LOCAL AGENCY FORMATION COMMISSION
FOR SAN BERNARDINO COUNTY

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PROPOSAL NO.: **LAFCO 3136**

HEARING DATE: **February 15, 2012**

RESOLUTION NO. 3150

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3136 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE BEAR VALLEY COMMUNITY HEALTHCARE DISTRICT (sphere of influence reduction by approximately 13,980 acres and affirmation of the balance of its existing sphere of influence, as shown on the attached map).

On motion of Commissioner Bagley, duly seconded by Commissioner McCallon, 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 January 18, 2012 and continued to February 15, 2012 at the time and place specified in the notice of public hearing and in any 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 Commission on January 18, 2012. 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 the Bear Valley Community Healthcare District (hereafter shown as the "BVCHD" or the "District") shall be amended as shown on the map attached as Exhibit "A" to this resolution, defined as follows:

(1) Reduce the District's existing sphere of influence to exclude Area 1 (containing approximately 4,480 acres), Area 2 (containing approximately 5,340 acres), Area 3 (containing approximately 2,880 acres), Area 4 (containing approximately 640 acres), and Area 5 (containing approximately 640 acres); and,

(2) Affirm the balance of the District's existing sphere of influence.

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 January 9, 2012 and received and filed by the Commission on January 18, 2012, 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:

Land Use

Unincorporated Area

According to the *Bear Valley Community Plan*, several issues set Bear Valley apart from other mountain communities, suggesting that different strategies for future growth may be appropriate. Among these are the preservation of community character and infrastructure. As for preservation of community character, residents feel that the high quality of life experienced in their neighborhoods today should not be degraded by growth and the subsequent impacts of traffic congestion, strains on infrastructure and threats to natural resources.

Within the study area, approximately 79% is designated Resource Conservation, 6% is Single Residential (RS, RS-10M, RS-20M, and RS-1), 4% is Rural Living (RL, RL-5, RL-10, RL-20, and RL-40), 5% is designated Floodway (lake areas), 1% is a mix of generally commercial, industrial, and institutional land uses in the County (Neighborhood Commercial, Service Commercial, General Commercial, Community Industrial, and Institutional), and the remainder 5% is within the City's boundaries, whose land uses are the jurisdiction of the City.

Incorporated Area

The preservation of the community's natural setting, small town atmosphere and rural mountain character are all aspects that are considered by the City in the development process. In addition the City imposes a development impact fee that addresses the need to construct infrastructure as development takes place.

Within the City's boundaries, approximately 60% of the lands are designated as Single-Family Residential, 9% Multiple Family Residential, 18% Commercial/Industrial, 4% Public Facilities, and 9% Open Space. The commercial development within the City is generally located along Big Bear Boulevard (which connects between Highway 18 and SR 38) and some areas near the lakefront.

Landownership

Within the entire BVCHD boundary/sphere, roughly 19% of the land is privately owned, 5% comprise all the lakes within the community, and the remainder 76% are within the San Bernardino National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use.

Land Ownership Breakdown (in Acres)				
	Private	**Public**	**Lake**	**Total Area**
Boundary	15,110	59,660	3,960	78,730
Sphere (not within District boundaries)	80	2,800	0	2,880
Boundary and Sphere	15,190	62,460	3,960	81,610
Percentage	**19%**	**76%**	**5%**	**100%**

Population Projections

Unincorporated Area

The estimated unincorporated population was roughly 12,000 in 2000 and 15,000 in 2010. 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 substantially increase the peak population. The population projections below encompass the developable territory within the community. Utilizing the 1.8% annual growth from the *Bear Valley Community Plan*, by 2030 the permanent population is estimated to reach approximately 20,000, a 69% increase from 2000.

Table 3: Population, Households and Employment Projection 2000-2030

	1990	2000	Projection 2030	Average Annual Growth Rate: 1990-2000	Projected Average Annual Growth Rate: 2000-2030	Maximum Policy Plan Build-Out	Ratio of 2030 Projection to Land Use Policy Map Build-out
Population	9,058	11,771	**19,910**	2.7%	1.8%	43,414	0.46
Households	3,474	4,712	**8,426**	3.1%	2.0%	17,364	0.49
	1991	2002		1991-2002	2002-2030		
Employment	1,007	1,684	**2,650**	4.8%	1.6%	8,332	0.32

Source: Stanley R. Hoffman Associates, Inc.
Note: The population figures for 1990 and 2000 were based on the U.S. Census. The employment figures for 1991 and 2002 were based on data from the EDD (Employment Development Department).

