

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

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**PROPOSAL NO.: LAFCO 3123**

**HEARING DATE: APRIL 21, 2011**

**RESOLUTION NO. 3132**

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3123 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 73 (sphere of influence expansion by approximately 15,630+/- 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 [as modified], 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

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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 County Service Area 73 (hereafter shown as "CSA 73") shall be defined as follows:

- (1) The existing sphere of influence for District; and,
- (2) The expansion by approximately 15,630 +/- 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, Arrowbear Park County Water District, and County Service Area 79, and additional territory added to the community definition, as more specifically 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".

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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.

<b>Land Ownership Breakdown (in Acres)</b>				
<b>Agency</b>		<b>Private</b>	<b>Public</b>	<b>Total Area</b>
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
<b>Study Area Total</b>		<b>6,870</b>	<b>11,480</b>	<b>18,350</b>

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

<b>Build-out</b>	<b>2030 as % of Build-out</b>
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:**

**Streetlighting**

CSA 73 is the only streetlighting service provider within the community, with service limited to within its boundary. The County Special Districts Department has identified and provided verification from South California Edison that CSA 73 provides service for 18 streetlights. However, LAFCO has identified that one streetlight is outside the boundaries and current sphere of CSA 73.

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The streetlights are classified as all night service (activated from dusk until dawn). Southern California Edison owns the streetlights and responds to problems, and CSA 73 provides for payment of the utility costs associated with the individual lights. There are no plans at this time to increase the number of the streetlights. The future need for streetlights will increase if the population grows, dependent upon the implementation of the County's Night Sky Ordinance<sup>1</sup>, which is applicable in the Mountain region. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. The implementation of this ordinance points toward a limitation of the number of streetlights for the future and may limit them to commercial area of the community only. The streetlighting standards outlined on the County Special District website do not appear to comply with the provision of the Night Sky Ordinance.

### **Park and Recreation**

CSA 73 is authorized by LAFCO to provide park and recreation services within its boundaries. However, it has neither actively provided park and recreation services nor has formally expressed an interest in the assumption of the service at this time. In addition, CSA 73 is wholly within the boundaries of the Rim of the World Recreation and Park District (Park District).

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

The primary source of revenue for CSA 73 is its share of the one percent ad valorem general levy. As shown on the chart below, taken from the FY 2010-11 Budget, for the past two fiscal years CSA 73 has experienced expenditures greater than revenues. This has resulted in a decrease in the beginning fund balance for FY 2010-11. CSA 73 utilizes the County Special Districts Department for management of its operations. To pay for these functions, the FY 2010-11 Budget identifies a transfer to CSA 70 Countywide of \$887 for salaries and benefits and services and supplies support. The budget identifies the following activities which have had significant changes from the prior year:

- Services and supplies of \$4,520 represent electric billings, lease of lights from Edison and other miscellaneous costs and are increasing by \$946 due to anticipated higher energy costs.
- Other Charges of \$1,099 represents debt payments for a CSA revolving fund loan. LAFCO has requested an identification of the purpose of the loan; to date, no response has been received.
- Transfers of \$887 represents costs for salaries and benefits and services and supplies support from CSA 70 Countywide.
- Contingencies are decreasing by \$1,806 to fund current year operations and due to less fund balance available.
- Departmental revenue of \$4,446 includes property taxes and interest and is increasing by \$466 primarily due to higher anticipated property tax revenue.

### **CSA 73 Financial Activities – Operational Fund**

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<sup>1</sup> County of San Bernardino, Development Code Chapter 83.07, Adopted Ordinance 4011 (2007).

