

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490  
(909) 383-9900 • Fax (909) 383-9901  
E-MAIL: [lafco@lafco.sbcounty.gov](mailto:lafco@lafco.sbcounty.gov)  
[www.sbclafco.org](http://www.sbclafco.org)

---

**DATE:** JULY 10, 2013  
**FROM:** MICHAEL TUERPE, Project Manager  
**TO:** LOCAL AGENCY FORMATION COMMISSION



---

**SUBJECT:** AGENDA ITEM #6 – Review and Adoption of Resolution No. 3171 for LAFCO 3158 – Service Review and Sphere of Influence Update for the City of Needles

---

## **RECOMMENDATION:**

Staff recommends that the Commission adopt Resolution No. 3171 reflecting its determinations for the Service Review and Sphere of Influence Update for the City of Needles (LAFCO 3158).

## **BACKGROUND:**

At the May hearing, the Commission reviewed and considered the Service Review and Sphere of Influence Update for the City of Needles (“City”). At that hearing, the Commission received and filed the service review for City, adopted the environmental finding for LAFCO 3158, made the determinations related to the service review and sphere of influence update for the City, and approved conditions related to its cemetery endowment care fund.

Attached to this report is the draft resolution reflecting the Commission’s determinations related to LAFCO 3158, as required by Government Code Sections 56425 and 56430.

MT/

Attachment

**PROPOSAL NO.: LAFCO 3158**

**HEARING DATE: May 15, 2013**

**RESOLUTION NO. 3171**

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY MAKING DETERMINATIONS ON LAFCO 3158 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE CITY OF NEEDLES (sphere of influence reduction by approximately 233 square miles that includes the 21-sq.mile non-contiguous sphere area and affirmation of the balance of its existing sphere of influence).**

**On motion of Commissioner \_\_\_\_\_, duly seconded by Commissioner \_\_\_\_\_, 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 for San Bernardino County (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 April 17, 2013 at the time and place specified in the notice of public hearing and continued to May 15, 2013 at the time and place specified in the order continuing the hearing; and,

**WHEREAS**, at the hearing, this Commission heard and received all oral and written support and opposition; the Commission considered all objections and evidence which were made, presented, or filed; and all persons present were given an opportunity to hear and be heard in respect to any matter relating to the service review and sphere of influence update, in evidence presented at the hearing; and,

**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

**RESOLUTION NO. 3171**

Commission on May 15, 2013. The Commission directed its Executive Officer to file a Notice of Exemption within five working days of its adoption; and,

**WHEREAS**, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence for the City of Needles (hereafter shown as the “City”) shall be amended as shown on the map attached as Exhibit “A” to this resolution, defined as follows:

- (1) Reduce the City’s existing sphere of influence to exclude Area 1 (containing approximately 212 square miles);
- (2) Reduce the City’s sphere of influence to exclude Area 2 (non-contiguous territory containing approximately 21 square miles); and,
- (3) Affirm the balance of the City’s existing sphere of influence.

**WHEREAS**, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated May 8, 2013 and received and filed by the Commission on May 15, 2013, a complete copy of which is on file in the LAFCO office. The determinations of the Commission are:

**1. Growth and population projections for the affected area:**

Land Ownership

The land ownership distribution and breakdown within the City of Needles’ boundary and current sphere of influence are identified below. Within its entire sphere, roughly 7% of the land is privately owned and the remainder, 93%, is public, which are devoted primarily to resource protection and recreational use.

**City of Needles and Its Unincorporated Sphere of Influence  
Land Ownership Breakdown (in Acres)**

<b>Ownership Type</b>	<b>City</b>	<b>Unincorporated Sphere</b>	<b>Total Sphere Area</b>
Private	8,698 (43%)	28,021 (6%)	36,719 (7%)
Public Lands – Federal, State, & others	11,503 (57%)	456,876 (94%)	468,379 (93%)
<b>Total</b>	<b>20,201</b>	<b>484,897</b>	<b>505,098</b>

It should be noted that a portion of the reservation lands for the Fort Mojave Indian Tribe (approximately 6,136 acres) and the reservation lands for the Chemehuevi Indian Tribe (approximately 1,502 acres) are located within the City’s unincorporated sphere of influence. This represents approximately 1.7% of the total public lands within the City’s unincorporated sphere.

