LOCAL AGENCY FORMATION COMMISSION
COUNTY OF SAN BERNARDINO

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PROPOSAL NO.: LAFCO 3137

HEARING DATE: APRIL 21, 2011

RESOLUTION NO. 3131

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3137 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE ARROWBEAR PARK COUNTY WATER DISTRICT (sphere of influence expansion by approximately 12,310+/- acres to encompass the entirety of the Hilltop community, as defined by the Commission creating a single sphere of influence for all agencies (the combined existing spheres of influence of the Arrowbear Park County Water District, Running Springs Water District, and County Service Area 79) and affirmation of the balance of the existing sphere of influence).

On motion of Commissioner Cox, 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 March 16, 2011 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 Commission on March 16, 2011. 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 there shall be a single sphere of influence for the service agencies within the Hilltop community. That sphere of influence shall encompass the Hilltop community as defined by the Commission. Therefore, the sphere of influence for the Arrowbear Park County Water District (hereafter shown as the "District") shall be defined as follows:

(1) The existing sphere of influence for the District; and,

(2) The expansion by approximately 12,310 +/- acres to include the territory within its existing sphere of influence and that of the existing sphere of influence of the Running Springs Water District and County Service Area 79 and additional territory added to the community definition, as more specifically as depicted on the maps attached hereto as Exhibit "A"; 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 March 8, 2011 and received and filed by the Commission on March 16, 2011, 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 public land ownership, rugged terrain, limited access, 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 substantially constrained by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay.

According to the *Hilltop Community Plan*, several issues set Hilltop apart from other mountain communities, suggesting that different strategies for future growth may be appropriate. Among these are the relationship to surrounding communities and community character and commerce. The Hilltop plan area, particularly Running Springs and Arrowbear Lake, is a highly trafficked area leading to the Bear Valley and Lake Arrowhead. Hilltop does not have the same growth pressures facing other mountain communities due to the limited supply of private land available for development. However, residents are concerned with the impacts that future growth and development in surrounding areas will have on an infrastructure system they sense is already strained. As for community character and commerce, residents expressed a strong desire for a park or central gathering place to help promote a sense of community. It is also important that the pursuit for commercial vitality does not disregard the importance of maintaining the community's natural setting, small-town atmosphere, and mountain character.

The land use designation for majority of the study area is Resource Conservation. The three major residential land uses include RS-10M (Single Residential, 10,000 sq. ft. minimum), SD-RES (Special Development – Residential), and RS (Single Residential, 7,500 sq. ft. minimum). Most of the commercial land use designations are concentrated in the central portion of the community where State Highway 18 and 330 meet. This commercial area is commonly known as "downtown Running Springs".

The land ownership distribution and breakdown within each district boundary and respective current sphere are identified below. Within the Hilltop community, roughly 38% of the land is privately owned with the remainder 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)				
Agency		**Private**	**Public**	**Total Area**
Running Springs Water District	Boundary	2,455	250	2,705
	Sphere	1,670	4,180	5,850
Arrowbear Park County Water District	Boundary	825	220	1,045
	Sphere	0	2,715	2,715
County Service Area 79	Boundary	500	1,100	1,600
	Sphere	0	1,240	1,240
Remainder of Hilltop Community		1,420	1,775	3,195
	Study Area Total	**6,870**	**11,480**	**18,350**

The population and household projections below encompass the developable territory within the community. By 2030, the permanent population is estimated to reach over 9,600, a 60% increase. Even with the increase in population, the area is not anticipated to reach its build-out population by the 2030 horizon.

Year	2000	2005	2010	2015	2020	2025	2030
Running Springs WD	***4,183***	***4,527***	***4,900***	***5,303***	***5,739***	***6,212***	***6,723***
Arrowbear WD	***554***	**600**	***649***	***703***	***761***	***823***	***891***
Portion within CSA 73	*453*	*490*	*530*	*574*	*621*	*672*	*728*
Remaining portion	*101*	*110*	*119*	*129*	*139*	*151*	*163*
CSA 79	***1,289***	**1,395**	***1,510***	***1,634***	***1,769***	***1,914***	***2,072***
COMMUNITY TOTAL	*6,026*	*6,522*	*7,059*	*7,640*	*8,268*	*8,949*	*9,683*

Build-out	2030 as % of Build-out
27,376	35%

Sources: County of San Bernardino 2007 *Hilltop Community Plan* (citing Stanley R. Hoffman Associates, Inc.); LAFCO
Notes: Does not include seasonal population or visitors
Italicized figures are calculated by LAFCO staff
Annual growth for population is anticipated at 1.6% and households at 1.4%.

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

Water

Generally, as designated by the California Department of Water Resources, the northwest portion of the study area is located in the Mojave Watershed and South Lahontan Hydrologic Region, which is represented by the Lahontan Regional Water Quality Control Board. The southwest portion is located in the Santa Ana River watershed and the Santa Ana Hydrologic Region, which is represented by the Santa Ana Regional Water Quality Control Board. The regional Crestline-

Lake Arrowhead Water Agency ("CLAWA) is a State Water Project contractor and delivers wholesale water within its boundaries to private and public retail water providers. CLAWA provides wholesale water to over twenty public and private water purveyors and camps within its service area.

LAFCO has stated on many occasions, water is the lifeblood for communities located in the desert communities due to its limited nature. This statement is also true for the San Bernardino Mountains because it is one of the most densely populated mountain areas within the country and relies upon groundwater resources and/or imported water from the State Water Project for domestic use. Therefore, the most significant regional issue is present and future water supply. For a discussion of CLAWA, its service delivery, and regional water service issues a complete service review was conducted in July 2010 (LAFCO 3107) which can be reviewed in the LAFCO office.

Community Water

In the Hilltop Community, water is produced from local groundwater sources and imported State Water Project water. According to the *Hilltop Community Plan*, the community is located in the San Bernardino Mountains where there are no true aquifers, but there are subsurface water sources such as snow pack and rain, which percolate into the crystalline rocks. Groundwater in the plan area is located primarily in the unconsolidated alluvial deposits found in localized canyons and slopes. Wells are usually placed into the crystalline granitic rock in order to draw on long term water supplies. Depending on the size of the localized water purveyor, wells can provide between 80 and 696 acre-feet of water per year. Water quality within the plan area is generally good.

The Arrowbear Park CWD and the Running Springs WD are the two public retail water providers in the community. The Green Valley Mutual Water Company, a shareholder owned utility, provides water within its respective area. There are other water sources in the plan area; however, these are only for private use. The two largest include Snow Valley Ski area and Smiley Park Country Club. Snow Valley Ski area has several wells on site used for domestic water sources and snowmaking. Smiley Park Country Club currently has a single water source that is used by its members. Not all areas in the community have direct access to a retail water provider; therefore, it is understood that water service to those developed properties is provided through on-site wells. The figure below, taken from the *Hilltop Community Plan*, provides information regarding each of the active water providers. The figure shows CLAWA as a water agency within the community. CLAWA provides wholesale water and its retail connections are not within the Hilltop community.

Water Rates

Retail water purveyors within CLAWA's boundaries are charged the same wholesale water rate no matter the location. The wholesale water rate has not been adjusted for over 15 years and is $1,150 per acre-foot. A sampling of the residential retail water rates of the larger agencies within the CLAWA service area is identified in the chart below.

