and Audit