**RESOLUTION NO. 3171**

Land Use

*Incorporated Area*

Below is the current adopted General Plan land use for the City of Needles (adopted in February 1986). Approximately 42% is Residential, 16% Commercial, 18% Industrial, 6% Open Space, 3% Parks and Recreation, 1% Institutional, 3% Others (i.e. highways, railroads, etc.), and approximately 11% has no land use designation\*.

**City of Needles General Plan Land Use  
City Land Area = +/-20,201 acres**

<b>City's Land Use</b>	<b>% of Total Land Area</b>
Residential – Low Density	25%
Residential – Medium Density	10%
Residential – High Density	7%
Commercial – General	1%
Commercial – Neighborhood	<1%
Commercial – Highway	8%
Commercial – Resort	6%
Industrial	18%
Open Space	6%
Parks/Recreation	3%
Institutional	<1%
Others	3%
No General Plan Land Use Designation*	11%
<b>Total</b>	<b>100%</b>

\*Current City General Plan Land Use Map does not show some areas as having a General Plan land use designation.

*Unincorporated Sphere Area*

Identified below are the County of San Bernardino's land use designations within the City of Needles' unincorporated sphere area. Within the City's unincorporated sphere area, approximately 99% is designated Resource Conservation, and the remainder 1% include Rural Living, Open Space, and Institutional land uses.

**City of Needles' Unincorporated Sphere Area  
General Plan Land Use Districts (In Acres)**

<b>County's Land Use</b>	<b>Acreage</b>
Resource Conservation (RC)	480,828
Rural Living (RL)	431
Open Space (OS)	2,542
Institutional (IN)	1,096
<b>Total</b>	<b>484,897</b>

## RESOLUTION NO. 3171

The one and only City of Needles totally surrounded island, which comprises approximately 18 acres, is part of the reservation lands for the Fort Mojave Indian Tribe. The City provides water and wastewater collection service to the Village through contract with the Tribe, and these services receive revenue from user charges rather than property tax revenue.

There are other lands within the City's corporate boundaries that are also owned by the tribe. However, these lands were already in the City when they were transferred to the Fort Mojave Indian Tribe as tribal lands. The developed portion of these lands also receives water and wastewater collection services through the City.

### Population

#### Historical Population

In order to fully understand the future of the City's population, a review of the historical population of the City and the nearby cities is provided. The community has long had an economic disadvantage in relation to the neighboring communities in Nevada and Arizona. As shown, the nearby areas in Arizona and Nevada have experienced vast and steady growth. Corresponding with this growth is a greater economic output. For the City of Needles, its population peaked in 1990, decreased in 2000, and increased by 0.03% by 2010.

	<b>1970</b>	<b>1980</b>	<b>1990</b>	<b>2000</b>	<b>2010</b>
City of Needles, CA	4,051	4,120	5,191	4,830	4,844
City of Bullhead City, AZ	n/a	10,364	21,951	33,769	39,540
City of Lake Havasu, AZ	n/a	15,509	24,363	41,938	55,567
Mohave Valley/Ft Mohave, AZ	n/a	n/a	6,962	15,995	21,687
Laughlin, NV	n/a	n/a	n/a	7,076	7,323

Source: Census

#### Population Projections

LAFCO calculated the projected growth for the City's boundaries utilizing a combination of the growth rates identified in the Regional Council of the Southern California Association of Governments (SCAG) Draft 2012 Regional Transportation Plan (RTP) Integrated Growth Forecast for the City of Needles for the given periods and the use of average annual growth rate. By 2040, the population within the City is estimated to reach 8,767. This represents a projected annual growth rate of approximately two percent between 2010 and 2040, which also represents a total population increase of 81 percent from 2010.

