

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

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PROPOSAL NO.: LAFCO 3118

HEARING DATE: December 8, 2010

RESOLUTION NO. 3114

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3118 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 54 (sphere of influence expansion by approximately 16,400+/- acres to encompass the Crest Forest and Lake Arrowhead communities, as defined by the Commission, as shown on the attached maps)

On motion of Commissioner Bagley, duly seconded by Commissioner Curatalo, 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 December 8, 2010 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; and,

WHEREAS, at this hearing, this Commission certified that the sphere of influence update including sphere amendments is statutorily exempt from environmental review pursuant to the provisions of the California Environmental Quality Act (CEQA) and such exemption was adopted by this

RESOLUTION NO. 3114

Commission on December 8, 2010. The Commission directed its Executive Officer to file a Notice of Exemption within five working days of its adoption; and,

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 sphere of influence for County Service Area 54 (hereafter shown as the "CSA 54") shall be expanded by approximately 16,400+/- acres to encompass the Crest Forest and Lake Arrowhead communities, as defined by the Commission, and as shown on the maps attached as Exhibit "A" to this resolution; 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 November 30, 2010 and received and filed by the Commission on December 8, 2010, 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:

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, public land ownership, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay. The private lands within CSA 54 are generally residential (RS-14M) with scattered commercial along State Route 189 and in the Lake Gregory area of the district. The public lands within CSA 54 are designated Resource Conservation.

Roughly two-thirds of CSA 54's area is private lands and one-third is within the National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use.

In general, the San Bernardino Mountains is one of the most densely populated mountain areas within the country, and is the most densely populated urban forest west of the Mississippi River. However, there is a large seasonal population component as well as a substantial influx of visitors to the mountain resort areas. The seasonal population and visitors are not reflected in available demographic statistics, which count only year-round residents. It is estimated that the seasonal factors can approximately double the peak population. By 2030, the permanent population is estimated to reach over 11,000. This figure does not take into account seasonal population and tourism. Even with the large increase in population, the area is not anticipated to reach its build-out population by the 2030 horizon of this report.

2000	2005	2010	2015	2020	2025	2030	2000 to 2030 growth rate
6,864	7,465	8,118	8,828	9,601	10,441	11,354	65%

Source: County of San Bernardino 2007 Community Plans; County Special Districts Department
Notes: Does not include seasonal population or visitors
Italicized figures are calculated by LAFCO

RESOLUTION NO. 3114

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

The only service currently provided through CSA 54 is streetlighting. Although the FY 2010-11 CSA 54 budget identifies that the District receives revenue to fund the operation and maintenance of 127 streetlights, the County Special Districts Department and Southern California Edison have provided verification that there are currently 183 streetlights funded through CSA 54. However, the Commission has identified that 10 of the streetlights are outside the boundaries and current sphere of CSA 54.

The streetlights are classified as all night service (activated from dusk until dawn). Southern California Edison owns the streetlights and responds to problems, and CSA 54 provides for payment of the utility costs associated with the individual lights. There are no plans at this time to increase the number of the streetlights. The future need for streetlights will increase if the population grows, dependent upon the implementation of the County's Night Sky Ordinance, which is applicable in the Crest Forest Community Plan area and not the Lake Arrowhead Community Plan area. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment.

3. **Financial ability of agencies to provide services:**

The sole source of revenue for CSA 54 is its share of the general ad-valorem property tax levy. The majority of expenditures pay for the electricity costs to Southern California Edison and transfers to other County funds to pay for CSA 54's share of management and services support costs. As shown on the chart, CSA 54 enjoyed excess revenue, which increased fund balance, for the past few years. However, the annual excess revenue has declined due to fewer property tax receipts and increased streetlighting costs from SCE. The electricity costs from SCE have risen within the past few years, although the budgets do not identify this cost directly. For FY 2010-11, removing Contingencies from the calculation, which has historically never been utilized, CSA 54 is budgeted to lose \$1,965 this year. Should this trend continue, CSA 54 will need to consider reducing expenses, such as eliminating the lights paid for outside its boundaries, to reduce costs. The Commission estimates that this represents approximately \$1000 reduction in electricity costs per year.

