LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO

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PROPOSAL NO.: **LAFCO 2997**

HEARING DATE: **October 15, 2008**

RESOLUTION NO. 3029

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 2997 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 60 (affirmation of existing sphere of influence)

On motion of Commissioner _____, duly seconded by Commissioner _____, and carried, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, a service review mandated by Government Code 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, a public hearing by this Commission was called for August 20, 2008 and continued to September 17, 2008 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing;

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are

statutorily exempt from CEQA and such exemption was adopted by this Commission on September 17, 2008. The Clerk was directed to file a Notice of Exemption within five working days of its adoption;

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the existing sphere of influence for County Service Area 60 be affirmed, as depicted on the maps attached hereto as Exhibit "A" and "B"; and,

WHEREAS, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated September 8, 2008 and received and filed by the Commission on September 17, 2008, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

1. Growth and population projections for the affected area:

CSA 60's population in 2005 was estimated to be 200,000. The Victor Valley has experienced significant growth within the past ten years and additional growth is anticipated in the coming years. Since 2000, the incorporated cities of the Victor Valley (Adelanto, Apple Valley, Hesperia, and Victorville) increased in population by 44%. The City of Victorville has been identified as the fastest-growing City in the nation with a population over 100,000. Historic growth for the spheres of influence of these cities is not available. The District's territory includes the full range of potential growth, from areas with little to no growth to areas anticipated to experience significant growth in the future. The Victor Valley is anticipated to experience 94% growth between 2006 and 2030. Growth strategies are developed as a part of periodic master plan and airport updates.

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

CSA 60 provides for the financing of the operation and maintenance of the Apple Valley Airport, a general aviation airport. The airport itself is located within the Town of Apple Valley on 809 acres and contains two runways, taxiways, ramps, hangars, and support facilities. Operations (take-offs and landings) are estimated at 39,000 per year. CSA 60 estimates that 25,000 of the operations are generated by aircraft based at the airport.

The planned use of the airport is anticipated to be over 50,000 annual operations with approximately 30,000 from local aircraft according to the airport's twenty-year projection. It indicates that runways and taxiway facilities are adequate and meet current demand, but additional facilities and service of aircraft will be needed as demand increases. CSA 60 further states that a review of its Plan determined that the airport meets customer needs.

CSA 60 plans to increase facilities to accommodate turbo-propeller and jet aircraft. Improvements and additions include additional hangar space and construction of aircraft parking ramps. Additional facilities include real property or easement rights to protect against encroachment. According to the FY 2007-08 CIP budget, carryover projects total $1,625,458 and new projects total $2,150,000. The district states that acquisition of real property and construction of storage facilities will be funded through property tax and operating revenues with some facilities being funded by private investment.

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3. Financial ability of agencies to provide services:

The County Department of Airports submitted budget and audit information for CSA 60 as part of the service review. The most recent audit is for FY 2006-07. Its main source of funding is property taxes, with charges for services, other taxes, interest, and federal and state aid adding to the total. As identified in the charts below, the vast majority of its revenues are from property taxes. The chart below shows the categories and amount of revenues for CSA 60's enterprise fund for FY 2004-05, 2005-06, and 2006-07. Further, the yearly revenue far exceeds expenditures. For the three years identified below, the combined revenues were $7,730,564 and the combined expenditures were $3,744,276.

FY 2004-05, 2005-06, and 2006-07 Revenues

Year	Charges for Services*	Interest	Property Taxes	Other Taxes	Federal and State Aid	Other Revenues	Total
FY 2004-05	$173,309	$124,521	$1,128,003	$246,722	$78,106	$10,573	**$1,587,925**
FY 2005-06	$189,773	$174,203	$1,338,385	$236,181	$1,028,647	$15,456	**$2,792,872**
FY 2006-07	$442,694	$241,490	$1,953,979	$188,989	$525,944	-$3,329	**$3,349,767**

*Includes CHP Facility lease payment
source: FY 2004-05, 2005-06, and 2006-07 Audits