**RESOLUTION NO. 3171**

**City of Needles Population Projection 2010-2040 - SCAG**

Census <sup>1</sup>			Population Projection					
1990	2000	2010	2015	2020	2025	2030	2035	2040
5,191	4,830	4,844	5,370 <sup>2</sup>	5,954 <sup>3</sup>	6,559 <sup>4</sup>	7,225	7,959	8,767

<sup>1</sup> Data derived from the 1990, 2000, and 2010 Census for the City of Needles.

<sup>2</sup> 2015 projection were calculated using Average Annual Growth Rate based on the compounded rate between 2010 and 2020

<sup>3</sup> 2020 and 2035 population data was taken from SCAG's 2012 RTP Revised Draft Integrated Growth Forecast using local input and latest data from the 2010 Census, the California Employment Development Department, and the California Department of Finance - (published May 2011).

<sup>4</sup> 2025, 2030, and 2040 projections were calculated using Average Annual Growth Rate based on the compounded rate between 2020 and 2035.

Based on the actual Census data for 2000 and 2010, the City has not experienced any significant growth in the last 10 years. In fact, going back 20 years, the population within the City has actually declined approximately 7%.

In order to represent a more realistic growth projection for the community, LAFCO revised the projections between 2010 and 2040 based on the actual growth rate the area experienced the past 30 years using Census data between 1980 and 2010. As shown in the revised projection table below, it is estimated that the population within the City is expected to reach only 5,665 (instead of 8,767) by 2040, or a total population increase of just 17 percent (instead of 81 percent) from 2010.

**LAFCO Revised City of Needles Population Projection 2010-2040**

Census	Population Projection					
2010	2015	2020	2025	2030	2035	2040
4,844	4,976	5,113	5,252	5,396	5,544	5,665

Build-out

The table below provides the potential build-out within the City's territory. This build-out scenario takes into consideration the existing land use designations assigned for all the private lands within the City's boundaries and the maximum dwelling unit densities assigned for each residential land use.

**Land Use Maximum Build-Out Within the City of Needles**

Land Use	Acreage	Density (D.U. Per Acre)	Maximum Build-out (DU's)
Residential – Low Density (0-7 du/ac.)	1,130	7	7,910
Residential – Medium Density (8-17 du/ac.)	1,050	17	17,850
Residential – High Density (18-30 du/ac.)	1,065	30	31,950
<b>Total Residential</b>	<b>31,446</b>		<b>57,710</b>

**RESOLUTION NO. 3171**

The revised population projections identified earlier indicates that the population within the City’s territory will be 5,665 by 2040. Based on the maximum residential build-out within the City’s territory, the projected maximum population is anticipated to reach 146,930 (at 2.546 persons per household based on the ratio for the City of Needles as identified in the State of California, Department of Finance, E-5 Population and Housing Estimates for Cities, Counties and the State, 2001-2010, with 2000 Benchmark. Sacramento, California, May 2010). Likewise, based on the projected population for 2040, it is anticipated that the number of households within the City’s territory will be 2,225 with a maximum potential build-out to reach approximately 57,710. These imply that the study area will reach four percent of its potential maximum household and population capacity by 2040.

**Population and Household Projection  
Within the City of Needles**

	<b>Projection 2040</b>	<b>Maximum Build-out</b>	<b>Ratio of 2040 Projection with Maximum Build-out</b>
Population	5,665	146,930	0.04
Households	2,225	57,710	0.04

For purposes of planning and designing infrastructure and future service delivery, the seasonal and tourism population must be considered. As the population increases so does the need for service. Any future projects will increase the need for municipal services within the City’s existing boundaries as well as within the surrounding unincorporated territory.

**2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence:**

Disadvantaged unincorporated communities are those communities that have an annual median household income that is less than 80 percent of the statewide annual median household income, which is under \$46,285. Based on a combination of the Commission’s definition of a DUC and the use of Median Household Income taken from the 5-year 2006-2010 American Community Survey block group level data, there are no disadvantaged unincorporated communities within or contiguous to the City’s sphere of influence.