Sources: County of San Bernardino 2007 *Bear Valley Community Plan* (citing Stanley R. Hoffman Associates, Inc.)
Notes: Does not include seasonal population or visitors, Annual growth for population is anticipated at 1.8%.

Incorporated Area

Both the Department of Finance and the U.S. Census list the 2000 population as 5,438. For 2010, the U.S. Census lists 2010 population as 5,019 (decrease of 419), and the Department of Finance estimates the 2011 population as 5,051. The City further states that numerous jobs have been eliminated within the City, there has been sparse development for the past two years, and the tourism industry has been significantly impacted by the road closures due to winter storms of the past two years.

In looking at the City's population projections through 2035, the Southern California Association of Government (SCAG) Growth Forecast from the *2008 Regional Transportation Plan* did not reflect the full extent of the current economic and housing conditions. Although not yet adopted, recent figures available from SCAG point towards a more realistic and steady growth through 2035 (Southern California Association of Governments *Draft Integrated Growth Forecast, May 2011*), as shown in the chart below. Again, these figures are for the permanent population and do not take into account seasonal and tourism activities.

2020	2035
5,619	7,001

The City's 1995 General Plan describes the City as a mountain resort community. Although the General Plan provides for a wide range of housing options, the majority of the development has been single family housing units. The 2010 Census identifies that from 2000 to 2010, total housing units increased by 11.5% while occupied units decreased by 6.7%. The decrease in occupied units correlates with the economic downturn.

For purposes of planning and designing infrastructure and future service delivery, the seasonal 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.

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

Foundation and Auxiliary

There are two entities that are contribute significantly to the operations of the hospital, although both are legally separate from the district:

- The Bear Valley Community Hospital Foundation was formed in December, 1996 as an ongoing source of fundraising and public relations for the Healthcare District. The primary focus of the Foundation is to serve as a conduit for funds to improve our local non-profit HealthCare District as it strives to provide more comprehensive medical care and emergency-based services for the Bear Valley.

- The Bear Valley Community Hospital Auxiliary, a non-profit organization was established in 1966, prior to the opening of the Hospital in 1974. The Auxiliary's

purpose is to serve the patients and residents of the Hospital through direct services and provision of other support services to enhance patient care and comfort, and to strengthen public relations of the Hospital. Today, the Auxiliary provides thousands of hours of volunteer service, the operation of a Hospital Gift Shop, donations of equipment and patient amenities when requested.

Services

BVCHD owns and operates a hospital with 24 hour emergency care, a rural health clinic at 816 West Big Bear Boulevard (located in the unincorporated Big Bear City community), and a family health clinic at 370 Summit Blvd (located within the City of Big Bear Lake). Services provided by District include a 30-bed (9 acute and 21 skilled nursing beds) hospital include acute respiratory care, in-patient medical care, in and out-patient surgery, laboratory, physical therapy, and skilled nursing facility. Other services include comprehensive diagnostic imaging including CT scanning, ultrasound, digital x-ray, and mammography.

Services added at the rural health clinics during FY 2007-08 added to gross revenue of the clinics during FY 2008-09. Some of the services are pediatrics, podiatry, and chiropractic. The District states that its facilities are roughly 40 years old but are in good condition.

In June 2009 the District completed the build out of the new location for the Big Bear City rural health clinic. The new clinic offers medical and dental services. The district anticipates that the new dental services will generate additional revenue for the hospital's ancillary departments such as laboratory and radiology.

The District's FY 2011-12 budget provides key operating statistics from FY 2003-04 through budgeted numbers for FY 2011-12 (a part of Attachment #3). The chart below summarizes the detailed census statistics from the budget (does not include ancillary statistics such as X-ray and ultrasound):

ACTIVITY	FY 03/04	04/05	05/06	06/07	07/08	08/09	09/10	10/11	11/12
Patient Days Acute	939	952	863	937	1,050	1,024	912	850	915
Patient Days Skilled Nursing Facility	6,855	6,955	7,290	7,112	7,192	7,224	7,465	7,592	7,592
Emergency Room Visits	10,273	9,607	10,024	9,827	10,159	10,005	10,095	9,954	10,200
Surgeries	317	340	350	467	462	331	237	495	520
Family Health Clinic Visits	12,911	12,878	9,516	8,114	6,672	8,180	7,530	9,303	9,530
Rural Health Clinic Visits	0	663	2,541	2,630	4,661	2,452	2,775	4,262	4,270
RHC Dental Visits							549	880	900

Capital Improvements Plans

The District placed on the June 3, 2008 election a measure for authorization to retrofit its facilities to meet state seismic mandates and remodel and refurnish some facilities and departments by issuing $11.5 million in bonds with interest. The District was willing to use $4 million of its own reserves to contribute to the mandates. The bond measure required 2/3 majority to pass but failed with 65.24% voting yes, a mere 8 votes short of passage. As a result, the District was unable to acquire bond funding to finance mandatory seismic mandates.