Residential Water Rate Comparison (June 2010)
(rates measured in units, or one hundred cubic feet)

Agency	Water Use Rate				Monthly Meter Charge (3/4" Meter)	Monthly Avg. Cost (20 units of water)
	Tier One[4]	Tier Two	Tier Three	Tier Four		
HILLTOP COMMUNITY						
Arrowbear Park County Water District	-	4.90	-	-	19.50	88.10
Running Springs Water District	3.26	-	-	-	18.15	83.35
Green Valley Mutual Water Company	2.40	7.75	-	-	30.50	137.35
CREST FOREST COMMUNITY						
Cedar Pines Park Mutual Water Co.	5.50	7.00	10.00	-	30.76	179.76
Crestline Village Water District [1]	4.20	6.30	-	-	19.75	118.45
LAKE ARROWHEAD COMMUNITY						
Alpine Water Users Association	$3.30	$6.60	-	-	$30.00	$112.50
County Service Area 70 Zone CG	4.69	5.21	5.73	6.30	61.80	158.72
Crestline-Lake Arrowhead Water Agency (Improvement Districts A & C) [2]	-	$7.25	-	-	15.00	141.88
Crestline-Lake Arrowhead Water Agency (Improvement District B) [2]	-	$5.00	-	-	10.00	97.50
Crestline-Lake Arrowhead Water Agency (Improvement District D) [2,3]	-	$7.25	-	-	25.00	151.88
Lake Arrowhead Community Services District (Arrowhead Woods)	0.68	1.74	6.21	12.93	20.60	79.27
Lake Arrowhead Community Services District (Deer Lodge Park)	3.27	3.90	-	-	22.52	94.22

Rates rounded to the nearest hundredth

[1] Monthly meter charge is the average of the Crestline Division ($17.50) and Lake Gregory Division ($22.00)
[2] CLAWA retail rates are for 5/8" meter
[3] $25 monthly meter charge includes $10 charge for loan repayment
[4] A blank Tier One rate indicates that the rate is a part of the Monthly Meter Charge.

The Arrowbear Park CWD's Water Master Plan was adopted in 1997 and provides for upgrading older steel pipelines to larger, more reliable lines. Additionally, long range plans include an additional water storage tank and well. No other water plans or studies were provided by the Arrowbear Park CWD for this service review.

Water Supply and Demand

The Arrowbear Park CWD has two sources for water production. The primary source is through four wells, drilled to depths ranging from 50 feet to 300 feet. The capacities are 91 gallons per minute (gpm), 84 gpm, 33 gpm, and 13 gpm. According the FY 2009-10 audit, in 2010 the Arrowbear Park CWD had 905 active water connections serving an estimated 582 permanent population. The excess water connections are due to inactive connections stemming from the seasonal and vacation activities in the mountain region. In 2008, the Arrowbear Park CWD used 47% of its available production capacity. This available production capacity exceeds projected growth needs in the Arrowbear Park CWD within the 2030 horizon of this report.

In addition, the Arrowbear Park CWD has the ability to obtain supplemental water supply from CLAWA. CLAWA is the State Water Project contractor, which acts as a water wholesaler to the San Bernardino Mountains area. Since the district provides 100% of the water needs for its customers, and sells its excess capacity to the Running Springs WD when available, it has not yet utilized supplemental water through CLAWA.

Water Facilities

In addition to the four active wells, the current water system includes 12 miles of water pipelines and four reservoirs. The Arrowbear Park CWD states that 75% of the water mains date back to 1991 and are in excellent condition. The remaining 25% are over 50 years old and are in fair condition. The Arrowbear Park CWD states that its capital replacement plans include replacing the small and older lines (25% of the system), with new, larger capacity pipelines. The Arrowbear Park CWD is working towards building reserves to meet this goal. In case of emergency, the Arrowbear Park CWD could utilize its connection with CLAWA for access to water.

Since 1989, the Arrowbear Park CWD has treated its well water for uranium removal. The treatment plant receives water from the wells through an eight-inch line. The plant treatment capacity is 250 gallons per minute. Water is pumped through the plant, treated, chlorinated, and delivered to the Arrowbear Park CWD's distribution system and reservoirs.

According to the FY 2009-10 audit, during the past fiscal year major additions to the water system included:

- $12,412 in land additions, to purchase property needed for the placement of underground pipelines to deliver well water from refurbished Well #2 to the water treatment facility.

- $192,409 increase in construction in progress due to the construction of the new CLAWA booster pump station and investment in refurbishing Well #2 to add additional water supplies.

Sewer

There are three agencies that provide wastewater collection service to the Hilltop community: Running Springs Water District, Arrowbear Park County Water District, and County Service Area 79. For all three agencies, wastewater is collected in a network of sewer laterals, and then transported to sewer mains. The waste is then transported through force mains to the Running Springs Wastewater Treatment Plant. The capital investment and maintenance cost for the treatment plant located within the boundaries of and operated by the Running Springs WD is shared by Arrowbear Park CWD, CSA 79, and Running Springs WD based on a proportionate share of the costs as described in its quarterly Upstream Billing Report. The contracts between Running Springs WD and the other agencies were approved in 1977 and expire in 2017 (copies are on file at the LAFCO staff office). LAFCO understands that new contracts will be negotiated by all three agencies prior to their expiration.

Based on information from Running Springs Water District, the plant has a total design capacity of 1.1 million gallons per day and is currently at 45.5 percent of this design capacity. Based on rough information concerning the number of available connections, approximately 71 percent of the available sewer connections have been used, with 29 percent remaining. The figure below, taken from the *Hilltop Community Plan*, provides existing and future flow information for the system by district.

Wastewater Treatment Provider	Population Served in area	Existing Flow (mgd)	Existing Design Flow (mgd)(3)	Future Design Flow (mgd)	Permitted Design Flow (mgd)
Green Valley County Service Area 79 (CSA 79)	Approx. 1,860.(1)Residents 1,284 Connections		.43(2)	.43	.43
Running Springs Water District	5,000 Residents 2,830 Connections	.525	.600	1.0	1.0
Arrowbear Park County Water District(3)	600 Residents 957 Connections	.082	.281	.281	.281

Notes:
(1) According to CSA 79 approximately 75% of the households are occupied year –round.
(2) This is the design maximum flow for Running Springs WWTP
(3) There is an existing design flow capacity of .75 (mgd) to be shared by all three districts.

Sewer Rates

A sampling of the residential sewer rates of the agencies within the CLAWA service area are identified in the chart below.

AGENCY	MONTHLY CHARGE
Hilltop Community	
Arrowbear Park County Water District	$27.00 plus $3.00 debt service repayment
CSA 79	$59.61
Running Springs Water District	$27.02 plus 15% of water usage $3.00 wastewater pollution control plant loan repayment
Crest Forest Community	
Crestline Sanitation District	$39.95
Lake Arrowhead Community	
Lake Arrowhead CSD	$40.16

The Arrowbear WD operates and maintains an 11 mile sewer collection system. The Arrowbear WD states that its wastewater mains were installed in 1977 and remain in excellent condition. Following collection of wastewater from its customers, the wastewater is transported to the sewer collection system of the Running Springs WD. From there the wastewater flows into the treatment plant maintained by Running Springs WD.