However, within the City of Needles, the majority of its urban core would be considered a ‘disadvantaged community’.

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

The City is classified as a “contract city”. This term is defined by the State of California as a city which has a contract with another agency or private organization for the provision of various governmental services. Such cities provide many of the basic services (i.e. law

## RESOLUTION NO. 3171

enforcement, engineering, libraries, and park) through contracts with outside entities with the contract specifying the levels of service to be provided and the financial compensation for the service. Most cities in California which incorporated after Proposition 13 did so as contract cities as a cost savings measure.

As a municipality, the City is responsible for law enforcement and fire protection within its boundaries and has chosen to contract with the County Sheriff's Department and San Bernardino County Fire Protection District for these services. The City provides some services directly within its limits such as water, wastewater, electricity, parks and recreation (includes cemetery), roads, streetlights, and hospital.

### **Law Enforcement**

As a municipality, the City is responsible for law enforcement and has chosen to contract with the County Sheriff's Department for these services since 1989. There are currently 10 sworn personnel assigned to the City including seven deputy sheriffs and one detective. These personnel serve the City's residents on a full-time basis. Sworn supervisory staff includes one sergeant and one lieutenant. Clerical staff, dispatch and specialized law enforcement services (SWAT, aviation, intelligence, narcotics, homicide and specialized investigations, evidence processing and handling, training, etc.) are provided to the City by the San Bernardino County Sheriff's Department pursuant to the law enforcement services contract.

The contract amount for FY 2010-11 was \$1,851,379 and decreased to \$1,770,541 for FY 2011-12. The City elected to leave a position vacant to absorb the annual cost increase, which deleted one deputy and one marked unit. For FY 2012-13, the contract increases to \$1,850,052, mainly due to additional retirement costs and an increase in charges for the Countywide Cost Allocation Plan from 3% of salaries and benefits to 5%. No staffing or equipment changes are identified for FY 2012-13. Additional costs are billed quarterly, such as overtime, vehicle fuel and maintenance, and on-call cost. The contract (County of San Bernardino Contract 99-376 A-14) provides for termination by either party upon one-year advance written notice.

The Colorado River Station covers the second largest geographical jurisdiction in San Bernardino County. It extends from the State of Nevada south to the Riverside County line, and from Arizona, on the Colorado River, west to Kelbaker Road at the far western portion of the Mojave National Preserve. The station is located at 1111 Bailey Avenue, and is co-located with the Sheriff operated Needles Police Department. The facility houses a 30-bed Type I jail facility, which takes in all arrestees from the Sheriff's Department, the California Highway Patrol, and all the other agencies that arrest under state law on the California side of the river. There are satellite stations in Big River and Parker Dam, a resident post at Havasu Landing, and a Water Safety Center at the County's Park Moabi Regional Park. Station personnel are responsible for law enforcement in over 5,000 square miles of unincorporated area, 32 square miles of the City of Needles, as well as 90 miles of the Colorado River, which sees nearly 17 million visitors per year. The Marine Enforcement Unit begins its busiest season with Spring Break and ends sometime after Labor Day. Memorial Day, the Fourth of July, and Labor Day weekends are taxing and officers throughout the county are brought in to assist. The focus of their efforts is geared toward educating the boating public, but much of their time is spent dealing with boaters who are driving under the influence. The vast expanse of desert in the jurisdiction's western area is home to Mitchell Caverns State Park and Mojave National Preserve. Several thousand people visit these, and



## RESOLUTION NO. 3171

other desert wonders, each year. The Search & Rescue units keep busy hunting for lost or injured hikers.

Within the National Preserve and areas in close proximity, the National Park Service law enforcement rangers protect park visitors and resources of the Preserve. Currently, there are three law enforcement rangers stationed in the Preserve who patrol the park for speeding motorists, clandestine drug labs, graffiti, and theft and damage of natural resources.