Nonetheless, the state seismic mandates remain, and the District is undergoing retrofits to its existing facilities with local funds on a pay-as-you-go basis.

3. Financial ability of agencies to provide services:

The Commission has reviewed the District's budgets and audits, State Controller reports for special districts, and County filing records.

General Operations and Accounting

The BVCHD is responsible for itself and has no component units and is not included in any other governmental reporting entity. There are two related entities indirectly involved with the hospital; however, both are not financially significant to the BVCHD and therefore their financial statements are not included in this report.

- Bear Valley Community Hospital Foundation is a legally separate, 501 (c)(3) tax-exempt, public benefit corporation. The Foundation acts primarily as a fund-raising organization to supplement the resources that are available to the BVCHD. Although the District does not control the timing or amount of receipts from the Foundation, the majority of the resources, or income that the Foundation holds and invests, are restricted to the activities of the BVCHD by its bylaws.

- Bear Valley Community Hospital Auxiliary is also a legally separate, 501 (c)(3) tax-exempt, public benefit corporation.

Net Assets

The district's net assets - the difference between assets and liabilities - is a way to measure financial health or financial position. Over time, sustained increases or decreases in the district's net assets are one indicator of whether its financial health is improving or deteriorating. However, other nonfinancial factors such as changes in economic condition, population growth, and new or changed governmental legislation should also be considered.

In reviewing the district's financial documents, net assets have increased by 57% from FY 2005-06 to FY 2009-10, as shown on the chart below. As of June 30, 2010, the district had $18.8 million in net assets. Not including capital assets value and debt, the district had roughly $14.0 million in unrestricted net assets.

	2005-06	2006-07	2007-08	2008-09	2009-10
Net Assets					
Invested in capital assets-net of related debt	3,236,169	3,443,934	3,148,799	3,039,525	2,721,120
Unrestricted	8,765,255	9,549,713	10,834,271	12,490,584	14,000,990
Total Net Assets	**$12,001,424**	**$12,993,647**	**$13,983,070**	**$15,530,109**	**$18,811,348**

Revenues and Expenditures: Financial Statements

The chart below, taken from the FY 2009-10 financial statements, shows the revenue and expenditure categories with respective amounts for the past two years. During 2010 and 2009 the district's loss from operations (operating revenue – operating expenses) was roughly $1.3 million for each year. Making up the difference primarily is the receipt of the one percent general ad valorem property tax and special tax levies(roughly $2.2 million annually). The addition of property taxes has resulted in a net gain for the district's operations.

	Year Ended June 30	
	2010	2009
Operating revenues		
Net patient service revenue	$ 18,115,839	$ 16,510,694
Other operating revenue	114,105	108,991
Total operating revenues	18,229,944	16,619,685
Operating expenses		
Salaries and wages	8,114,577	7,578,619
Employee benefits	1,677,119	1,469,954
Professional fees	1,907,262	1,748,844
Purchased services	1,279,134	1,051,723
Supplies	1,637,245	1,619,689
Repairs and maintenance	271,480	269,938
Utilities	409,930	377,965
Rentals and leases	168,487	163,418
Depreciation and amortization	625,802	652,495
Provision for bad debts	3,007,089	2,382,509
Insurance	164,647	178,631
Other operating expenses	307,641	422,656
Total operating expenses	19,570,413	17,916,441
Operating income (loss)	(1,340,469)	(1,296,756)
Non-operating revenues (expenses)		
District tax revenues	2,190,242	2,256,882
Non-capital grant revenues	291,232	379,915
Investment income	95,072	237,882
Interest expense	(44,076)	(30,884)
Total non-operating revenues (expenses)	2,532,470	2,843,795
Excess of revenues over expenses	$ 1,192,001	$ 1,547,039

Revenues and Expenditures: FY 2011-12 Budget

The figure below is taken from the FY 2011-12 budget and includes the following assumptions:

- Room rate reduced 8% principally due to the proposed reduction in medical reimbursement. The state is proposing a rollback of the per patient day reimbursement to the FY 2008-09 rate less 10%.
- Salaries & Benefits - Health insurance premium is projected to increase at 18%.
- Property tax estimated to remain same as previous year.