The Arrowbear WD is beginning to plan for an emergency pipeline to attach to the sewer system for emergency purposes, should the Running Springs WD sewer system fail to accept sewage from Arrowbear WD. Flows can be diverted to the emergency pipeline thus enabling continuous flows. There is no budget to begin the project at this time. The plan is only in the conceptual stages and is currently being considered by administrators for CSA 79. It is not certain at this time whether or not the pipeline will be constructed and to what extent Running Springs WD and CSA 79 will participate in the cost.

The Sewer Master Plan, adopted in November 1999, outlines the status of the wastewater collection system, its capacities and projected capacities based on assumed growth projections. The low growth rate of the Arrowbear WD since the early 1990s has resulted in a stable 30% of capacity flows. Routine maintenance and equipment replacement plans are on schedule,

according to the Arrowbear WD. Capital improvement plans consist of replacing the remaining 25% of the older pipelines. No new wastewater additions are anticipated.

Roads

Road service other than through Caltrans or County Transportation is provided to limited areas by zones to county service areas. County Service Area 70 Zone R-16 and CSA 79 Zone R-1 currently exist as mechanisms to provide augmented road and snow removal within a portion of Running Springs and the "Meadow" portion of Green Valley Lake, respectively. CSA 70 Zone R-11, also within a portion of Running Springs, was dissolved November 2, 2010.

Fire Protection and Ambulance

The *Hilltop Community Plan* states that "fire protection and emergency services are among the most crucial of community needs." It indicates that the mountain region as a whole exhibits a combination of several factors that expose development and natural resources to potential disaster from wildland fires and subsequent flooding and erosion. The factors include topography, climate, vegetation, pathogen infestation, and human use occupancy.

Fire Protection

Wildland fires are under the jurisdiction of the California Department of Forestry and Fire Protection (Cal Fire) and the U.S. Forest Service, both not subject to LAFCO jurisdiction.

The Running Springs WD, the Arrowbear Park CWD, and the San Bernardino County Fire Protection District (County Fire) and its Mountain Service Zone are the service providers for structural fires and emergency medical response calls. The northwestern portion of the Hilltop community is within County Fire Zone PM-1 (Lake Arrowhead Paramedics special tax zone) as well. County Fire also provides other services such as hazardous materials regulation, disaster preparedness, weed abatement, inspection, and others.

Prior to the County Fire Reorganization (LAFCO 3000 effective July 1, 2008), CSA 79 was the fire/emergency response provider for the community of Green Valley Lake. Through the reorganization, CSA 79's fire powers were removed and its fire revenues (through its share of the 1% general property tax levy) were transferred to the County Fire Mountain Service Zone, the service response provider that was created for the entire Mountain region. The sphere of influence proposal for the County Fire Reorganization, LAFCO 3001, included a service review for the former county service areas that provided fire protection on a regional basis.

Arrowbear Park CWD provides fire protection and emergency medical response services with a volunteer Fire Department, budgeted annually from property tax revenues. The district Fire Station is centrally located on State Highway 18. Regular training and drills prepare the volunteers to meet EMT certified requirements. The Arrowbear Park CWD's fire protection service protects the local community and is often called upon to fight major wildfires. Currently, there is one fire chief and one assistant fire chief on payroll and seven volunteer fire fighters.

The Fire Master Plan, adopted in November 1998, provided an analysis of the fire service needs for the community of Arrowbear Lake and specified recommendations for equipment and staffing needs for the volunteer fire department. Included in the plan were projections for replacement of fire engines and other essential equipment based on availability of funds

and/or grant monies. Additionally, the plan called for close coordination with the Water Master Plan to assist in the prioritizing of water pipeline replacement projects based on fire flow needs and safety/fire risk areas in the district.

In order to acquire additional fire apparatus and equipment, the district placed the following measure on the November 2008 ballot:

> *Shall the Arrowbear Park County Water District fund the purchase and/or lease, and maintenance, of fire engines and firefighting apparatus and equipment by means of a special tax of $45.00 per parcel per year, adjusted annually for inflation, for a maximum of 30 years?*

Passage of the measure required 55% to vote yes. A review of the Registrar of Voters "Statement of Votes Cast" for the November 2008 election identifies an 84% registered voter turnout with 51% voting yes. Therefore, the special tax measure to acquire additional fire apparatus and equipment did not pass. No further information has been provided on the mechanism to acquire the equipment identified in the 1998 master plan.

Park and Recreation

Arrowbear Park CWD is authorized by LAFCO to provide park and recreation services within its respective boundaries. However, it has neither actively provided park and recreation services nor formally expressed an interest in the assumption of the service at this time. In addition, Arrowbear Park CWD is wholly within the boundaries of the Rim of the World Recreation and Park District (Park District).
While not providing direct park and recreation services, the Arrowbear Park CWD has cooperated with the Park District for facility use. In the past, the Arrowbear Park CWD maintained and operated the Arrowbear park and ball field, leasing the facility from the previous owners (Don Bosco Camp). However upon assumption by the Park District of maintenance and operation of the facility the land subsequently transferred to the Park District.

The District has expressed ongoing concerns regarding the financial viability and governance of the Park District.[1] In 2002, the Arrowbear Park CWD adopted resolutions expressing concern due to the Park District's inability to adequately operate and maintain the Arrowbear Park and outlined its intent to explore the acquisition and control of the facility. However, the Arrowbear Park CWD did not formally submit an application to LAFCO for detachment and assumption of this service. The Commission determines that the District's Park and Recreation powers shall remain at this time given the concerns it has expressed regarding the Park District's sustainability.

Sanitation

Arrowbear Park CWD is authorized Sanitation (garbage and/or refuse collection) as an active function, although it has never actively provided sanitation services nor has it formally expressed an interest in the assumption of the service at this time. This service is provided regionally by Mountain Disposal Service (collection) as a franchise authorized by the County of San Bernardino. In addition, the County provides a "Clean Mountain Disposal" site operated by

[1] See LAFCO service review and sphere of influence update for the Rim of the World Recreation and Park District, LAFCO 3149, Item 11, June 2010 agenda.

Burrtec located within the Running Springs community at the Charles Hoffman Elementary School for the drop off trash and recyclables.

3. Financial ability of agencies to provide services:

Net Assets

In reviewing the financial documents, the district's net assets have increased by 36% since FY 2005-06 as shown on the chart below. As of June 30, 2010, the district had $4.78 million in net assets. Not including capital assets value and debt, the District had roughly $1.91 million in restricted and unrestricted net assets. Of this amount $1.59 million is unrestricted.

	2005-06	2006-07	2007-08	2008-09	2009-10
Net Assets					
Invested in capital assets – net of related debt	2,129,928	2,122,235	2,170,947	2,207,194	2,366,097
Restricted for sewer	303,429	312,735	320,853	328,340	324,793
Unrestricted	1,075,540	1,441,868	1,587,248	1,5646,312	1,586,488
Total Net Assets	**$3,508,897**	**$3,876,838**	**$4,079,048**	**$4,181,846**	**$4,782,590**

General Operations and Accounting

District Funds

The district utilizes two funds, each of which is considered a separate accounting entity with a self-balancing set of accounts. The two funds types are:

- Water, Sewer, and Fire Fund – This fund is primarily used to account for resources used to deliver water, sewer, and fire services to residents within its service areas. LAFCO points out that this fund includes revenue and expenditure activity for governmental and business-type activities.

- Assessment Fund – This fund is used to account for the assessments levied on property, the indebtedness incurred for the construction of the sewer system and related expenses.

