

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

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PROPOSAL NO.: LAFCO 3043

HEARING DATE: JANUARY 20, 2010

RESOLUTION NO. 3078

A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3043 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE EAST KERN HEALTHCARE DISTRICT (acknowledgement of a coterminous sphere of influence in San Bernardino County).

On motion of Commissioner Mitzelfelt duly seconded by Commissioner Biane and carried, the Local Agency Formation Commission adopts the following resolution:

WHEREAS, a service review mandated by Government Code 56430 and a sphere of influence update mandated by Government Code Section 56425 have been conducted by the Local Agency Formation Commission of the County of San Bernardino (hereinafter referred to as "the Commission") in accordance with the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Sections 56000 et seq.); and

WHEREAS, at the times and in the form and manner provided by law, the Executive Officer has given notice of the public hearing by the Commission on this matter; and,

WHEREAS, the Executive Officer has reviewed available information and prepared a report including her recommendations thereon, the filings and report and related information having been presented to and considered by this Commission; and,

WHEREAS, a public hearing by this Commission was called for January 20, 2010 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

WHEREAS, at the hearing, this Commission heard and received all oral and written protests; the Commission considered all plans and proposed changes of organization, objections and evidence which were made, presented, or filed; it received evidence as to whether the territory is inhabited or uninhabited, improved or unimproved; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the application, in evidence presented at the hearing;

WHEREAS, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on January 20,

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2010. The Executive Officer was directed to file a Notice of Exemption within five working days of its adoption;

WHEREAS, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence shall be acknowledged as coterminous in San Bernardino County for the East Kern Healthcare District (hereafter shown as the District) as more specifically depicted on the map 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 January 13, 2010 and received and filed by the Commission on January 20, 2010, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

1. Growth and population projections for the affected area:

In Kern County, the District overlays the City of California City, which had a population of 8,385 in 2000 and a population of 14,828 in January 2009. From 2000 to 2008, California City experienced a 77% increase in population, making it the 12th fastest growing city in the state in terms of percentage increase. According to the 2000 Census, the Randsburg and Johannesburg communities combined totaled approximately 253 in 2000.

In San Bernardino County, trends indicate a dwindling population since its pre-World War II peak. In the late 1970s, the population for this area was approximately 400. According to the 2000 Census, the area had a population of roughly 130 people located along Highway 395. The land use in the area is mostly rural with residential and limited commercial along Highway 395. The land ownership breakdown within the district's boundary is identified in the table below.

Land Owner	Sq Miles	Percentage
Government Land	2.58	83.4%
Private	0.42	16.6%
Total	3.00	100.0%

source: County of San Bernardino, Information Services Department

LAFCO has not received any project notices since 2005 from the County of San Bernardino Planning Department regarding General Plan Amendments, tentative tract developments, and Conditional Use Permits for increased residential and commercial development. It is not anticipated that the portion within San Bernardino County will experience significant growth given the downward trend in population and current land use patterns.

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

Originally, the purpose of the formation of the District was to provide medical services for California City and the Rand communities. Today, some medical services are available in California City; however, the nearest hospitals are located in Ridgecrest and Lancaster, both located roughly 35 miles from the center of California City. Therefore, a need remains for access to medical care within the boundaries of the District, especially for the three Rand communities.

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The District owns and operates an office/x-ray facility in California City. The District leases office space to local health care providers to facilitate the organization and delivery of basic health care services. The District also utilizes a room in a Kern County building in Johannesburg once a month for half a day for doctor visits and contracts with a physician to provide limited medical services, which is dependent on the availability of a doctor to provide service. No services are directly provided to the San Bernardino County portion of the District. The District has purchased property from California City intended for future use as a medical facility. The District plans to use its liquid assets to staff and equip the facility, but after the conduct of a plan regarding the facility's purpose and use.

3. Financial ability of agencies to provide services:

Revenue and Expenditures

Revenue is mainly comprised of the receipt of property taxes and lease income. The primary source of revenue is from the share of the ad valorem general tax levy in Kern and San Bernardino Counties. In 1977-78 before Proposition 13, pursuant to Sections 32202 and 32203 of "Local Healthcare District Law" (formerly "Local Hospital District Law") all landowners within the District were subject to a tax sufficient in amount to maintain the district but not to exceed the rate of twenty cents (\$0.20) per \$100 of the assessed valuation within the district. Local Healthcare District Law further states that if the district includes territory in more than one county, the amount estimated shall be ratably apportioned among the counties in the district in proportion to the assessed value of the property in the counties included within the district. Within San Bernardino County, landowners were levied a tax at the rate of \$0.1716 per \$100 of assessed valuation.

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). In 2008-09, in San Bernardino County the District received a share of 0.19% of the one percent general levy, which resulted in the District receiving roughly \$27. However, in Kern County the District receives a far greater amount (annually over \$117,000) due to roughly 99.3% of the total assessed valuation being in Kern County.