As stated above, operating expenses have exceeded operating revenues and the shortfall is bridged primarily by property taxes. For the past three years at least, total expenses still exceeded total revenues even with property taxes and other non-operating revenue. However, the total shortfall has been lessened each year and for FY 2011-12 the District estimates a nominal surplus. However, should the California budget include cuts to Medi-Cal, then a deficit for the year is a possibility.

Long-Term Debt

The BVCHD has a note payable to a bank, original amount of $546,500, maturing in September 2022, interest rate at 7.25%, payable monthly in principal and interest payments of $4,350, secured by property. As of June 30, 2009, the amount remaining was $495,640. However, in 2010 the total debt borrowings increased by $115,681 to $639,559. At this time, the Commission is unaware of the purpose of the debt.

Other Information

The BVCHD has a defined contribution retirement plan whereby the district contributes to the plan at a rate of two to four percent of eligible compensation, based on the length of the employee's service. The district's pension expense for the plan was approximately $96,000 for FY 2008-09 and $112,000 for FY 2009-10.

Government Code Section 26909 requires all districts to provide for regular audits; the District conducts annual audits and meets this requirement. Section 26909 also requires districts to file a copy of the audit with the county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, as of October 20, 2011 the last audit received was in October 2010 for FY 2008-09.

Appropriation Limit

Article XIIIB of the State Constitution, the Gann Spending Limitation Initiative (in 1979, the voters amended the California Constitution by passing Proposition 4, the Gann Initiative), mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9(c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of $0.125 (12 ½ cents) per $100 of assessed value for the 1977-78 fiscal year. According to the *County of San Bernardino 1977-78 Valuations/Tax Rates* publication, the tax rate for the District for FY 1977-1978 was $0.40 per $100 of assessed value. Being over the $0.125 tax rate, the District does not qualify for an exemption from the requirement of an appropriations limit. Therefore, based upon LAFCO's analysis it must have an appropriations limit.

However, the District asserts that it is not required to establish an appropriations limit based upon its listing as an "enterprise activity" by the State Controller and that the District is

organized under California Health and Safety Code sections 32000 et seq., which provide for a separate way of limiting the tax levy for a healthcare district.

LAFCO Legal Counsel has provided its opinion, on file at the LAFCO office, that there is no clear legal authority as to whether or not an appropriations limit applies to healthcare districts. Some healthcare districts in California establish annually appropriations limits according to the Gann Initiative and others do not. LAFCO Legal Counsel identified that the Commission had two options:

1. Take no action and let the District continue to operate without an appropriations limit, or

2. Seek an Attorney General opinion on the matter in order to resolve the differing interpretations between LAFCO and the District.

Based upon the differences outlined in the opinion provided by LAFCO Legal Counsel, the Commission determines to seek an Attorney General opinion on the question of whether the provisions of Article XIIIB of the State Constitution (appropriations or "Gann" limit) apply to healthcare districts.

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

BVCHD and San Bernardino Mountains Community Healthcare District have jointly purchased eye surgery equipment to be used by a physician who performs eye surgery at each of the hospitals. Additionally, the hospitals have loaned each other patient care equipment.

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

Local Government Structure and Community Service Needs

The BVCHD is an independent special district governed by a five-member board of directors at-large. Membership elections are held in even years as a part of the consolidated November election. In a recent edition of its report, *What's So Special about Special Districts*, the state Senate Local Government Committee states that the, "narrow and technical nature of a district's activities often results in low civic visibility until a crisis arises." A review of records available though the County Registrar of Voters identifies elections have been held every two years for BVCHD membership since 1996 with the exception of 2010. Regular Board Meetings are scheduled at 6:30p.m. on the fourth Tuesday of each month at the Hospital Cafeteria. The current board, positions, and terms of office are shown below:

Board Member	Title	Term	Elected/Appointed
Ron Peavy	President	2012	Elected
Brad Summers, PA-C	Vice President	2012	Elected
Barbara Espinoza, RN	Secretary	2014	Appointed
Jim Gonzales	Treasurer	2014	Appointed
Otto Lacayo	Director	2012	Appointed