Arrowbear Park County Water District Financing Corporation

The district is responsible for one component unit. The Arrowbear Park County Water District Financing Corporation ("Corporation") is a nonprofit, public benefit corporation incorporated under the laws of the State of California and recorded by the Secretary of State on January 6, 2000. The Corporation was formed for the sole purpose of providing financing assistance to the district. The Corporation issued debt to refinance existing debt of the district. Under an installment purchase arrangement, the Corporation obtained title to certain district facilities through the year 2009. At the end of the installment purchase arrangement in 2009, title of all Corporation property passed to the district for no additional consideration. At this time, the district has not identified the future for the Corporation.

Designation of Funds

The district has designated over $1 million of its future fund balance to the following activities:

	2010	2009
Sewer master plan	$ 121,763	$ 121,763
Water master plan	155,051	155,051
Fire replacement	46,639	46,639
Sewer replacement	36,868	36,868
Water replacement	461,441	453,517
Capital improvement	112,322	112,322
Sewer treatment operations and maintenance	37,316	37,316
Accrued benefits plan	136,000	136,000
	$1,107,400	$1,099,476

Revenues

Operating revenues primarily consist of water sales to local residents and to the Running Springs Water District. Non-operating revenues primarily consist of taxes and standby charges.

1. *User Fees*

   User fees constitute the district's sewer and water service. Rates for water use are comprised of a consumptive component and a monthly charge. The monthly charge is charged to all active water accounts in an attempt to equally spread the fixed costs of the district to all customers. However, the consumptive component does not have more than one tier.

2. *Water Sales to Running Springs Water District*

   The district provides 100% of its water needs for its customers, and sells its excess capacity to the Running Springs Water District when available. For FY 2009-10, sales totaled $56,545.

3. *Share of the one percent general tax levy*

   In 1977-78, before Proposition 13, all landowners within the boundaries of the district paid a tax rate of $3.00 per $100 of assessed valuation, as identified in the County's 1977-78 tax rate book, for the purpose of paying all obligations of the district.

   Following Proposition 13, the Legislature enacted statutes to implement its provisions. Under these statutes, a local government's share of the one percent general levy was based on the share of the property tax going to that local government before Proposition 13 (excluding bond debt). The district receives a share of the one percent ad valorem property tax, $254,820, for its non-enterprise activities, fire protection/emergency response. In contrast to other areas of the county, assessed valuations have increased each of the past four fiscal years, although collections decreased slightly in 2008.

4. *Water and Sewer Standby Charges*

   The district has established a Water Standby Charge of $15 and a Sewer Standby Charge of $30. The standby charges are annual assessments by the district on each property within the district's boundaries (improved and unimproved). There is no inflation factor for either charge.

The figure below is taken from the FY 2009-10 financial statements and provides a breakdown of the revenues and expenditures for FY 2008-09 and FY 2009-10.

Statements of Revenues, Expenses, and Changes in Net Assets

For the Years Ended June 30,	2010	2009
Operating revenues		
User fees	$ 582,188	$ 583,581
Sales to other agencies	56,545	52,351
Total operating revenues	638,733	635,932
Operating expenses		
Salaries and wages	321,437	313,435
Benefits	159,433	134,056
Fire calls, drills, coverage	23,453	19,591
Professional services	58,363	61,706
Insurance	61,978	64,710
Gas, oil, and fuel	10,079	7,673
Vehicle maintenance	9,526	11,687
Office supplies	7,967	12,594
Utilities	18,593	17,062
System maintenance	36,986	64,359
Power for pumping	32,222	39,329
Depreciation and amortization	197,872	199,016
Contractual services	153,399	137,255
Dispatch	2,374	3,197
Miscellaneous	354	399
Total operating expenses	1,094,036	1,086,069
Operating loss	(455,303)	(450,137)
Nonoperating revenues		
Property taxes	254,820	253,637
Standby charges	258,781	230,083
Interest income	18,849	41,854
Grant revenue	3	12,890
Other	34,220	36,645
Total nonoperating revenues	566,673	575,109
Nonoperating expenses		
Interest	15,591	21,798
Other	247	376
Total nonoperating expenses	15,838	22,174
Increase in net assets	95,532	102,798
Net assets, beginning of year	4,181,846	4,079,048
Net assets, end of year	$4,277,378	$4,181,846

Expenditures

The chart above identifies the expenditures of the district for the past two fiscal years. For FY 2009-10, expenditures of the district mainly consist of salaries and benefits (44%), contractual services (14%), insurance (6%), professional services (5%), and system maintenance (3%).

Long-Term Debt

The district has repaid $995,000 of Certificates of Participation, first incurred when the 1991 Pipeline Replacement Project was approved for the district. Final payoff of this debt was scheduled for October 2009. The outstanding principal balance of this debt at June 30, 2009 was $115,000. This debt of the district now has been fully satisfied and is closed.

The district is participating in a joint use facilities agreement with Running Springs Water District for capital improvement debt for sewer treatment plant improvements. The estimated cost of the improvements was $3,261,000, with the district's share of the improvement to be approximately $463,066. A supplemental sewer debt charge was approved in 2002 for district customers to repay the 15-year obligation at 4.75 percent. Payments for this debt obligation are approximately $46,329 per year.

Other Information

Budgets

In reviewing the district's budgets submitted for this review, the budgets include at least one year's worth of actual financial data, as recommended by the *Best Practices* of the Government Finance Officers Association.

Regular Audits

Government Code Section 26909 requires all districts to provide for regular audits; the Agency conducts annual audits and meets this requirement. Section 26909 also requires districts to file a copy of the audit with the State Controller and county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, as of January 21, 2011 the last audit received was for FY 2008-09 on October 7, 2010.

Pension and Post-Employment Benefits

The district contributes to the California Public Employees Retirement System ("PERS"). For FY 2009-10 the annual pension cost for the Miscellaneous Plan was $17,679, which the district contributed 100%. Further, the Miscellaneous Plan has a zero net pension obligation. The district is paying approximately $54,000 per year for the Safety Plan due to a change in actuarial valuation as of June 30, 2004.

In addition to PERS retirement, the district provides post-employment retirement health care. The district pays for these benefits on a cash basis. Retirees with five years of service and who retire from the district after age 50 are eligible to receive full retiree and eligible spousal health premiums up to a fixed monthly cap. For FY 2009-10, the cap was $357 per month for employee-only coverage and $595 for employee plus spouse coverage. As of June 30, 2010, the benefit was provided to four retired employees. For FY 2009-10, the district paid 100% of the premiums, totaling $22,035. However, the annual required contribution[2] cost was $52,485. Therefore, the district paid 42% of the annual required contribution cost, thereby increasing the net obligation by $30,450.

[2] The Annual Required Contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a defined period.

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

The Arrowbear Park CWD, Running Springs WD, and CSA 79 have shared facilities and programs:

- The water districts have connections with Crestline-Lake Arrowhead Water Agency in order to receive State Water Project water.

- In 1984, the Running Springs WD and the Arrowbear Park CWD entered into a joint venture to construct facilities that connect the two agencies' water systems. The interconnection between the two systems provides the capability to transfer water as necessary to meet the needs of each community for both domestic water and fire flow demand. Currently, the interconnection is primarily used as a means for the Running Springs WD to purchase surplus groundwater from Arrowbear Park CWD at a cost less than CLAWA imported water.