The District leases office space to local health care providers under non-cancelable operating leases with terms of five years. The leases will provide at least \$21,600 in annual revenue through 2011. Operating revenue remains relatively constant each year which allows the District to continue saving towards its long-term goal of funding a medical facility in California City. As of June 30, 2008, the District had \$546,852 in cash and investments that it could invest towards the medical facility.

Expenses are mainly comprised of Services and Supplies. Operating expenditures include the cost of sales and services, administrative expenses, and depreciation on capital assets. Expenses for administration of the District are low in comparison with other independent special districts because administration is on a part-time basis. The District pays for an administrator who works on an as needed basis, a doctor to provide the medical services, use of a facility for medical examinations, and basic medical equipment.

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The chart below shows the revenue and expenditure activity with corresponding percentages for the past two audit years. For the most recent audit conducted for the District, FY 2007-08, the District's net assets increased by \$100,913 and increased by \$100,757 for the prior year. With the excess funds gained each year, the District is continuing to save towards its long-term goal of funding a medical facility in California City.

Revenue and Expenditure Activity

	FY 2007-08		FY 2006-07	
	Amount	%	Amount	%
Revenue				
Property Taxes	\$166,567	72.2%	\$153,815	70.2%
Lease Income	\$52,000	22.5%	\$50,140	22.9%
Interest Income	\$10,089	4.4%	\$6,811	3.1%
Cancer Drive	\$1,740	0.8%	\$6,417	2.9%
Donations	\$428	0.2%	\$2,050	0.9%
Total Revenue	\$230,824	100.0%	\$219,233	100.0%
Expenses				
Services & Supplies	\$83,379	64.2%	\$62,957	53.1%
Depreciation	\$28,233	21.7%	\$27,990	23.6%
Administration & General	\$17,941	13.8%	\$25,741	21.7%
Interest Expense	\$358	0.3%	\$1,788	1.5%
Total Expenses	\$129,911	100.0%	\$118,476	100.0%
Net Increase (Decrease in Net Assets)	\$100,913		\$100,757	
Source: FY 2006-07 and FY 2007-08 Financial Statements				

Long-term Debt

The District has a note payable to the City of California City Redevelopment Agency for \$130,000 for the purchase of City property intended for future use as a medical facility. The terms of the note payable is payments at 3.30% interest with principal due February 2016.

The most recent long-term debt was issued in 1998 and matured in 2004. The amount authorized and received was \$265,800 for an X-ray facility.

Cash and Investments

Unrestricted

The unrestricted cash and investments consisted of the following at June 30, 2008 and 2007.

	June 30, 2008	June 30, 2007
Cash on hand in banks	\$502,690	\$366,916
Pooled investments - State	44,060	41,968
Pooled investments - Kern County	102	6,695
Total	\$546,852	\$415,579

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Restricted

The District has no restricted cash and investments for FY 2006-07 and FY 2007-08.

Constitutional and State Statutory Requirements

- Article XIII B of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit such as Section 9 (c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of 12 ½ cents per \$100 of assessed value for the 1977-78 fiscal year. A copy of the FY 1977-78 property tax rates is included as a part of Attachment #3, with the District highlighted for reference, identifies a 1977-78 tax rate of 17.16 cents. Being over the 12 ½-cent tax rate, the District does not qualify for an exemption from the requirement of an appropriations limit. Therefore, the District must have an appropriations limit.
- Section 26909 of the Government Code requires regular audits of district accounts and records. According to records from the State Controller, an audit from the District has not been received for at least three years.

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

The District owns and operates an office/x-ray facility in California City. The District leases office space to local health care providers to facilitate the organization and delivery of basic health care services. The District also utilizes a room in a Kern County building in Johannesburg once a month for half a day for doctor visits and contracts with a physician to provide limited medical services, which is dependent on the availability of a doctor to provide service.

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

Local Government Structure and Community Service Needs

East Kern Healthcare District is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted by the electorate or are appointed in-lieu of election. Below is the current composition of the board, their positions, and terms of office:

Board Member	Title	Term
Shirley Heathman	President	2012
Constance Bentley	Secretary	2012
Robert E. Smith	Director	2012
Loren W. Burch	Director	2010
Dale Leffler	Director	2010

Board meetings are held the first Thursday of the month in California City, Kern County and are open to the public. An attorney is present at all public meetings. The District does not have a website for the public to seek information or voice concerns. The District operates with an annual

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balanced budget that is adopted at a public hearing prior to September 1, and the board is provided with quarterly finance reports.

The District's office and meeting place are housed in Kern County in California City. The District operates with one administrator who works as needed.

