

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

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PROPOSAL NO.: LAFCO 3131

HEARING DATE: APRIL 21, 2011

RESOLUTION NO. 3133

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3131 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR COUNTY SERVICE AREA 79 (sphere of influence expansion by approximately 13,230+/- 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 79 ("CSA 79") shall be defined as:

- (1) The existing sphere of influence for the District ; and,
- (2) Expanded by approximately 13,230+/- 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 depicted on the maps attached hereto as Exhibit "A".

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.

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
GSA 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-

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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)

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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.						

CSA 79 is authorized to provide water services within its boundary. However, it has never provided the service nor has it expressed interest in providing this service in the future. The primary service area of CSA 79 is within the service area of the Green Valley Mutual Water Company, a shareholder owned corporation, which provides retail, domestic water service.

Sewer

There are three agencies that provide wastewater collection service to the Hilltop community: Running Springs WD, the Arrowbear Park CWD, and CSA 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.

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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) ⁽¹⁾	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

Since 1978 CSA 79 has provided service outside of its boundaries and outside its sphere of influence to the Snow Valley Ski area; the agreement expires in 2018, one year after the collection contracts expire. The territory served is within the sphere of influence of the Arrowbear Park CWD. The collection system was originally constructed in the late 1970s. The facilities consist of 35 miles of gravity sewer mains, 481 manholes, and four pump stations. Wastewater treatment is contracted through Running Springs WD. Facilities located outside of the CSA 79 boundaries include approximately four miles of sewer trunk line and two lift stations. Modification and additions to the collection system and lift stations have occurred over the years to maintain adequate capacity.

Historically, the collection system has experienced significant infiltration and inflow into the manholes and sewer mains, contributing to increased wastewater flows to the Running Springs treatment plant. This has increased lift station pump running times and increased operating and

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maintenance costs. The overall system capacity is about 75% to 80% of the maximum capacity based on lift station pumping data and estimated peak flows from existing connections.

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

County Fire and its Mountain Service Zone

The Mountain Service Zone provides the full range of first-responder emergency medical services from basic first aid through paramedic. Personnel consists of: one division chief, three battalion chiefs, 14 captains, nine engineers, 21 firefighters, nine limited term firefighters, and 61 paid call firefighters. Equipment consists of: eleven fire engines, three brush engines, three brush patrols, six ambulances, two squads, four water tenders, six snow cats, three boats, three rescues, and 14 support trailers. The Mountain Service Zone of County Fire has automatic and/or mutual aid agreements with the California Department of Forestry, Fire Protection (Cal Fire), U.S. Forest Service, Running Springs WD, and Arrowbear Park CWD. Emergency call information for 2008 and 2009 is shown on the chart below.

2008 and 2009 Calls for Service								
	Structure Fires	Brush/Veg Fires	Other Fires	Rescues	Medical Calls	Traffic Accidents	Other Incidents	Total
2008	45	37	49	20	1,866	266	1,357	3,640
2009	50	23	34	22	1,330	180	949	2,588

*2009 totals reflect Station 9 (Mentone) moved from the Mountain Division into the Valley Division.

There is only one County Fire station located in the Hilltop community. Station 95, located at 33596 Green Valley Lake, protects the mountain area of Green Valley Lake. This station is staffed with on-call Paid Call Firefighters from the local community, as identified in the County Fire Budget documents. The equipment housed in this station includes one ICS Type 2 Engine, one 4-wheel drive ICS Type 3 brush engine, one squad unit with specialized equipment, one Water Tender, and a snow cat vehicle. Most responses for service are inside the Green Valley Lake area. This station also responds to assist the Running Springs, Arrowbear, and Lake Arrowhead areas.

Roads

Road service other than through Caltrans or County Transportation is provided to limited areas through the creation of zones to county service areas. CSA 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.

3. Financial ability of agencies to provide services:

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The primary source of revenue for CSA 79 is from charges collected from its sewer operation. As shown on the chart below, taken from the FY 2010-11 Budget, for the past two fiscal years CSA 79 has experienced expenditures greater than revenues. This has resulted in a decrease in the beginning fund balance for FY 2010-11. CSA 79 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 \$514,771 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 \$362,085 include utilities, professional and specialized services, maintenance of structures, fuel and other miscellaneous costs and are increasing by \$45,791 primarily due to higher use of professional services for sewage treatment and higher maintenance costs.
- Other charges of \$69,645 represent a debt service payment to Running Springs WD for a joint-use facilities filtration project.
- Transfers of \$514,771 are decreasing by \$12,012 due to a reduction in the allocation of management and operations support from CSA 70 Countywide.
- Contingencies of \$500,785 are decreasing by \$108,122 to fund current year operations and due to less departmental revenue available.
- Operating transfers of \$118,026 represents replacement reserve fund costs and is decreasing by \$168,826 due to reduced capital improvement projects (CIP) funding requirements in 2010-11.
- Departmental revenue of \$912,594 includes fees for sanitation services (which is sewer service), interest earnings and operating transfers in and is decreasing by \$266,666 due primarily to a reduction in transfers for CIP projects.