RESOLUTION NO. 3114

CSA 54 Financial Activity

	FY 2005-06 Actual	FY 2006-07 Actual	FY 2007-08 Actual	FY 2008-09 Actual	FY 2009-10 Estimate	FY 2010-11 Budget
REVENUES						
Property taxes	\$28,547	\$34,757	\$36,949	\$38,388	\$36,161	\$36,167
Interest	17	42	285	339	400	450
Current Services	-	(315)	(264)	(426)	-	-
Other	-	1	7	-	-	-
Total Revenues	28,564	34,485	36,977	38,301	36,561	36,617
EXPENDITURES						
Services & Supplies	18,542	19,935	20,604	29,074	28,932	30,690
Transfers Out	8,905	10,965	7,790	7,628	7,621	7,892
Contingencies	-	-	-	-	-	17,740
Total Expenditures	27,447	30,900	28,394	36,702	36,553	56,322
Net Change in Fund Balance	1,117	3,585	8,583	1,599	8	(19,705)
Fund Balance Ending	\$5,930	\$9,515	\$18,098	\$19,697	\$19,705	\$0

note: Fund Balance Ending calculated by LAFCO

CSA 54 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department. To pay for these functions, the FY 2010-11 Budget indicates a transfer to CSA 70 Countywide of \$7,892 for salaries and benefits and services and supplies support.

Appropriation Limit

An appropriation limit is required by Article XIIIB of the State Constitution and limits the expenditure of the proceeds of taxes. Action taken on June 28, 2010 by the Board of Supervisors of the County of San Bernardino established the Preliminary 2010-11 appropriation limit for CSA 54 at \$231,784.

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

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70.

Southern California Edison owns the streetlights; therefore, the streetlights cannot be shared. The only service that CSA 54 actively provides is streetlights so no other shared facilities can be considered.

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

Local Government Structure and Community Service Needs

CSA 54 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Second and Third Supervisorial Districts. CSA 54's budget is prepared as a part of the County Special Districts Department's

RESOLUTION NO. 3114

annual budgeting process. CSA 54's annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, CSA 54 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department. One regional manager oversees all the streetlight districts and one inspector provides support services such as inventory, streetlight requests, and plan review.

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

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts. This is not applicable to streetlighting service; however, as outlined above this currently occurs through the payment of costs for the 10 lights outside its boundaries.
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Potential Government Structure Changes:

While the discussion of some government structure changes may be theoretical, a service review should address possible options, especially in light of CSA 54's financial challenges. In preparing the service review material Special Districts Department staff indicated that there were no consolidations or other structure options available for the operation of CSA 54. However, LAFCO has identified the following options.

- Consolidation with the other streetlighting districts within the unincorporated area of the County. Special Districts Department has indicated in the past a desire to consolidate the board-governed districts with only streetlighting powers within the unincorporated area of the County. However, no additional information has been provided regarding this option from Special Districts Department.

County Special Districts Department was requested to provide its response to the option of creating a single CSA for service within the communities of Crest Forest and Lake Arrowhead. In its response Special District has indicated it does not oppose the recommendation to expand the CSA 54 sphere of influence; however, it notes that CSA

RESOLUTION NO. 3114

54 streetlighting is funded through a share of the general property taxes. If new streetlights are required in the sphere of influence area, a new zone will need to be formed to finance those services. In the past, the County has identified that the mechanism to address such a new service would be through formation of a zone of CSA 70 to provide that service.

The Commission points out that the different services and revenue mechanisms would remain within the respective boundaries. The only difference would be a single agency responsible for coordination of the streetlighting activities. Such a proposal would eliminate the need for multiple budgets and combine the revenues so that payments to Southern California Edison would come from a single source. In addition, it would allow for the coordination of streetlight locations as was identified in the service review for County Service Area SL-1 based upon the unique regional service need of the Mountain.

- Consolidation with adjacent portion of County Service Area SL-1. For the same reasons as the option above, inclusion of the SL-1 portion with the consolidation of the two streetlighting county service areas in Crest Forest/Lake Arrowhead would eliminate the need for multiple budgets and combine the revenues so that payments to Southern California Edison would come from a single source. In addition, it would allow for the coordination of streetlight locations, again eliminating the number of lights outside the district's boundaries.
- Assumption of streetlighting responsibility by Lake Arrowhead Community Services District. Lake Arrowhead CSD overlays a portion of CSA 54 and is a multi-function, independent, district with the statutory authority to provide streetlighting services (although active service is subject to LAFCO authorization). In this scenario, Lake Arrowhead CSD would assume responsibility for providing the service within its boundaries along with a transfer of the property tax share of portion of CSA 54 revenues within the transferred area.