Operational Efficiencies

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

- BVCHD is a member of the Health Net Inc. provider network. The terms of the agreement provide that the hospital will be paid a percentage of billed charges. This type of agreement is vastly different from the per diem agreements that most urban and many rural adjacent hospitals sign. According to the FY 2008-09 financial statements, the benefit of this type of contract is the operating margin should improve.
- BVCHD has contracted with Heritage Provider Network. Rather than driving down the mountain to the Victor Valley for care, Heritage patients can use the district hospital.
- Both BVCHD and San Bernardino Mountains Community Healthcare District utilize one or more of the following to obtain reduced group pricing for purchasing and insurance: Amerinet, Beta Healthcare Group, and California Critical Access Hospital Network. Each of these are recognized through Group Purchasing Agreements entered into by the respective Healthcare District..

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:

Healthcare District Law allows a healthcare district to provide services outside of its boundaries. Even so, BVCHD has indicated that it does not provide any services outside its boundaries.

In 2005, the Big Bear City Community Services District assumed full operating responsibilities for the ambulance and paramedic services that were provided by the BVCHD (LAFCO SC 249). Through the transfer of service, the Big Bear City Community Services District assumed full operating responsibility for the ambulance permit (as well as equipment, etc.) that was held in the name of the BVCHD as well. Because the contract to transfer service was between two public agencies, the Commission determined that the contract was exempt from LAFCO review.

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, which were adopted by San Bernardino LAFCO as its guidelines in May of 2003. 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.

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 scenarios for the community to consider for the future.

- Consolidation of BVCHD and San Bernardino Mountains Community Healthcare District. The Mountain region is provided healthcare services by two healthcare districts. One scenario would be for the two districts to consolidate.

  Prior to 2005, maintenance of separate districts was evident because the BVCHD provided ambulance service within its boundary and the Exclusive Operating Area assigned by ICEMA. In 2005, that service transferred to the Big Bear City Community Services District. With BVCHD no longer providing that service, there is no operational reason why the two healthcare districts should remain separate.

  A consolidation could achieve economies of scale through one board of directors, one legal counsel requirement, a single election, and a union of support services. If desired, board representation can be by division to ensure adequate representation from all communities. Additionally, two zones can be created isolating the distinct revenues and operations of the current districts as well as maintaining the hospital names.

  LAFCO posed this scenario to the districts. They do state that the two districts have a working relationship to include discussing common issues and sharing eye surgery equipment. However, according to the districts, economies of scale could not be realized since there are different medical staffs, nursing staffs, the hospitals are roughly a one hour drive from each other, and the districts already participate in group purchasing organizations which provide for cost efficiencies in purchasing goods and supplies. On the basis that the Commission is not aware of any community interest at this time for this scenario nor are the economies of scale sufficient in scope to support moving forward with such an action, this scenario has not been recommended.

- Maintenance of the status quo. This option retains the existing structure with the Mountain region served healthcare services by two healthcare districts. The BVCHD and the San Bernardino Mountains Community Healthcare District state their preference for this scenario at this time.

The Commission does not identify any potential governmental structure changes at this time for further discussion with the District and/or its constituents.

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

1. Present and Planned Uses:

The District overlays the Bear Valley community, which includes the City of Big Bear Lake and the unincorporated communities of Big Bear City, Fawnskin, Baldwin Lake, Erwin Lake and Lake Williams. Within the unincorporated County area, the County's General Plan designates approximately 79% as Resource Conservation, 6% Single Residential (RS, RS-10M, RS-20M, and RS-1), 4% Rural Living (RL, RL-5, RL-10, RL-20, and RL-40), 5% Floodway (lake areas), 1% a mix of generally commercial, industrial, and institutional land uses, and the remainder 5% is entirely within the City. Within the City's boundaries, approximately 60% of the lands are designated as Single-Family Residential, 9% Multiple Family Residential, 18% Commercial/Industrial, 4% Public Facilities, and 9% Open Space. The commercial development within the City is generally located along Big Bear Boulevard (which connects between Highway 18 and SR 38) and some areas near the lakefront as well as the ski resorts of Snow Summit and Bear Mountain.

Within the entire boundary/sphere, roughly 19% of the land is privately owned, 5% comprise all the lakes within the community, and the remainder 76% are within the San Bernardino National Forest (owned by the federal government), which are devoted primarily to resource protection and recreational use.