- The wastewater collected by each district flows into the treatment plant maintained by Running Springs WD. The capital investment and maintenance costs for the treatment plant located within the Running Springs WD are shared by all three districts according to contracts which assign a proportionate share of costs to each.

- The Arrowbear Park CWD is beginning to plan for an emergency pipeline to attach to the sewer system for emergency purposes, should the Running Springs WD sewer system fail to accept sewage from the district. The plan is only in the conceptual stages.

- Running Springs WD also entered into agreement(s) with CSA 79 and Arrowbear Park CWD to receive and/or provide assistance for emergency situations.

- The opportunity for shared facilities exists because the two water agencies are contiguous to each other and each provides retail water and sewer collection. For fire protection, Running Springs WD and Arrowbear Park CWD each provides fire protection, each with its own facilities and equipment.

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

Local Government Structure and Community Service Needs

The district is an independent special district governed by a five-member board of directors, elected at-large. A review of the County Registrar of Voters website identifies that since 1997, there have been five elections for selection of directors. At the last election held for the district in August 2009, 87% of the ballots voted in favor of conducting future elections by mail rather than traditional precinct voting. For that election, there were 410 registered voters within the district with a 42% turnout.

Regular board meetings occur on the second Friday of each month at 6:30 p.m. at the district office. The district also maintains a website, arrowbearwater.org. The current board, their positions, and terms of office are shown below:

Board Member	Title	Term
Mark Bunyea	President	2011
Rick Weber	Vice President	2011
Sheila Wymer	Director	2011
Pat Oberlies	Director	2013
Richard Kuritz	Director	2013

Operational Efficiency

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

- Arrowbear Park CWD and Running Springs WD contribute to the California Public Employees Retirement System ("PERS"), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investments and administrative agent for participating public entities with the State of California.

- The wastewater collected by the district flows into the treatment plant maintained by Running Springs WD. The capital investment and maintenance costs for the treatment plant located within the Running Springs WD are apportioned each of the three districts according a formula derived proportionate share of costs.

Government Structure Options

There are two types of government structure options -- service provision through out-of-agency service contracts under Government Code Section 56133 and other potential government structure changes such as consolidations, reorganizations, dissolutions, etc. Each is described below:

Out-of-Agency Service Agreements:

Arrowbear Park CWD has identified that it provides wholesale water service outside of its boundaries to Running Springs WD pursuant to a contract dated November 1983 that expired in 2003 and was not renewed. However, the agencies have identified that the Running Springs WD can purchase water with no limitation provided water is available and a new agreement is being developed at this time. The districts will need to request that the Commission declare this future agreement is exempt from the provision of Government Code Section 56133, limiting the extension of service outside an agency's boundaries.

Government Structure Change Options:

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

- Reorganization of the existing Hilltop agencies into a single-multi function entity.

    - Consolidation of the sewer entities with one of the county water districts as the successor district. The possibility of consolidating the two county water districts in the Hilltop

community has been discussed since the early 1970s. The staff report for the sphere establishments stated that the districts should consider consolidation since the districts provided similar services and had coterminous boundaries. In 1995, the Running Springs Water District and the Arrowbear Park County Water District formed a consolidation committee to review the possibility of consolidating the two water districts. During 1995 the districts met voluntarily to review the possibility; however, no outcomes following the meetings were presented to LAFCO. Two years later, at the April 1997 LAFCO hearing LAFCO staff requested that the Commission consider initiating a study for the consolidation of the two districts. According to the hearing minutes, representatives from both districts stated that consolidation should eventually occur but disparity in service costs existed between the districts. The Commission urged the two districts to continue to discuss consolidation and look for ways to work together. CSA 79 was not a part of these discussions since LAFCO law at the time precluded its consolidation.

Since the change in LAFCO law allowing for the consolidation of agencies not formed under the same principal act, the service area of CSA 79 (sewer service) could be included in such a reorganization. The three agencies already work together and share facilities. The wastewater collected by the agencies flows into the treatment plant maintained by Running Springs WD. The capital investment and maintenance costs for the treatment plant located within the Running Springs WD are shared by Arrowbear Park CWD, CSA 79, and Running Springs WD based on a proportionate share of costs. The roads function of CSA 79 would be removed since the funding mechanism for the service is through its zone R-1 and would be transferred to either a regional road/snow removal entity or through the conversion to a zone of CSA 70.

The type of change is supported by LAFCO law. The preamble to LAFCO law reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities. This scenario would provide for an efficient service delivery pattern for water, sewer, and fire protection within the community through a single agency. The downside to this type of reorganization of water districts is that it would prohibit the inclusion of CSA 73 as part of the reorganization since streetlighting service, which is what CSA 73 currently provides, is not a function that water districts are authorized to perform.

- Formation of a Community Services District. Similar to the reasons cited in the scenario above, forming a single, multi-purpose special district, through reorganization of the existing service providers, and formation of a Community Services District, is a preferred form of government that is feasible for the Hilltop community. The agencies within the community (Running Springs WD, Arrowbear Park CWD, CSA 79, including CSA 73) could be reorganized into a CSD, which would assume the responsibilities and all functions, obligations, assets, liabilities, and equipment of the agencies that are to be reorganized. This scenario would provide for an efficient service delivery pattern for the full range of services available within the community through a single agency. The creation of a CSD would allow a mechanism to isolate the special funding mechanisms and debt obligations of each respective district, while achieving economies of scale and elimination of duplicative services or requirements, such as legal counsel, auditing, payment of LAFCO apportionment, etc.

The preamble to Community Services District law states that the intent of the Legislature is:

> To encourage local agency formation commissions to use their municipal service reviews, spheres of influence, and boundary powers, where feasible and appropriate, to combine special districts that serve overlapping or adjacent territory into multifunction community services districts.

In addition, such a formation would solidify the community as outlined in the preamble to CSD law, which states that a CSD is:

1. A permanent form of governance that can provide locally adequate levels of public facilities and services.
2. An effective form of governance for combining two or more special districts that serve overlapping or adjacent territory into a multifunction special district.
3. A form of governance that can serve as an alternative to the incorporation of a new city.
4. A transitional form of governance as the community approaches cityhood.

For San Bernardino LAFCO, the establishment of Community Services District has been used as a tool to establish independent government structures that allow for the fostering and nurturing of communities for a potential future incorporation. With the support of the Hilltop community such a distinction could be achieved for the area; however, no clear expression of interest has been conveyed to LAFCO during this consideration. It is the Commission's position that the establishment of the community designation for Hilltop is a potential first step in this process.

- Consolidation with a County Service Area as successor agency. As a county service area, either CSA 73 or CSA 79 could provide the full range of services -- water, sewer, and fire protection -- to the community through assumption of the services provided by Arrowbear Park CWD and Running Springs WD. However, fire protection within CSA 79 is currently provided by County Fire and its Mountain Service Zone following completion of LAFCO 3000 (Fire Reorganization). The Commission is not aware of any community interest in this option and such an option would remove local control of these services.