Government Structure Options

There are two types of government structure options:

1. Areas served by the agency outside its boundaries through "out-of-agency" service contracts;
2. Other potential government structure changes such as consolidations, reorganizations, dissolutions, etc.

Out-of-Agency Service Agreements:

The Districts states that it does not provide services outside of its boundaries but that those outside of its boundaries have utilized District services.

Government Structure Options:

Kern County is the principal county for the District. Therefore, change of organization proceedings would be conducted by Kern LAFCO unless Kern LAFCO agrees to having the exclusive jurisdiction vested in San Bernardino LAFCO and San Bernardino LAFCO agrees to assume jurisdiction pursuant to Government Code 56388. The District in preparing the service review indicated that there were no consolidations or other structure options available due to the need for healthcare in this remote area.

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

1. Present and Planned Uses:

At present, the land uses of within the San Bernardino portion of the District include residential, vacant, and commercial land. The County of San Bernardino has assigned general plan land use designations of Resource Conservation and Rural Commercial. The land use in the area is mostly rural with residential and limited commercial along Highway 395. It is not anticipated that the portion within San Bernardino County will experience significant growth given the downward trend in population and current land use patterns. The land ownership breakdown within the district's boundary is identified in the table below.

Land Owner	Sq Miles	Percentage
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Total	3.00	100.0%

source: County of San Bernardino, Information Services Department

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

Some medical services are available in California City; however, the nearest hospital is 35 miles away in Ridgecrest. Therefore, a need remains for access to medical care within the boundaries of the District, especially for the three Rand communities.

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

The District owns and operates an office/x-ray facility in California City. The District leases office space to local health care providers to facilitate the organization and delivery of basic health care services. The District also utilizes a room in a Kern County building in Johannesburg once a month for half a day for doctor visits and contracts with a physician to provide limited medical services, which is dependent on the availability of a doctor to provide service. No services are directly provided to the San Bernardino County portion of the District. The District has purchased property from California City intended for future use as a medical facility. The District plans to use its liquid assets to staff and equip the facility, but after the conduct of a plan regarding the facility's purpose and use.

4. Social and Economic Communities of Interest:

The social communities of interest are the City of California City and the communities of Johannesburg and Randsburg in Kern County and Red Mountain in San Bernardino County. The economic communities of interest are the remaining mining activities, and the commercial activities in Johannesburg and along Highway 395. The District is entirely within the Kern Community College District and Sierra Sands Unified School District. The Sierra Sands Unified School District headquarters is located in Ridgecrest, Kern County, and all of its schools are located in Kern County.

5. Additional Determinations

- Legal advertisement of the Commission's consideration has been provided through publication in *The Daily Independent* through a publication of an 1/8th page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8th page legal ad was provided in lieu of individual notice because the service review for the community, in aggregate, would have exceeded 1,000 notices.
- 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 were reviewed and considered by the Commission in making its determinations.

WHEREAS, pursuant to the provisions of Government Code Section 56425(i) the nature, location, and extent of any functions or classes of services provided by the East Kern Healthcare District are established by Kern LAFCO, being the LAFCO for the principal county.

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WHEREAS, having reviewed and considered the findings as outlined above, the Commission determines to acknowledge the sphere of influence of the East Kern Healthcare District as coterminous with its boundaries in San Bernardino County, as outlined on the attached exhibit to this resolution.

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 East Kern Healthcare District; it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants;

BE IT FURTHER RESOLVED that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that East Kern Healthcare District shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's acknowledgement of the sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

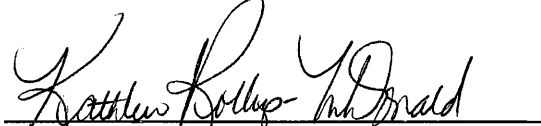
THIS ACTION APPROVED AND ADOPTED by the Local Agency Formation Commission of the County of San Bernardino by the following vote:

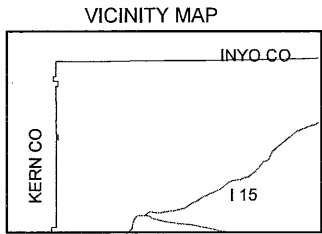
- AYES: COMMISSIONERS: Biane, Cox, Curatalo, McCallon, Mitzelfelt, Nuaimi, Pearson
- NOES: COMMISSIONERS: None
- ABSENT: COMMISSIONERS: None

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 January 20, 2010.

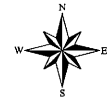
DATED: JANUARY 22, 2010


KATHLEEN ROLLINGS-McDONALD
Executive Officer



LAFCO 3043 - SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR
 EAST KERN HEALTHCARE DISTRICT (SAN BERNARDINO COUNTY)

Boundary and Sphere of Influence coterminous in San Bernardino County






- Legend**
-  Sphere of Influence
 -  District Boundary
 -  County Boundary

EXHIBIT A

EXHIBIT A