The BVCHD's proposed sphere reduction areas, Areas 1 through 4, currently have limited development potential since these are all forest lands owned by the Federal Government.

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

BVCHD owns and operates a hospital with 24 hour emergency care, a rural health clinic at 816 West Big Bear Boulevard, and a family health clinic at 370 Summit Blvd. Services provided by the 30-bed (9 acute and 21 skilled nursing beds) hospital include acute respiratory care, in-patient medical care, in and out-patient surgery, laboratory, physical therapy, and skilled nursing facility. Other services include comprehensive diagnostic imaging including CT scanning, ultrasound, digital x-ray, and mammography.

Services added at the rural health clinics during FY 2007-08 added to gross revenue of the rural health clinics during FY 2008-09. Some of the services are pediatrics, podiatry, and chiropractic. The District states that facilities are roughly 40 years old but are in good condition.

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

Due to state seismic mandates, the District will need to undergo retrofits to its existing facilities.

In June 2009 the District completed the build out of the new location for the Big Bear City rural health clinic. The new clinic offers medical and dental services. The district anticipates that the new dental services will generate additional revenue for the hospital's ancillary departments such as laboratory and radiology.

4. Social and Economic Communities of Interest:

The BVCHD and the San Bernardino Mountains Community Healthcare District are both separated along Bear Creek, which divides the two districts from Slide Peak (Snow Valley Ski Area) and the Big Bear Dam, which is also known as the "Arctic Circle". This divide is also generally the division that separates groundwater basins and watersheds, and the water basins regulated by the Regional Water Quality Control Boards. The area is also the dividing line between school district boundaries, the County's Flood Control District zones, resource conservation districts, as well as the South Coast Air Quality Management District areas.

BVCHD is within the Bear Valley community, which is located along the eastern section of the Mountain region. For the Bear Valley community, the social communities of interest include the City of Big Bear Lake and the unincorporated communities of Big Bear City, Fawnskin, and the communities around Baldwin Lake, Erwin Lake, and Lake Williams. In addition, the Bear Valley Unified School District is a regional entity servicing the Bear Valley community (including the Angelus Oaks area) providing for a larger social unit for the eastern Mountain region. Economic communities of interest include the two ski resorts (Bear Mountain and Snow Summit), Big Bear Lake itself and the recreational activities supported by the lake, as well as the commercial activities around the lake area and along Big Bear Boulevard (State Highway 18 and 38).

5. Additional Determinations

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *Big Bear Grizzly*. Individual notice was not provided as allowed under Government Code Section 56157 as such mailing would include more than 1,000 individual notices. As outlined in Commission Policy #27, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.

- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on November 8, 2011 and December 13, 2011, LAFCO staff met with the 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 of the affected agencies.

- 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 the Bear Valley Community Healthcare District shall be limited to the following:

FUNCTIONS	SERVICES
Healthcare	Establish, acquire, maintain and/or operate one or more healthcare facilities; operation of acute care and continual

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care hospital facility

WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to reduce the Bear Valley Community Healthcare District's existing sphere of influence by approximately 13,980 acres and affirms the balance of its existing sphere of influence.

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 the territory shown on the map attached as Exhibit "A" as being within the sphere of influence of the Bear Valley Community Healthcare District; 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 the Bear Valley Community Healthcare District 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:

AYES:	**COMMISSIONERS:**	**Bagley, Coleman, Cox, McCallon, Mitzelfelt, Smith**
NOES:	**COMMISSIONERS:**	**None**
ABSENT:	**COMMISSIONERS:**	**Curatalo (Smith voting in his stead), Rutherford (Derry voting in her stead)**
ABSTAIN:	**COMMISSIONERS:**	**Derry**