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

The Commission returns to the Legislature's intent in LAFCO Law and Community Services District Law in that a single multi-function agency may be the best mechanism to coordinate and provide service within a community. It is evident that the current situation results in multiple governing bodies, administration, overhead, and financial reporting which could be eliminated through consolidation with the LACSD.

- Maintenance of the status quo. This option would leave intact the current structure for the provision of the service and the payment of costs for the 13 or so lights outside the boundaries of a public entity receiving revenue for that purpose.

At the present time, no other public agencies have expressed desire to provide this service. As in past discussions of the single purpose streetlighting agencies administered by the County, the Commission supports the consolidation of these entities into a single streetlighting county service area to provide for more efficient and effective operation. As a part of the sphere of influence

RESOLUTION NO. 3114

update for CSA 54, the Commission is recommending expansion of the CSA 54 sphere of influence to encompass the Crest Forest and Lake Arrowhead communities.

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

1. Present and Planned Uses:

Development in the San Bernardino Mountains is naturally constrained by rugged terrain, limited access, public land ownership, and lack of support infrastructure, as well as by planning and environmental policies which place much of the area off limits to significant development. Maximum build-out potential is constrained substantially by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay. The private lands within CSA 54 are generally residential (RS-14M) with scattered commercial along State Route 189 and in the Lake Gregory area of the district. The public lands within CSA 54 are designated Resource Conservation.

Roughly two-thirds of CSA 54's area is private lands and one-third is within the National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use.

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

CSA 54 currently provides only streetlighting services within its boundaries and operates and maintains 183 streetlights. It has been identified that 10 of the streetlights are outside the boundary and current sphere of CSA 54. In addition, this action would include the territory of CSA SL-1 within the Lake Arrowhead community within the boundaries of the sphere of influence allowing for a future reorganization to address the transfer of its operations and the 3 lights outside its boundaries to CSA 54. Currently, CSA 54 meets the service needs of those within its boundaries. The future need for streetlights will increase with population growth, as denser developments will require such service while recognizing the limitation of the County's Night Sky ordinance in the Crest Forest Community Plan area.

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

CSA 54 provides streetlighting within its boundaries and adequately serves the area. Revenues are generally adequate to support the current streetlighting activities. However, with electricity costs rising and property tax revenues remaining level or slightly reduced due economic conditions, the choice for the County would be to turn off the lights outside the boundaries or turn them over to the residents since their property taxes do not support the service.

4. Social and Economic Communities of Interest:

Streetlighting is a public safety issue and is regional in nature. The social and economic communities of interest are those of the Rim of World Unified School District and the properties and residents within the Crest Forest and Lake Arrowhead communities.

RESOLUTION NO. 3114

5. Additional Determinations

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, *The Sun*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.
- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency have been reviewed and considered by the Commission in making its determinations.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by County Service Area 54 shall be limited to the following:

FUNCTIONS	SERVICES
Streetlighting	Streetlighting

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to expand County Service Area 54's sphere of influence by approximately 16,400 +/- acres to encompass the Crest Forest and Lake Arrowhead communities, as defined by the Commission.

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 54; 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 54 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 affirmation of the 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:


AYES:	COMMISSIONERS: Bagley, Coleman, Curatalo, Derry, McCallon Mitzelfeft, Smith
NOES:	COMMISSIONERS: None
ABSENT:	COMMISSIONERS: Cox (Smith voting in her stead)