FY 2004-05, 2005-06, and 2006-07 Expenditures

Year	Salaries and Benefits	Professional Services	Services and Supplies	Utilities	Rents and Leases	Depreciation	Total
FY 2004-05	$471,614	$103,152	$118,845	$52,166	$16,476	$256,583	**$1,025,836**
FY 2005-06	$487,367	$115,879	$239,913	$75,476	$28,730	$312,372	**$1,259,737**
FY 2006-07	--	$666,801	$173,337	$98,522	$29,539	$490,504	**$1,458,703**

source: FY 2004-05, 2005-06, and 2006-07 Audits

At year's end, excess revenues over expenditures are placed into a Special Revenue Fund that acts as a construction contingency account. For auditing purposes, the special revenue fund is included with its operating funds. These Special Revenue funds for capital purposes are described below:

Law Enforcement Center at Apple Valley Airport

Construction costs for Law Enforcement Center at the Apple Valley Airport were contracted at roughly $3 million and were paid from Apple Valley Airport's (CSA 60's) dedicated fund for the project (Fund REE). The California Highway Patrol shares the facility with the County Sheriff, and the CHP portion of the Center was constructed for $1.7 million. The County will retain ownership of the facility and will recoup the $3 million investment after 30 years of leasing the space to the CHP and the Sheriff's Department. The ownership of the facility is in the name of the County, rather than CSA 60 which purchased and funded its original construction. This is of concern to LAFCO.

The State's monthly rent was calculated using the estimated construction cost for that portion of the Center to be occupied by the CHP, together with the costs associated with the design, amortized at four (4) percent over thirty years, plus additional costs, for insurance. The lease is for roughly 15,000 square feet of hangar and office space for 30 years to terminate in 2035. The rent is $8,966 monthly or $107,592 annually. There is no annual increase to the State's payments. The total payments over the 30-year agreement will be $3,227,760 and are identified in the lease to be paid

to the "Airports Department of the County of San Bernardino". The Commission understands that these funds are deposited into the CSA 60 general account identified as "EBJ".

The County Sheriff's share of the facility lease is $5,970 per month or $71,640.00 annually. The Commission understands that these funds are transferred into the CSA 60 general account identified as "EBJ".

CSA 60/Apple Valley Airport Funds

Fund EBJ within the County's Treasury is the general operating fund of the district and Fund RAI is the reserve account which includes funds for capital improvements and contingencies. At the end of the fiscal year, the excess CSA 60 revenues over expenditures, after assuring adequate funding will be available into the subsequent fiscal year, are transferred into RAI. The remaining Special Revenue funds associated with CSA 60 are funded through RAI and any funds remaining after project completion, including federal and state reimbursement grants, are returned to RAI.

The chart below provides the balance of the funds related to CSA 60/Apple Valley Airport on August 8, 2008.

Fund	Fund Purpose	Balance as of 8/8/2008
EBJ	CSA 60 General	$1,274,823
RAI	Apple Valley Airport Capital Projects	$3,891,860
RCH	AV Airport Pavement Building and Roof	-
REE	AV Airport CHP Commercial Hangar	-
REH	AV Airport Port-A-Port Area Reconstruction	-
RHU	AV Airport Fence, Run Up Areas	$5,162
RJG	AV Airport Terminal Complex Improvement	$710

Below is a chart of the RAI (Capital Reserve) activity since FY 2004-05. As shown, the fund balance and activity fluctuates with capital projects. For example, in FY 2004-05 the fund had just over $4 million at year's end. The following year the fund decreased by roughly $3 million when the payments for the capital projects were due.

Year	Expenditures	Revenues	Change in Balance	Fund Balance
FY 2008-09*	($21,343)	$1,195,832	$1,174,489	$3,891,860
FY 2007-08	($483,104)	$1,103,892	$620,788	$2,717,371
FY 2006-07	($2,623,242)	$3,656,629	$1,033,387	$2,096,583
FY 2005-06	($2,374,632)	($576,344)	($2,950,976)	$1,063,196
FY 2004-05	($1,313,684)	$641,288	($672,396)	$4,014,172

* Fund balance and activity as of August 8, 2008

To further identify this transfer activity, the first chart below illustrates the transfers between CSA 60's funds for FY 2004-05 and FY 2005-06 taken from the Audits for those years. FY 2006-07 data was not available. Interfund transactions are used to close out a fund, reimburse an operating fund, and transfer cash between operating fund and capital project funds. At year's end, the sum of all interfund transfers balances to zero.