The "Needles Police Department" supplements the Sheriff personnel with reserves, citizens-on-patrol, search and rescue, school resource officer, explorers, and boating officers who volunteer to help ensure the safety of the Needles community.

The City has instituted a new rapid emergency notification service called Code RED. The new system will distribute emergency messages via telephone to targeted areas or the entire city at a rate of 1,000 calls per minute. Code RED employs a one-of-a-kind Internet mapping capability for geographic targeting of calls, coupled with a high speed telephone calling system capable of delivering customized pre-recorded emergency messages directly to homes and businesses, live individuals, and answering machines.

### **Fire Protection and emergency Response**

Fire protection and emergency medical services within the communities of Needles and Havasu Lake are provided by the San Bernardino County Fire Protection District (SBCFPD) and its South Desert Service Zone, which is governed by the County Board of Supervisors as the ex-officio board of directors. Administrative offices for the County's South Desert Service Zone are located in the Town of Yucca Valley.

Within the City of Needles, fire protection and emergency medical services are the responsibility of the City. It has chosen to contract with the San Bernardino County Fire Protection District to provide these services. According to the contract, SBCFPD shall provide to the City fire prevention, fire investigation, fire suppression, hazardous materials, and rescue services, and standards shall comply with SBCFPD criteria. In turn, the City agrees to adopt the SBCFPD's fire codes, cost recovery, and fee ordinances. Additionally, the City leases to the SBCPD the fire station for \$1 per year and the fire vehicles, apparatus, equipment, and property for the sum of \$1 per year. The term of the agreement is from 2004 until mutually terminated with one year's notice.

The FY 2010-11 cost for service was contracted at \$551,983. The contracted cost decreased for FY 2011-12 to \$504,823 and increased to \$562,796 for FY 2012-13. The contract accounts for the cost of mutual aid calls thereby reducing the total cost to the City. For example, the current FY 2012-13 contract identifies a total personnel and operating cost of \$1,406,991 less 60% of that cost (\$844,194) for mutual aid calls. The total adjusted cost is \$562,796.

The SBCFPD has four fire stations located within the communities of Needles and Havasu Lake. The following information was obtained from the SBCFPD website:

- Station 31 (Needles Station) – 633 Front Street, Needles, CA

The administrative functions for fire protection both in Needles and the surrounding South Desert Service Zone are conducted from offices located in Yucca Valley. Apparatus

## RESOLUTION NO. 3171

include two Type 1 Engines, one Brush Patrol, one Water Tender and one boat. Daily staffing includes one paid Captain and three limited-term Firefighters, augmented by paid-call firefighters living in the community.

- Station 34 (Park Moabi Station) – (currently inactive)

This station is currently inactive because of staffing shortages due to the inability to have paid call responders in the area. This station is located in Park Moabi (a County regional park), between Needles to the north and Havasu Lake to the south. Units from Station 31 (Needles) or Station 18 (Havasu Lake) respond to the area.

Wildland fires are under the jurisdiction of the Bureau of Land Management and the National Park Service, all not subject to LAFCO jurisdiction. In addition, the Arizona based Fort Mohave Mesa Fire District (two fire stations) and the Mohave Valley Fire Department (two fire stations), provide assistance to these communities. Other stations nearby that could also respond are the National Park Service and the Bureau of Land Management's Hole in the Wall Interagency Fire Center (Station 605) located in the Mojave National Preserve, and Bullhead City's Fire Department (five fire stations), another Arizona based fire service provider. The Hole in the Wall fire crew's primary goal is fire suppression within the Needles Resource Area (3.5M Acres) and Mojave National Preserve (1.6M Acres), Hole in the Wall also assists San Bernardino County in providing emergency medical services to the many tourists travelling through the Mojave Desert on I-40 and I-15.

