

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

215 North D Street, Suite 204  
San Bernardino, CA 92415-0490 • (909) 383-9900 • Fax (909) 383-9901  
E-MAIL: [lafco@lafco.sbcounty.gov](mailto:lafco@lafco.sbcounty.gov)  
[www.sbclafco.org](http://www.sbclafco.org)

---

**DATE: SEPTEMBER 10, 2007**

**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer**

**TO: LOCAL AGENCY FORMATION COMMISSION**

---

**SUBJECT: Agenda Item #8: LAFCO 3070 – Reorganization to Include Formation of the Phelan Piñon Hills Community Services District, Detachment from County Service Area 56, and Dissolution of County Service Area 9, County Service Area 56 Improvement Zone F-1, and County Service Area 70 Improvement Zones L and P-4**

---

**RECOMMENDATION:**

Staff recommends that the Commission take the following actions to provide final approval for LAFCO 3070:

1. Modify the Conditions of Approval reviewed and accepted at the August 15, 2007 hearing as follows:

**Condition No. 12.** Property tax revenues attributable to the park and recreation functions of County Service Area 56 Improvement Zone F-1, including delinquent taxes and any and all other collections or assets, shall be transferred to the successor District, the Phelan Piñon Hills CSD, pursuant to the provisions of Government Code Section 56810 subject to the following terms:

1. Fire protection revenues currently a part of the property tax allocation for County Service Area 56 Improvement Zone F-1, determined to be \$191,749 for Fiscal Year 06-07 shall be transferred to the San Bernardino County Fire Protection District as a function of LAFCO 3000. However, if LAFCO 3000 is not completed upon the effective date of LAFCO 3070, the fire functions, including property tax revenues, associated with CSA 56 Improvement Zone F-1 shall be transferred temporarily to County Service Area 70 to allow for continued operation and protection of identified revenues. A condition of approval shall also be included in LAFCO 3000 identifying this situation.
2. Park and recreation revenues currently a part of the property tax allocation of County Service Area 56 Improvement Zone F-1 estimated to be \$42,091 for Fiscal Year 06-07 shall be increased by \$33,314 through a transfer of property tax revenues from County Service Area 56 under the

provision of Section 99.02 of the Revenue and Taxation Code. The total property tax transfer pursuant to Government Code Section 56810 shall be \$75,405;

**Condition No. 13.** The property tax revenues attributable to County Service Area 56 within the area proposed to be detached as a function of this reorganization shall be allocated, pursuant to Government Code Section 56810, as follows:

1. Fire protection revenues currently a part of the property tax allocation of County Service Area 56, determined to be \$575,482 for Fiscal Year 06-07, shall be increased by \$50,944 to a total of \$626,426, and shall be distributed to the San Bernardino County Fire Protection District as a function of the review of LAFCO 3000. However, if LAFCO 3000 is not completed upon the effective date of this reorganization, the fire functions, including property tax revenues, associated with CSA 56 within the reorganization shall be transferred temporarily to County Service Area 70 to allow for continued operation and protection of identified revenues. A condition of approval shall also be included in LAFCO 3000 identifying this situation.
2. The distribution of revenues for park functions within the Tax Rate Areas which comprise the CSA 56 territory within the Wrightwood community shall distribute their revenues identified for Fiscal Year 06-07 as \$740,631 for fire protection and \$101,889 for park purposes to secure the funding previously received from the Piñon Hills portion of CSA 56. This adjustment, associated with LAFCO 3000, shall fulfill the Mitigation Measure approved by the Commission on May 16, 2007, through adoption of the Mitigated Negative Declaration for LAFCO 3070.
2. Adopt LAFCO Resolution No. 2969 reflecting the Commission’s determinations, terms, and conditions for approval of LAFCO 3070; and,
3. Following completion of the mandatory reconsideration period, direct the Executive Officer to forward a request to the County Board of Supervisors to place LAFCO 3070 upon the February 8, 2008 ballot for determination by the electorate.

**BACKGROUND:**

At the August 15, 2007 hearing the Commission indicated its intent to approve LAFCO 3070 – Reorganization to Include Formation of the Phelan Piñon Hills Community Services District, et al., but continued consideration of the proposal to allow for closure on the issue of the new District’s assumption of the outstanding California Infrastructure and Economic Development Bank (hereinafter “I-Bank”) loan.