FY 2004-05		
FUND	PURPOSE	AMOUNT
RJF (believed to be runway improvements)	Transfer of funds from RAI	$38
REE	Transfer of funds from RAI	$985,707
REF (believed to be runway improvements)	Transfer of funds from RAI	$238,327
RAI	Transfer of funds to capital project funds	($1,224,072)
RJF	Opening of a new fund	$55,000
RJG	Opening of a new fund	$40,000
RAI	Transfer of funds to RJF & RJG	($95,000)
RJF	Transfer to operating fund	$57,858
EBJ	Transfer from operating fund	($57,858)
RHK	Transfer to operating fund	$31,753
EBJ	Transfer from operating fund	($31,753)
EBJ	Operating transfer in	$5,388
RAI	Operating transfer out	($5,388)
RAI	Operating transfer in	$535,715
EBJ	Operating transfer out	($535,715)
NET TRANSFERS		-

FY 2005-06		
FUND	**PURPOSE**	**AMOUNT**
RET	For capital projects	$753,000
REE	For capital projects	$700,000
RAI	To capital projects funds	($1,453,000)
RAI	From capital projects funds	$1,225,000
RET	To operating fund	($225,000)
REE	To operating fund	($1,000,000)
NET TRANSFER		-

The FY 2008-09 Budget identifies the FY 2007-08 CSA 60 tax receipts for the year as $1,950,000 and budgeted pass through revenues from the local redevelopment agency of $29,608. The operating budget has a contingency reserve of $501,069, available to fund unanticipated costs subject to Board of Supervisors approval. The Capital Improvement Program budget includes a transfer of $742,904 from the operating budget for airport capital improvement projects. A copy of the Final Budget for FY 2008-09 and the Capital Improvement Program budget are on file in the LAFCO office.

4. Status of, and opportunities for, shared facilities:

Private development occurs (pursuant to County Policy 08-03-01) at the airport on land leased at market rates and privately developed facilities return to County ownership at the end of the land lease. CSA 60 also funded the construction of the law enforcement facilities on airport property

to meet California Highway Patrol and County Sheriff aviation needs and lease proceeds are to return this investment to CSA 60 accounts over the 30-year lease term. Annual payments are $179,232 as noted above.

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

Accountability

The San Bernardino County Board of Supervisors governs CSA 60; it is within the political boundaries of the First Supervisorial District. The district does not have a commission or advisory council; however the County Airports Commission does review and make recommendations and observations concerning County airports and aviation-related issues to the Board of Supervisors and/or the Economic Development and Public Services Group. The Airport Commission does the following:

- Promote airports and aviation in general in San Bernardino County.
- Review and participate in County airport special events.
- Review and make recommendations for initial preparation of the annual airports budget.

Action taken on June 16, 2008, by the Board of Supervisors of the County of San Bernardino set the preliminary appropriation limit for CSA 60 as $2,573,182 for Fiscal Year 2008-09.

The Apple Valley Airport is currently under the sole ownership of the County, not CSA 60, and it is operated by the County Airports Department as one of six County owned airports. The airport general manager, a County employee, issues a periodic newsletter to tenants and airport users. The airport is included in the federal system of integrated airports and must periodically review facilities and forecast demand and evaluate capacity in order to remain eligible for federal grant assistance.

Operational Efficiencies

CSA 60 is operated by the County's Department of Airports, which consolidates many of the administrative and technical functions necessary to manage the County's six airports. CSA 60 pays an allocated share for administrative and staffing cost and its budgets are prepared in conjunction with the County's annual budgeting process. For the Fiscal Year 2008-09 Budget, CSA 60 is to pay $609,824 for the salary and benefits costs for the operation of the airport, which represents about 24% of the salary and benefit costs for the entire County Airport Department.

The airport itself has six employees which include a general manager, secretary, and four maintenance staff. Technical and administrative support is provided by the County Director of Airports and his staff. In addition, staff members from other County airports are available for support when needed.