### **Solid Waste**

The City of Needles contracts with Allied Waste Transportation, Inc. ("Allied Waste") for the collection and handling of solid waste. Allied Waste provides curbside garbage and recycling collection service to the residents and businesses within these communities. The nearest landfill that Allied Waste operates and manages is located in Bullhead City, AZ.

The City has an Exclusive Franchise Agreement with Allied Waste for collection and handling of solid waste through January 2, 2018 (City Ordinance No. 531-AC). When AB32, Mandatory Commercial Recycling Regulation, was enacted effective January 1, 2012 by the State of California, the City required that multifamily housing with five or more units that generate four cubic yards of waste weekly and businesses that generate four cubic yards or more of waste weekly to subscribe to a service for collecting recyclable materials with Allied Waste. The effective date for the multi-family housing units and businesses to implement a commercial recycling program was July 1, 2012.

However, for the City's unincorporated sphere of influence, solid waste service is not available nor does the County levy its Equivalent Single Family Residence (ESFR) fees for solid waste purposes.

### Needles Sanitary Landfill

The Needles Sanitary Landfill has been operated at various times by the County and the City; prior to 1982 the County operated the landfill. In 1982, the County relinquished to the City the operation of the landfill and the City assumed the responsibilities and duties of operating the landfill. In 1996, the County and the City entered into a Closure Agreement whereby the County agreed to accept the landfill back into the County landfill system and to

## RESOLUTION NO. 3171

serve as lead agency for the cleanup, closure, and post-closure activities for the landfill. At that time, the City agreed to reimburse the County \$665,195 for its share of the cleanup, closure and post-closure costs, to provide in-kind services for post-closure activities, to assist the County in obtaining approval from regulatory agencies for a “monolithic soil cover”, and in seeking recovery from other parties who may be responsible for the costs of cleanup, closure and post-closure. In 2002, the closure of the landfill was certified by the Permitting and Enforcement Division of the California Integrated Waste Management Board, and the \$665,195 became due and payable; however, the City has made no payments to date.

### **City’s Facilities**

#### **Water**

##### *Regional Water*

The Needles and Havasu Lake communities are within the State’s defined Colorado River Hydrologic Region. The relatively saline Colorado River provides irrigation and domestic water to much of Southern California. Of recent concern to human health is the presence of low levels of perchlorate in the Colorado River from a Kerr-McGee chemical facility in the Las Vegas Wash, the nation’s largest perchlorate contamination site. In addition, high levels of hexavalent chromium occur in groundwater wells near Needles. Septic systems at recreational areas along the river are also a concern for domestic and recreational water uses.

As a result of a 1964 U.S. Supreme Court decree in *Arizona v. California*, California’s basic apportionment of Colorado River water was quantified, and five lower Colorado River Indian Tribes were awarded 905,000 acre-feet per year of diversions, 131,400 acre-feet of which were allocated for diversion in and chargeable to California pursuant to a later supplemental decree. Three of the five tribes – the Fort Mojave Indian Tribe, the Fort Yuma-Quechan Indian Tribe, and the Colorado River Indian Tribe – are pursuing additional water rights related to the boundary land claims. A settlement has been reached on the claims of the Fort Mojave Indian Tribe and the Colorado River Indian Tribe. The settlements, as approved by the U.S. Supreme Court, provide 5,122 acre-feet of additional diversions to these two tribes.

##### **Lower Colorado Water Supply Project**

In the 1980s, it was recognized that Needles and others along the Colorado River did not have rights for their current and future water supply needs. On November 14, 1986, Congress enacted the Lower Colorado Water Supply Act of 1986 (“Act”). This Act authorized and appropriated funds for the Bureau of Reclamation (“BOR”) to construct the Lower Colorado Water Supply Project (“Project”). The Project consists of well field facilities in the Sand Hills along the All-American Canal in Imperial County with sufficient capacity to supply up to 10,000 acre-feet of exchange water to be made available to eligible entities along the Colorado River in California. As authorized by Congress, the Project is to “...supply water for domestic, municipal, industrial, and recreational purposes only.” Water for agricultural uses is not available under the Act. The Act defines eligible Project beneficiaries as “persons or Federal or non-Federal governmental agencies whose lands or interests in lands are located adjacent to the Colorado River in the State of California, who do not hold rights to Colorado River water or whose rights are insufficient to meet their present or anticipated future needs

## RESOLUTION NO. 3171

as determined by the [Interior] Secretary.” Without this Project, entities such as the City of Needles might not have a water supply to meet its future growth.