- Consolidation of all public water agencies and/or service areas within CLAWA. An additional scenario would be to consolidate all of the public water agencies providing retail water service within the boundaries of the Crestline-Lake Arrowhead Water Agency (CLAWA). These agencies include Arrowbear Park CWD, County Service Area 70 Zone CG, CLAWA, Crestline Village Water District, Lake Arrowhead Community Services District, Running Springs WD, and the Rim Forest portion of the City of Big Bear Lake Department of Water and Power. This option could reduce duplication of administrative efforts and provide the opportunity for economies of scale. Further, it would provide a single voice for this part of the mountain region regarding water issues. This scenario could also alleviate the need for short-term solutions for water delivery. This is a feasible option in an economic sense, and appears more practical for the Crest Forest and Lake Arrowhead communities. However, the details of a possible consolidation would need to consider the other services provided by the agencies and if annexation of additional territory would be included. Further, this scenario, as outlined to LAFCO, is not politically acceptable or practicable at this time.

- Regional cooperation for distributing reclaimed and/or recycled water. CLAWA does not perform reclamation services; although CLAWA Law allows for it to perform reclamation services (treatment and reclamation of sewage and storm water) within its boundaries and the request for authorization to perform the services would be subject to LAFCO approval. However, within its boundaries and sphere of influence there are three agencies that provide this service: Crestline Sanitation District (collection and treatment), Running Springs WD (collection and treatment), and Lake Arrowhead Community Services District (collection and treatment).

  As a regional agency, in cooperation with other water entities CLAWA is responsible for managing the water resources within its boundaries to ensure a sustainable supply of water for the benefit of its constituents. As such, CLAWA could help coordinate a regional plan for distribution of reclaimed water in the mountains. Such a structure could reduce duplication of planning efforts and provide the opportunity for economies of scale while maintaining the independence of each district.

- County Fire as responsible entity for fire protection. In this scenario, the responsibility for fire protection and emergency services currently provided by Arrowbear Park CWD and Running Springs WD could become the responsibility of County Fire and its Mountain Service Zone. There are benefits to regionally providing services such as fire protection through the standing army concept, the transfer of existing revenue streams to the larger fire entity for regional use, and potential economies of scale that could be achieved. The districts have indicated interest in this option in the past and are currently discussing either transferring their fire protection responsibility to County Fire or contracting with County Fire. Additionally, assumption of ambulance transport services by County Fire would include ICEMA authorization. Without support from all affected agencies this option would not be achievable.

  In the discussion of this option, LAFCO would support the annexation of this territory to County Fire and the transfer of the existing property tax support for these operations from each of the districts. However, it has been indicated that such an option would require the pledging of additional district revenues. The Commission questions such an action given that during the reorganization of County Fire (LAFCO 3000), the property tax revenues generated within each of the unincorporated independent fire providers derived by CSA 70 was transferred to County Fire. Below is the chart which was included in the September 2007 staff report for LAFCO 3000 outlining this distribution.

SUMMARY OF REVENUE ALLOCATED TO CSA 70[A]
Prepared by Bob Wright 2/27/07

	Assessed Value in CSA 70	1% General Tax Levy	CSA 70 Revenue	Independent District Revenue	# TRAs
Crest Forest Fire Protection District	1,368,861,644	13,688,616.44	323,282.27	3,248,324.64	52
Chino Valley Independent Fire District	438,657,966	4,386,579.66	111,192.51	644,285.16	21
Apple Valley Fire Protection District	919,969,619	9,199,696.19	261,868.80	914,490.28	90
Barstow Fire Protection District	271,329,791	2,713,297.91	59,506.45	663,640.71	25
Rancho Cucamonga Fire Protection District	92,986,681	929,866.81	24,993.45	117,115.79	13
Arrowbear Park County Water District	109,185,352	1,091,853.52	29,580.76	224,409.90	2
Running Springs County Water District	530,926,431	5,309,264.31	134,376.95	1,450,365.16	19
Big Bear Lake Fire Protection District	11,153,693	111,536.93	2,886.69	18,388.82	2
Big Bear City Community Services District	1,886,320,591	18,863,205.91	532,325.71	1,725,718.50	17
Morongo Valley Community Services District	200,630,602	2,006,306.02	52,124.25	363,395.32	21
Twentynine Palms Water District	1,162,534	11,625.34	388.27	0.00	4
Yermo Community Services District	78,014,587	780,145.87	25,277.40	78,008.05	8
Daggett Community Services District	23,336,338	233,363.38	6,439.71	55,730.25	16
Newberry Community Services District	161,113,077	1,611,130.77	52,174.36	162,401.48	14
Baker Community Services District	37,565,171	375,651.71	11,182.79	66,264.78	1
	6,131,214,077	61,312,140.77	1,627,600.37	9,732,538.85	305
REMAINING UNINCORPORATED AREA			4,534,982.00		

Contracting with County Fire for fire protection does not provide access to these administration funds; however, annexation would. Conversely, should the districts annex additional territory, the property tax share for fire administration and fire protection services would transfer to the districts.

- Maintenance of the status quo. At this time, LAFCO has not received any expressed interest from the agencies, landowners, or residents in exploring the options above. Maintenance of the existing organizational structure would maintain the delivery of retail water, sewer, and fire protection within the service area with no additional services provided.

The Commission determines that a single sphere of influence for the Arrowbear Park County Water District, Running Springs Water District, County Service Area 73, and County Service Area 79, shall be assigned thereby signaling the Commission's position that a future reorganization consolidating the service providers for the Hilltop Community is appropriate.

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

1. Present and Planned Uses:

Maximum build-out potential is substantially constrained by the slope-density standards and fuel modification requirements of the County General Plan Fire Safety Overlay.

According to the *Hilltop Community Plan*, several issues set Hilltop apart from other mountain communities, suggesting that different strategies for future growth may be appropriate. Among these are the relationship to surrounding communities and community character and commerce. The Hilltop plan area, particularly Running Springs and Arrowbear Lake, is a highly trafficked area leading to Bear Valley. Hilltop does not have the same growth pressures facing other mountain communities due to the limited supply of private land available for development. However,

residents are concerned with the impacts that future growth and development in surrounding areas will have on an infrastructure system they sense is already strained. As for community character and commerce, residents expressed a strong desire for a park or central gathering place to help promote a sense of community. It is also important that the pursuit for commercial vitality does not disregard the importance of maintaining the community's natural setting, small-town atmosphere, and mountain character.

The majority land use designation is Resource Conservation. The three major residential land uses include RS-10M (Single Residential, 10,000 sq. ft. minimum), SD-RES (Special Development – Residential), and RS (Single Residential, 7,500 sq. ft. minimum). Most of the commercial land use designations are primarily concentrated in the central portion of the community where State Highway 18 and 330 meet. This commercial area is known as downtown Running Springs.

The remainder of the Hilltop community that is not within the spheres of influence assigned to Arrowbear Park CWD is primarily designated as Resource Conservation.

The population and household projections below encompass the developable territory within the community. By 2030, the permanent population is estimated to reach over 9,600, a 60% increase. Even with the increase in population, the area is not anticipated to reach its build-out population by the 2030 horizon of this report.