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Government Structure Options

While the discussion of some government structure options may be theoretical, a service review should address all possible options. Those include:

1. CSA 60/Apple Valley Airport to become a self-governed airport district. No support for this option was provided while there is precedent for this option since the Big Bear Airport District was formed from County Service Area 53.

2. Dissolution of CSA 60 and for Apple Valley Airport to become part of the County's Department of Airports and operated as an enterprise fund. These airports could benefit from shared revenue if consolidation were to occur. There has been no expressed support for this option by the County Department of Airports or County Administrative staff.

3. Reduce CSA 60's sphere to be reflective of the Victor Valley Area (including the territory of the sphere of influence and boundaries of Apple Valley, Adelanto, Hesperia and Victorville, or Apple Valley alone (coterminous with the Town of Apple Valley sphere). The basis to reduce CSA 60's sphere to either the Victor Valley area or the Community of Apple Valley is that the original formation of CSA 60 was based upon the need for a financing tool to issue bonds to fund the development of the airport facility. Those bonds were subject to a 30-year payoff and were fulfilled in 1999. Yet, CSA 60 continues to receive a share of the ad valorem property tax from the entirety of assessed lands within CSA 60's 1,730 square mile territory. Further, the property tax percentage share has been constant since 1979 and placed against an ever increasing base valuation. This option was opposed by County Administrative and Airport staff.

4. Retention of the status quo. This would preserve the existing sphere of influence of CSA 60.

Based upon its evaluation, the Commission supports the retention of the current sphere of influence determination for CSA 60.

WHEREAS, the following determinations are made in conformance with Government Code Section 56425 and local Commission policy:

1. Present and Planned Uses:

At present, the land uses within the boundaries of CSA 60 include the full range of land uses and County of San Bernardino general plan land use designations. The area encompasses the entirety of the spheres of influence of the Town of Apple Valley and the Cities of Adelanto, Hesperia and Victorville and includes the full range of the County's general plan land use designations. No change in land use for the area will occur through retention of CSA 60's sphere.

2. Present and Probable Need for Public Facilities and Services:

CSA 60 is authorized to provide airport services within its boundaries. Currently, the district meets the service needs of those within its boundaries who have occasion to use the airport facilities. CSA 60 plans to increase facilities to accommodate turbo-propeller and jet aircraft. Improvements and additions include additional hangar space and construction of aircraft parking ramps.

3. Present Capacity of Public Facilities and Adequacy of Public Services:

The airport currently meets current demands of its customers and indicates that runways and taxiway facilities are adequate and meet current demand. The Airport Master Plan identifies future expansion of these facilities.

4. Social and Economic Communities of Interest:

Although CSA 60 encompasses much of the Victor Valley, the Apple Valley Airport is located within the boundaries of the Town of Apple Valley. Therefore, CSA 60 shares social and economic interests with community of Apple Valley as well as the urban core of the Victor Valley.

5. Additional Determinations

- The Commission's Environmental Consultant, Tom Dodson and Associates, has determined the changes outlined for County Service Area 60's sphere of influence are statutorily exempt from environmental review

- Legal advertisement of the Commission's consideration has been provided through publication in *The Daily Press* through publication of a 1/8 page legal ad and in *The Apple Valley News*, as required by law. In accordance with Commission Policy #27, a 1/8th page legal ad was provided in lieu of individual notice because the service review sphere of influence update for the community of Apple Valley would have exceeded 1,000 notices.

- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.

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

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to affirm the existing sphere of influence assigned for County Service Area 60;

NOW, THEREFORE, BE IT RESOLVED by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider this to be the sphere of influence for County Service Area 60; it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants;

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that County Service Area 60 shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's designation of the modified sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission of the County of San Bernardino by the following vote:

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RESOLUTION NO. 3029

AYES: COMMISSIONERS:

NOES: COMMISSIONERS:

ABSENT: COMMISSIONERS:

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STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of October 15, 2008.

DATED:

_____
KATHLEEN ROLLINGS-McDONALD
Executive Officer

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