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	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Actual	2009-10 Current Budget	2010-11 Adopted Budget
<b>Appropriation</b>						
Services and Supplies	2,244	2,221	3,947	3,574	3,574	4,520
Other Charges	400	400	82	35	459	1,099
Transfers	733	926	968	905	905	887
Contingencies	-	-	-	-	1,806	-
<b>Total Appropriation</b>	<b>3,377</b>	<b>3,547</b>	<b>4,997</b>	<b>4,514</b>	<b>6,744</b>	<b>6,506</b>
<b>Departmental Revenue</b>						
Taxes	4,423	4,649	4,635	4,264	4,001	4,366
Use of Money and Prop	-	19	74	35	35	80
Current Services	(40)	(33)	(61)	(56)	(56)	-
Other Revenue	(2)	-	(354)	-	-	-
<b>Total Revenue</b>	<b>4,381</b>	<b>4,635</b>	<b>4,294</b>	<b>4,243</b>	<b>3,980</b>	<b>4,446</b>
				<b>Fund Balance</b>	<b>2,764</b>	<b>2,060</b>

**Appropriation Limit**

An appropriation limit is required by Article XIIB of the State Constitution and limits the expenditure of 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. A review of tax rates identifies that CSA 73 levied at tax rate of \$0.0543 during FY 1977-78. Therefore, CSA 73 is not required to have an appropriation limit.

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

The Special Districts Department consolidates the administrative operations and facilities for county service areas (and zones of CSAs) under the auspices of CSA 70 and does so for the operations of CSA 73.

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

**Local Government Structure and Community Service Needs**

CSA 73 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. The budget is prepared as a part of the County Special Districts Department's annual budgeting process and presented to the County Executive Office and Board of Supervisors for review and approval.

**Operational Efficiency**

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under CSA 70. Therefore, CSA 73 pays for a proportional share of salaries and benefits costs necessary to serve it for overall management and pays a proportional cost of the administrative functions of the County Special Districts Department. One regional manager oversees all streetlighting districts.

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### Government Structure 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.

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- o 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 staff 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.

- o 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 the SBCFPD 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.

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- 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 respective service areas with no additional services provided.

The Commission is recommending 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, 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 population and household projections 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.



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<b>COMMUNITY TOTAL</b>	<b>6,026</b>	<b>6,522</b>	<b>7,059</b>	<b>7,640</b>	<b>8,268</b>	<b>8,949</b>	<b>9,683</b>

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

CSA 73 currently provides streetlighting services within its boundaries and operates 18 streetlights. LAFCO has identified that one of the streetlights is outside the District's boundary and sphere of influence. Currently, CSA 73 meets the service needs of those within its boundaries. The future need for streetlights may increase with population growth; however, there is no need for additional streetlighting at this time. With regard to the one light outside the boundaries of CSA 73, the option would be to cease operation of the light unless it can be transferred to another entity such as Caltrans (or County Public Works – Transportation Division) since the light is located along State Highway 18.

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

CSA 73 provides streetlighting within its boundaries and adequately serves the area. Revenues are generally adequate to support the current streetlighting activities. For the light that is outside CSA 73's boundaries/sphere, the options are: 1) turn it off; or 2) transfer the light to another entity such as Caltrans (or County Public Works – Transportation Division) since the light is located along State Highway 18.

**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.

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- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency have been reviewed and considered by the Commission in making its determinations.

**WHEREAS**, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by County Service Area 73 shall be limited to the following:

<b>FUNCTIONS</b>	<b>SERVICES</b>
Streetlighting	Streetlighting
Park and Recreation	Park and Recreation

- The Commission recommends that the County take the actions necessary to divest CSA 73 of its Park and Recreation function and file the appropriate resolution with the Commission; and,
- The Commission directs its staff to update the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* upon receipt of the County resolution removing Park and Recreation as an authorized function for CSA 73.

**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 existing sphere of influence for the District; and,
- (2) Expands the District's sphere of influence by approximately 15,630+/- 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 [as modified], and County Service Area 79), and

**NOW, THEREFORE, BE IT RESOLVED** by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider this to be the sphere of influence for County Service Area 73; it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants;

**BE IT FURTHER RESOLVED** that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that County Service Area 73 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:

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

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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 April 21, 2011.

DATED: April 22, 2011

  
KATHLEEN ROLLINGS-McDONALD  
Executive Officer