Year	2000	2005	2010	2015	2020	2025	2030
Running Springs WD	***4,183***	***4,527***	***4,900***	***5,303***	***5,739***	***6,212***	***6,723***
Arrowbear WD	***554***	**600**	***649***	***703***	***761***	***823***	***891***
Portion within CSA 73	*453*	*490*	*530*	*574*	*621*	*672*	*728*
Remaining portion	*101*	*110*	*119*	*129*	*139*	*151*	*163*
CSA 79	***1,289***	**1,395**	***1,510***	***1,634***	***1,769***	***1,914***	***2,072***
COMMUNITY TOTAL	*6,026*	*6,522*	*7,059*	*7,640*	*8,268*	*8,949*	*9,683*

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

Water

The Arrowbear Park CWD has two sources for water production. The primary source is through four wells, drilled to depths ranging from 50 feet to 300 feet. The capacities are 91 gallons per minute (gpm), 84 gpm, 33 gpm, and 13 gpm. According the FY 2009-10 audit, in 2010 the Arrowbear Park CWD had 905 active water connections serving an estimated 582 permanent population. The excess water connections are due to inactive connections stemming from the seasonal and vacation activities in the mountain region. In addition, the Arrowbear Park CWD has the ability to obtain supplemental water supply from CLAWA. CLAWA is the State Water Project contractor, which acts as a water wholesaler to the San Bernardino Mountains area. Since the district provides 100% of its water needs for its customers, and sells its excess capacity to the Running Springs WD when available, it has not yet utilized supplemental water through CLAWA.

Sewer

The Arrowbear Park CWD operates and maintains an 11 mile sewer collection system. The Arrowbear Park CWD states that its wastewater mains were installed in 1977 and remain in excellent condition. Following collection of wastewater from its customers, the wastewater is transported to the sewer collection system of the Running Springs WD. From there the wastewater flows into the treatment plant maintained by Running Springs WD.

Fire Protection and Ambulance

Arrowbear Park CWD provides fire protection and emergency medical response services with a volunteer Fire Department, budgeted annually from property tax revenues. The district Fire Station is centrally located on Stale Highway 18. Regular training and drills prepare the volunteers to meet EMT certified requirements. The Arrowbear Park CWD's fire protection service protects the local community and is often called upon to fight major wildfires. Currently, there is one fire chief and one assistant fire chief on payroll and seven volunteer fire fighters.

Park and Recreation

While not providing direct park and recreation services, the Arrowbear Park has cooperated with the Rim of the World Recreation and Park District for facility use. The Arrowbear Park CWD has transferred land to the Park District for $1 for the Park District to operate and maintain.

Sanitation

Arrowbear Park CWD is authorized the Sanitation function, although it has never actively provided sanitation services nor has it formally expressed an interest in the assumption of the service at this time. These services are currently provided through the Solid Waste Franchise to Mountain Disposal Services and through the Clean Mountain Disposal site managed by Burrtec operated at the Charles Hoffman Elementary School in Running Springs.

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

Water

In 2008, the Arrowbear Park CWD used 47% of its available production capacity. This available production capacity exceeds projected growth needs in the Arrowbear Park CWD within the 2030 horizon.

The Arrowbear Park CWD states that its capital replacement plans include replacing the small and older lines (25% of the system), with new, larger capacity pipelines. The Arrowbear Park CWD is working towards building reserves to meet this goal. In case of emergency, the Arrowbear Park CWD could utilize its connection with CLAWA for access to water.

Sewer

The Sewer Master Plan, adopted in November 1999, outlines the status of the wastewater collection system, its capacities and projected capacities based on assumed growth projections. The low growth rate of the Arrowbear Park CWD since the early 1990s has resulted in a stable 30% of capacity flows. Routine maintenance and equipment replacement plans are on schedule, according to the Arrowbear Park CWD. Capital improvement plans consist of replacing the remaining 25% of the older pipelines. No new wastewater additions are anticipated.

Fire Protection and Ambulance

Arrowbear Park CWD provides fire protection and emergency medical response services with a volunteer Fire Department, budgeted annually from property tax revenues. The district's Fire Master Plan, makes an analysis of the fire service needs for the community of Arrowbear Lake and specifies recommendations for equipment and staffing needs for the volunteer fire department. Included in the plan are projections for replacement of fire engines and other essential equipment based on availability of funds and/or grant monies. Additionally, the plan calls for close coordination with the Water Master Plan to assist in the prioritizing of water pipeline replacement projects based on fire flow needs and safety/fire risk areas in the district. However, it was noted that the bulk of the response within the community is provided through mutual aid by the Running Springs Water District fire department.

4. Social and Economic Communities of Interest:

The community discussion at the outset of this review identified the inter-relationship between the three communities – Running Springs, Arrowbear Lake, and Green Valley Lake and defined them as a single community. The social and economic communities of interest are represented by the commercial center of the community located at the intersection of Highway 18 and 330. In addition, the Rim of the World Unified School District (which is a regional entity servicing the majority of the mountain region) provides for a larger social unit for the western Mountain region.

LAFCO's practices in the past have been to establish community services districts to nurture a local electorate to provide the management and guidance for service provision as desired by the electorate. The definition of the Hilltop community is the first step in recognizing the social and economic communities for the future in this manner.

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 the Arrowbear Park County Water District shall be limited to the following:

FUNCTIONS	SERVICES
Water	Retail, domestic, wholesale, conservation
Sewer	Collection, transportation
Fire Protection	Structural, watershed, suppression, prevention, first aid, rescue
Park and Recreation	Operation, maintenance
Sanitation	Refuse collection at parks

WHEREAS, having reviewed and considered the factors and findings as outlined above, the Commission determines that a single sphere of influence shall be assigned for the service agencies within the Hilltop community; therefore, the Commission:

(1) Affirms the of the existing sphere of influence for the District; and,

(2) Expands the District's sphere of influence by approximately 12,310+/- acres to encompass the entirety of the Hilltop community, as defined by the Commission (generally the combined existing spheres of influence of the Arrowbear Park County Water District, Running Springs Water District, County Service Area 73, and County Service Area 79).

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 the Arrowbear Park County Water 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 Arrowbear Park County Water 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 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: Curatalo, Cox, Rutherford, Bagley, McCallon, Coleman, Derry

RESOLUTION NO. 3131

NOES:	COMMISSIONERS:	None
ABSENT:	COMMISSIONERS:	Mitzelfelt (Derry voting in his stead)