CSA 79 Financial Activities – Operational Fund

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	2006-07 Actual	2007-08 Actual	2008-09 Actual	2009-10 Actual	2009-10 Current Budget	2010-11 Adopted Budget
Appropriation						
Services and Supplies	242,675	266,101	257,085	316,962	316,294	362,085
Other Charges	59,462	66,454	69,645	69,645	69,645	69,645
Equipment	30,985	26,399	-	-	-	-
Transfers	406,120	466,454	476,052	526,783	526,783	514,771
Contingencies	-	-	-	-	608,907	500,785
Total Appropriation	739,242	825,408	802,782	913,390	1,521,629	1,447,286
Operating Transfers Out	116,404	67,784	233,573	286,852	286,852	118,026
Total Requirements	855,646	893,192	1,036,355	1,200,242	1,808,481	1,565,312
Departmental Revenue						
Use of Money and Prop	17,238	19,964	11,321	8,405	6,873	8,500
Current Services	854,174	829,550	1,048,327	881,487	879,365	867,944
Other Revenue	58,075	(16,991)	4,933	8,997	9,011	3,500
Other Financing Sources	-	-	-	360	360	-
Total Revenue	929,487	832,523	1,064,581	899,249	895,609	879,944
Operating Transfers In	116,370	65,841	71,189	283,651	283,651	32,650
Total Financing Sources	1,045,857	898,364	1,135,770	1,182,900	1,179,260	912,594
				Fund Balance	629,221	652,718

The FY 2010-11 Budget identifies a beginning capital improvement program fund balance of \$347,935 for a lift station rehabilitation, manhole sealing, and sewer slip lining, with the transfer of \$118,026 for FY 2010-11 to fund these improvements. Adopted reserves for CSA 79 total \$455,228 identified for capital replacement reserve and capital expansion reserve.

Appropriation Limit

An appropriation limit is required by Article XIIB of the State Constitution and limits the expenditure of the proceeds of taxes. The reorganization of the San Bernardino County Fire Protection District (LAFCO 3000), effective July 1, 2008, included the transfer of responsibility and all of CSA 79's property tax receipts to the Mountain Service Zone of the newly reorganized San Bernardino County Fire Protection District. Therefore, CSA 79 no longer has an appropriation limit assigned to it. However, Zone R-1 of CSA 79 is required to have an adopted appropriation limit since it receives proceeds from a special tax implemented in 2007. LAFCO understands that County Special Districts and Auditor-Controller personnel are working on placing this matter before the County Board of Supervisors.

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.
- 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.

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

In addition, 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 and CSA 79.

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

Local Government Structure and Community Service Needs

CSA 79 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 budgets 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. CSA 79 has an advisory commission which meets on the first Monday of even numbered months at the Green Valley Lake fire station. According to the County Clerk of the Board website, as of December 20, 2010 the CSA 79 Advisory Commission is a five-member board composed of the following members: Gary Lee, Ronald Pearne, Thomas Lawrence, and Donald Fiscus. The fifth seat is currently vacant.

Operational Efficiency

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, 79 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.

Operational efficiencies are also realized when wastewater collected by each district flow 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:

Since 1978 CSA 79 has provided service outside of its boundaries and sphere of influence to the Snow Valley Ski area. The agreement expires in 2018.

Government Structure Change Options:

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

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- 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

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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.

- 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.
- 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

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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. Crestline-Lake Arrowhead Water Agency (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 of 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 to LAFCO that such an option would require the pledging of additional district revenues. LAFCO would question 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.

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SUMMARY OF REVENUE ALLOCATED TO CSA 70*					
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	438,667,966	4,386,679.66	111,192.61	644,285.16	21
Apple Valley Fire Protection District	919,969,819	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	92,986,881	929,866.81	24,993.45	117,116.79	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	630,926,431	6,309,264.31	134,376.95	1,460,366.16	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	78,008.06	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	306
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 respective service areas 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

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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 CSA 79 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 County Water District and the Running Springs Water District are the two public retail water providers in the community. The Green Valley Mutual Water Company provides retail domestic 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 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 Crestline-Lake Arrowhead Water Agency provides wholesale water and its retail connections are not within the Hilltop community.

CSA 79 is authorized to provide water services within its boundary. However, it has never provided the service. CSA 79 is within the service area of the Green Valley Mutual Water Company.

Sewer

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Since 1978 CSA 79 has provided service outside of its boundaries to the Snow Valley Ski area. The agreement expires in 2018. The collection system was originally constructed in the late 1970s. The facilities consist of 35 miles of gravity sewer mains, 481 manholes, and four pump stations. Wastewater treatment is contracted through Running Springs WD.

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.

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

There are three agencies that provide sewer service to the Hilltop area: 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.

Based on information from Running Springs Water District, the plant has a total 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.

For CSA 79, its collection system was originally constructed in the late 1970s. Wastewater treatment is contracted through Running Springs WD. Facilities located outside of the CSA 79 boundaries include approximately four miles of sewer trunk line and two lift stations. Historically, the collection system has experienced significant infiltration and inflow into the manholes and sewer mains, contributing to increased wastewater flows to the Running Springs treatment plant. This has increased lift stations pump running times and increased operating and maintenance costs. The overall system capacity is about 75% to 80% of the maximum capacity based on lift station pumping data and estimated peak flows from existing connections.

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 community. The definition of the Hilltop community is the first step in recognizing the social and economic communities for the future in this manner.

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5. Additional Determinations

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

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by County Service Area 79 shall be limited to the following:

FUNCTIONS	SERVICES
Water	Water
Sewer	Collection, transportation
Roads	Road maintenance as defined in Government Code Section 25213(i) which includes snow removal

- The Commission recommends that the County take the actions necessary to divest CSA 79 of its Water 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 Water as an authorized function for CSA 79.

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 County Service Area 79's sphere of influence by approximately 13,230+/- 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], 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 County Service Area 79; it being fully understood that establishment of such a sphere of

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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 79 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, Bagley, Rutherford, McCallon, Coleman, Derry
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:



KATHLEEN ROLLINGS-McDONALD
Executive Officer