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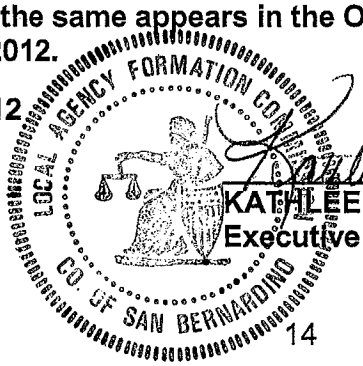
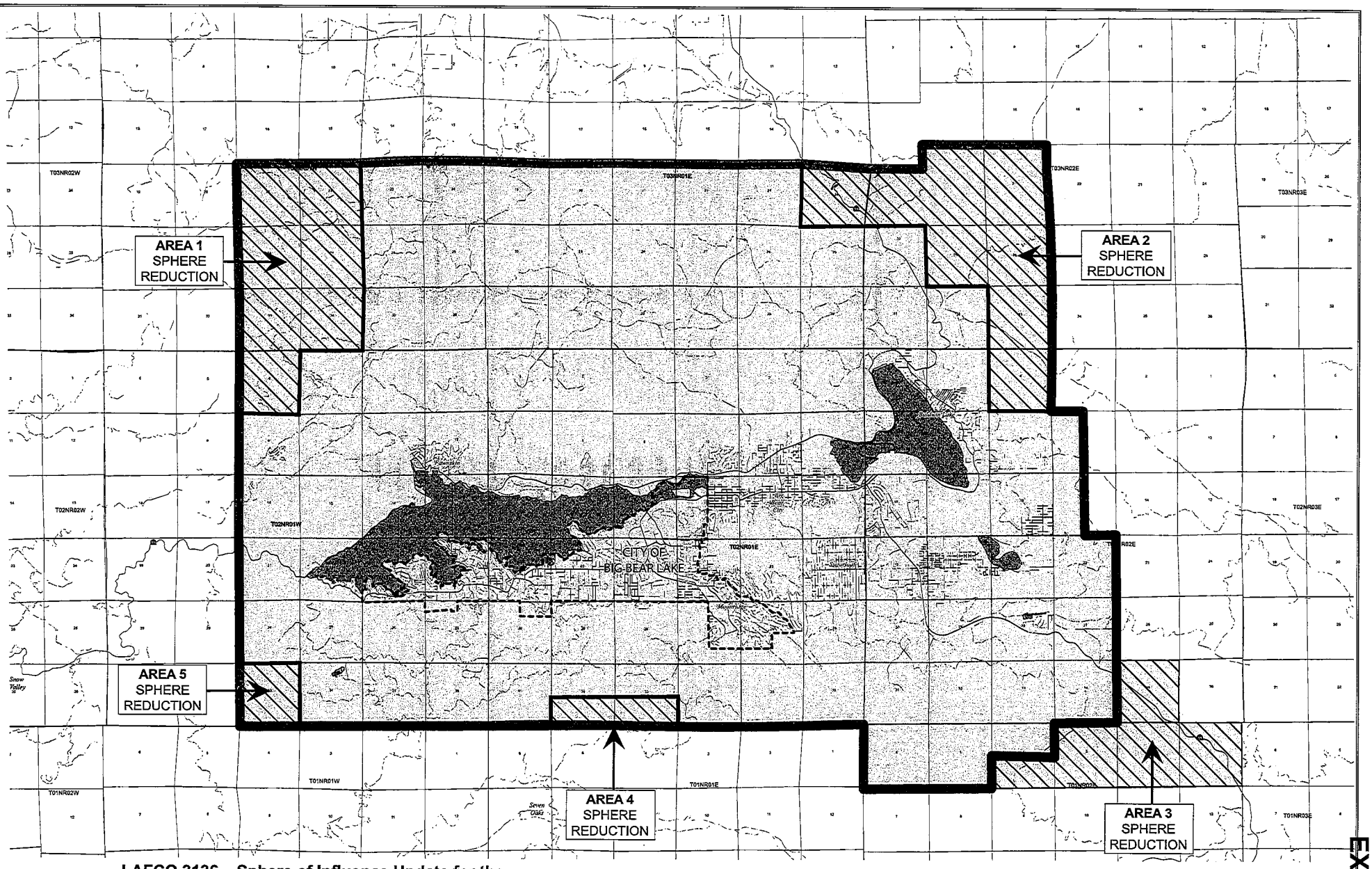
STATE OF CALIFORNIA)
) ss.
COUNTY OF SAN BERNARDINO)

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 February 15, 2012.

DATED: February 16, 2012



KATHLEEN ROLLINGS-McDONALD
Executive Officer



LAFCO 3136 – Sphere of Influence Update for the Bear Valley Community Healthcare District

(Sphere of Influence to include the Bear Valley Community, as defined by the Commission)

DISTRICT BOUNDARIES
PREVIOUS SPHERE OF INFLUENCE
NEW SPHERE OF INFLUENCE BOUNDARY
SPHERE OF INFLUENCE REDUCTIONS
LAKES
CITY OF BIG BEAR LAKE

EXHIBIT A

EXHIBIT A