On August 29<sup>th</sup>, I met with representatives of the I-Bank in their offices in Sacramento to answer any questions related to the processing of LAFCO 3070 and to seek confirmation of their approval of the assumption of the \$4,001,000 loan by the new CSD following its formation. Attachment #1 to this report is a letter, dated September 4, 2007, from Ms. Roma Cristia-Plant, Assistant Executive Director of the I-Bank, indicating that upon receipt and “satisfactory” review of the three items required by Section 5.09 of the agreement for assumption, the assumption request will be conditionally approved. Final approval of the assumption will not occur until the official completion documents for the formation of the district are provided to the I-Bank. Items 1 and 3 identified in the letter have been provided and accepted by the I-Bank. However, the letter indicates the requirement for additional information from the Certified Public Accountant regarding the financial matters of the district. LAFCO staff has been in contact with Mr. Robert Memory of the accounting firm, Rogers Anderson Malody and Scott who prepared the original accounting statement to provide the additional information required by the I-Bank. This supplemental information will be required to be submitted and approved by the I-Bank prior to completion of the reconsideration period for the proposal, anticipated to close October 17, 2007. I-Bank personnel indicated that no additional condition would be required for the LAFCO approval process since Condition No. 4 in the Draft Resolution require that the new district succeed to all the terms and requirements of existing contracts.

**Property Tax Transfer for Park Purposes/Mitigation Measure for CSA 56 (Wrightwood) and CSA 56 F-1 (Piñon Hills):**

Following the August hearing, LAFCO staff was contacted by representatives of the County to indicate their concern regarding the staff’s recommendation and the conditions of approval required for maintenance of property tax support for the continuing park operations of County Service Area 56 (Wrightwood) and the property tax amount listed for the affected entities, CSA 56 and CSA 56 Improvement Zone F-1 (Piñon Hills).

On September 4<sup>th</sup> a meeting was held with County staff to review a new method to accomplish the required mitigation measure to sustain CSA 56 park operations and to transfer the desired \$33,314 in supplemental park funding to the Piñon Hills community. Attachment #2 to the staff report provides the County’s spreadsheet outlining its preferred adjustments to accommodate these changes.

1. The amount of \$33,314 in property tax revenues, based upon Fiscal Year 2006-07 calculations, from within CSA 56 in the Piñon Hills community, will be transferred to CSA 56 Zone F-1 to support park and recreation functions through a shifting of tax rate area percentages. This will increase the property tax revenues for this function to \$75,405. This requires the County to perform the requirements outlined in Revenue and Taxation Code Section 99.02 to reallocate the property tax revenues.

2. The fire revenues from within the TRAs for CSA 56 and CSA 56 Zone F-1 within the Piñon Hills community are intended to be transferred to the County Fire Protection District as a function of the reorganization identified as LAFCO 3000. If this reorganization is not completed prior to the effective date of the formation of the Phelan Piñon Hills CSD, those revenues, identified as \$626,426 for CSA 56 and \$191,749 for CSA 56 Zone F-1, totaling \$818,175 for Fiscal year 2006-07, shall be transferred to County Service Area 70 (Fire Administration) as a temporary measure to allow for completion of LAFCO 3000. A condition reflecting this has been included in the staff’s recommendation for this proposal.
  
3. Rather than require a shifting of revenues from Tax Rate Areas within Piñon Hills to Wrightwood to secure that community’s park funding, the County is recommending instead that the dollar value for transfer for County Fire be increased within the Piñon Hills community by \$50,944. There would be a corresponding decrease in the fire share from within Wrightwood for fire purposes and that funding would be redirected to the park functions in CSA 56. This method accomplishes the needed transfer of funding for park mitigation in Wrightwood. The chart below illustrates this new method for property tax distribution.