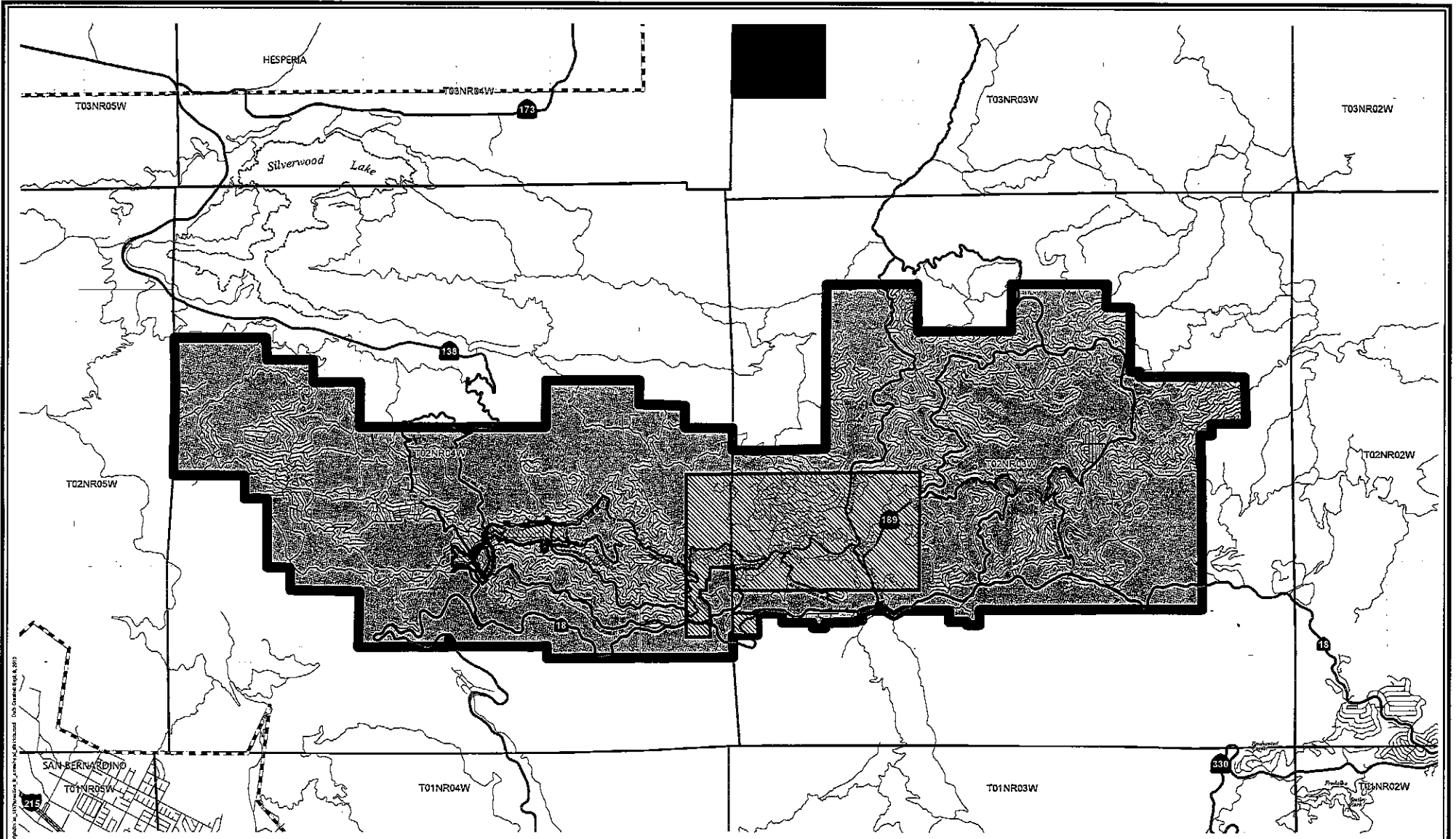
RESOLUTION NO. 3114

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 December 8, 2010

DATED: December 9, 2010


KATHLEEN ROLLINGS-McDONALD
Executive Officer



LAFCO 3118 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 54

SPHERE OF INFLUENCE EXPANSION FOR COUNTY SERVICE AREA 54

Portion of Township 2 North, Range 3 West, and Township 2 North, Range 4 West, San Bernardino Meridian, containing 16,400 acres, more or less.

-  CSA 54
-  Proposed CSA 54 Sphere Expansion (Combination of Lake Arrowhead Community Sphere & Crest Forest Community Sphere)
-  Townships/Ranges
-  Section Lines
-  National Forest Boundary

Exhibit A

Exhibit A