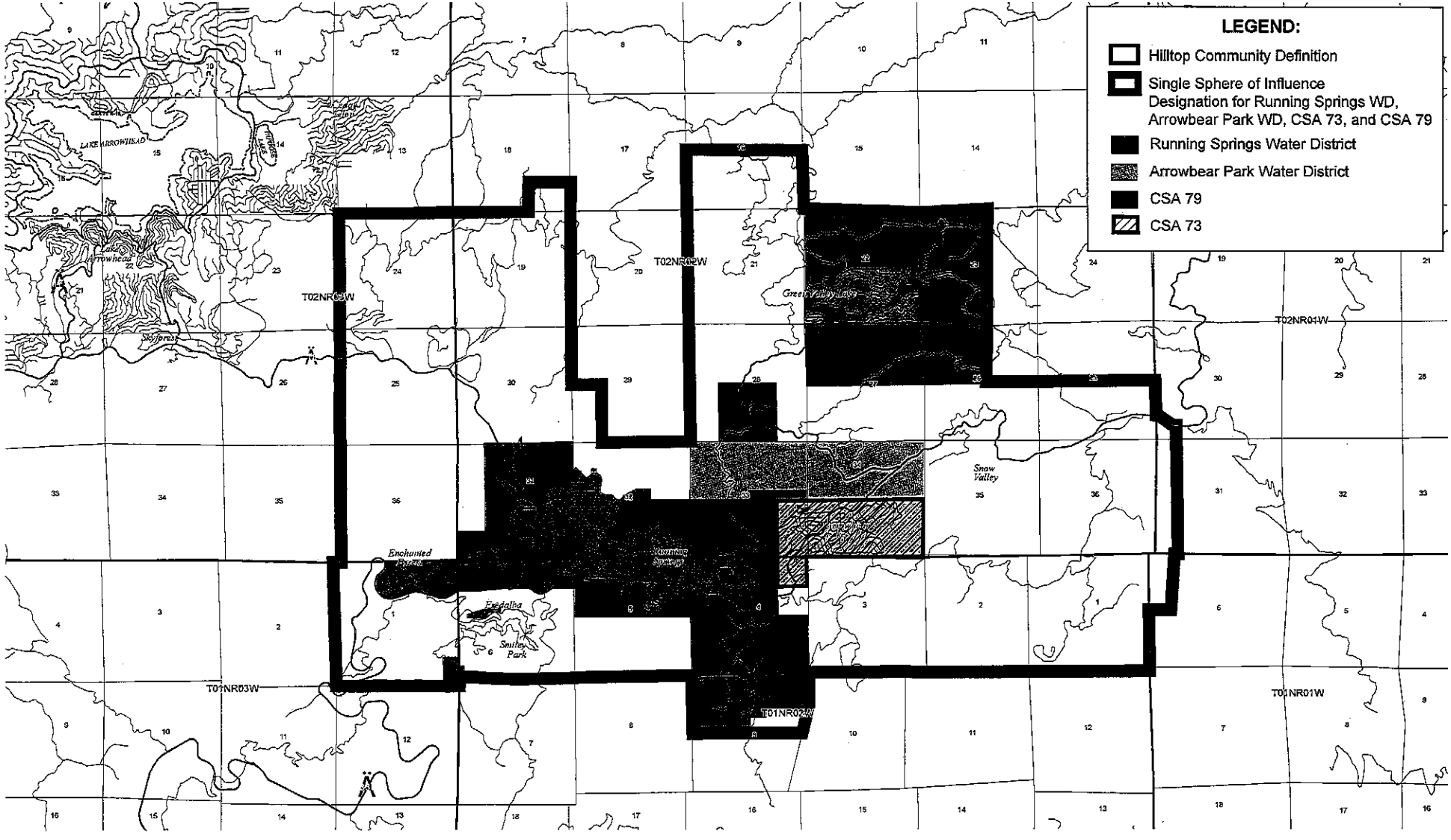
****

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 April 21, 2011.

DATED: April 22, 2011

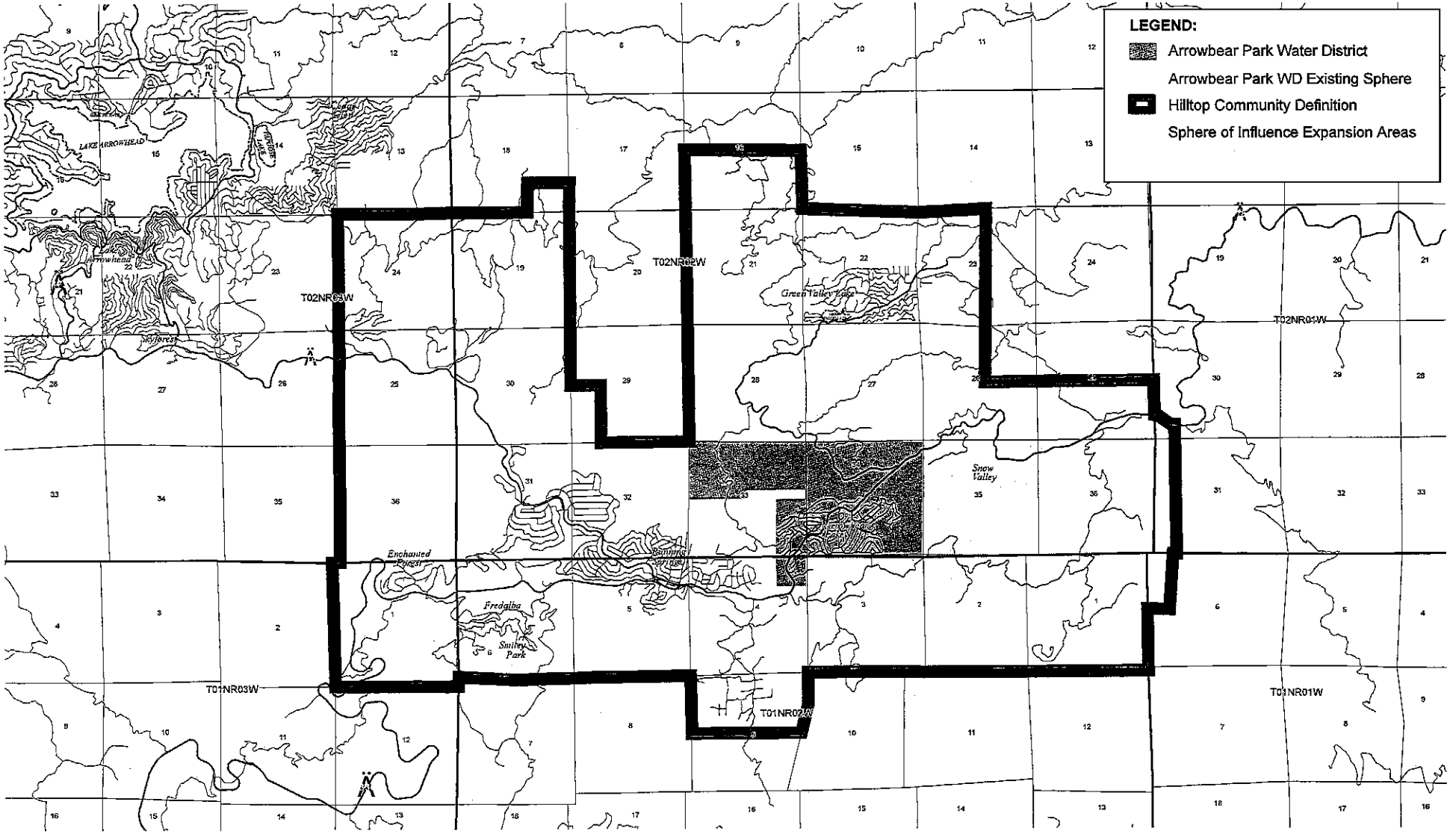
KATHLEEN ROLLINGS-McDONALD
Executive Officer



SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR RUNNING SPRINGS WATER DISTRICT (LAFCO 3108), ARROWBEAR PARK WATER DISTRICT (LAFCO 3137), COUNTY SERVICE AREA 73 (LAFCO 3123), & COUNTY SERVICE AREA 79 (LAFCO 3131)

Single Sphere of Influence Designation for Running Springs Water District, Arrowbear Park Water District, CSA 73, and CSA 79

EXHIBIT A (map 1 of 2)



LAFCO 3137 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR ARROWBEAR PARK WATER DISTRICT

Single Sphere of Influence Designation for Running Springs Water District, Arrowbear Park Water District, CSA 73 and CSA 79

The sphere of influence for Arrowbear Park WD is being expanded by approximately 12,310+/- acres to encompass the Hilltop community, as defined by the Commission.

EXHIBIT A (map 2 of 2)