TRA Agency Codes	CSA 56 (Wrightwood) DISTRIBUTION OF 2006-07 AD VALOREM PROPERTY TAX				
	(Fire and SL)		(Park)		Total
<b>UD41 – CSA 56 Wrightwood (2 TRA's)</b>					
current allocation:	\$ 791,575	94.0%	\$ 50,945	6.0%	\$ 842,520
Adjustment for Parks	\$ (50,944)		\$ 50,944		
Adjustment for Fire					
Adjusted Distribution	<u>\$ 740,631</u>	<u>87.9%</u>	<u>\$ 101,889</u>	<u>12.1%</u>	<u>\$ 842,520</u>
<b>UD41 – CSA 56 Pinon Hills (21 TRA's)</b>					
current allocation:	\$ 575,482	87.2%	\$ 84,258	12.8%	\$ 659,740
proposed adjustment:					
Transfer out to CSA 56 Zone F-1.			\$ (33,314)		\$ (33,314)
Increased Allocation to Fire	\$ 50,944		\$ (50,944)		
end result:	<u>\$ 626,426</u>	<u>100.0%</u>	<u>\$ -</u>	<u>0.0%</u>	<u>\$ 626,426</u>

This is a change in methodology, not a change in direction for mitigation of the effects on the park operations within the Wrightwood community. Therefore, staff is

recommending that the Commission amend its conditions of approval to implement the new methodology. The revised conditions are as follows:

**Condition No. 12.** Property tax revenues attributable to the park and recreation functions of County Service Area 56 Improvement Zone F-1, including delinquent taxes and any and all other collections or assets, shall be transferred to the successor District, the Phelan Piñon Hills CSD, pursuant to the provisions of Government Code Section 56810 subject to the following terms:

1. Fire protection revenues currently a part of the property tax allocation for County Service Area 56 Improvement Zone F-1, determined to be \$191,749 for Fiscal Year 06-07 shall be transferred to the County Consolidated Fire Protection District as a function of LAFCO 3000. However, if LAFCO 3000 is not completed upon the effective date of LAFCO 3070, the fire functions, including property tax revenues, associated with CSA 56 Improvement Zone F-1 shall be transferred temporarily to County Service Area 70 to allow for continued operation and protection of identified revenues. A condition of approval shall also be included in LAFCO 3000 identifying this situation.
2. Park and recreation revenues currently a part of the property tax allocation of County Service Area 56 Improvement Zone F-1 estimated to be \$42,091 for Fiscal Year 06-07 shall be increased by \$33,314 through a transfer of property tax revenues from County Service Area 56 under the provision of Section 99.02 of the Revenue and Taxation Code. The total property tax transfer pursuant to Government Code Section 56810 shall be \$75,405;

**Condition No. 13.** The property tax revenues attributable to County Service Area 56 within the area proposed to be detached as a function of this reorganization shall be allocated, pursuant to Government Code Section 56810, as follows:

1. Fire protection revenues currently a part of the property tax allocation of County Service Area 56, determined to be \$575,482 for Fiscal Year 06-07 shall be increased by \$50,944 to a total of \$626,426, and shall be distributed to the County Consolidated Fire Protection District as a function of the review of LAFCO 3000. However, if LAFCO 3000 is not completed upon the effective date of this reorganization, the fire functions, including property tax revenues, associated with CSA 56 within the reorganization shall be transferred temporarily to County Service Area 70 to allow for continued operation and protection of identified revenues. A condition of approval shall also be included in LAFCO 3000 identifying this situation.

2. The distribution of revenues for park functions within the Tax Rate Areas which comprise the CSA 56 territory within the Wrightwood community shall distribute their revenues identified for Fiscal Year 06-07 as \$740,631 for fire protection and \$101,889 for park purposes to secure the funding previously received from the Piñon Hills portion of CSA 56. This adjustment, associated with LAFCO 3000, shall fulfill the Mitigation Measure approved by the Commission on May 16, 2007 through adoption of the Mitigated Negative Declaration for LAFCO 3070.

**CONCLUSION:**

For all the reasons outlined in the reports presented to date on the proposed formation of the Phelan Piñon Hills CSD, staff recommends that the Commission take the actions outlined above for formal approval of this proposal. The actions at this hearing will set the stage for the final determination by the voters of a process begun over ten-years ago to achieve local control over service delivery within the Phelan Pinon Hills communities.

LAFCO staff wishes to extend its appreciation to the County staff and members of the Feasibility Committee who have worked so diligently over the last year to bring this matter forward for consideration by the voters.

KRM/

Attachments:

- 1 -- Letter from California Infrastructure and Economic Development Bank Dated September 4, 2007, Granting Conditional Approval for Loan Assumption
- 2 -- 2006-07 Property Tax Revenue Distribution and Proposed Adjustments Prepared by County Administrative Staff
- 3 -- [Draft Resolution No. 2969](#)