The City and the BOR entered into a contract to implement this provision of the Act which allows water pumped from the Colorado River and consumptively used to be exchanged for an equivalent quantity of replacement ground water to be pumped from the Project and delivered into the All-American Canal. The contract designates the City as administrator on behalf of the Bureau of Reclamation to administer the Project for non-federal and non-Indian subcontractors. According to the contract, Needles enters into subcontracts with the Project beneficiaries, based upon recommendations of eligibility to receive Project water from the Colorado River Board and approval from the Bureau of Reclamation. The City performs all of the administration and accounting for the Project. Additionally, through the subcontracts, Project water is being attached to the land; so if there is a change in ownership, water will continue to be available on these lands.

The contract identifies that the City’s service area [for the purposes of this contract] is San Bernardino County and that lands eligible to receive Project water under the administration of the City are lands within San Bernardino County which are adjacent to the Colorado River. The contract reads that the area “adjacent to the Colorado River” is to be determined by the Contractor [City] after consultation with the Colorado River Board of California. According to the Colorado River Board of California’s “Question and Answer Sheet” for the Project, the City of Needles and BOR are in the process of amending that contract to extend the City’s administrative responsibility to include other Project beneficiaries in Imperial County and Riverside County with the exception of federally administered and Indian lands.

### Bulk Hauled Water

In remote areas of the south desert, the hauling of domestic water is the sole means for domestic water. In a joint letter to the county planning and building departments in 2003, the California Department of Health Services and the California Conference of Directors of Environmental Health specify that, “bulk hauled water does not provide the equivalent level of public health protection nor reliability as that provided from a permanent water system or from an approved onsite source of water supply.”

The County of San Bernardino recognizes the potential health hazards with hauled water. Future development will be restricted unless there is access to an individual well or domestic water system. Therefore, new development could not be approved without verification of access to a domestic water system. However, existing units without connection to a domestic water system or without individual wells on their property must rely on hauled water for domestic and other uses. County Code of San Bernardino Section 33.0623 (last amended in 1996) under Health and Sanitation and Animal Regulations reads:

*Water furnished by a domestic hauler shall not be used as a source of water by any public water supply system unless it has been demonstrated to DEHS (Department of Environmental Health Services) that there are no reasonable means of obtaining an acceptable quality and quantity of groundwater, and that water treatment methods have been approved by DEHS. Exception: During an officially declared state or local emergency, a public water system may utilize hauled water as a temporary source of supply.*

## RESOLUTION NO. 3171

The Commission is unaware at this time of the designation of any licensed bulk water haulers within the City of Needles or Lake Havasu areas.

### *Local Water*

According to the CA Department of Public Health, the City in 2011 had 1,914 connections (141 inactive) and all connections are metered. The City is not classified as an urban water supplier because it does not have more than 3,000 connections or supplies more than 3,000 acre-feet. Therefore, the City is not required to submit an Urban Water Management Plan to the State every five years.

### CA Department of Public Health Survey

In February 2013, the CA Department of Public Health ("Department") completed a survey of the City's water supply facilities and operations. The system was found to be generally well maintained with corrections needed in operations. Areas that need to be addressed are valve exercise/maintenance and ensuring all backflow devices are tested annually. The survey report recommends that adequate planning for pipeline replacement due to the system age should be provided, even though no major problems have been reported. Further, the survey states that the City needs to ensure continued funding is maintained and projects prioritized in a Capital Improvement Plan. A response from the City was due to the Department by May 17, 2013 along with a plan to correct the deficiencies indicated in the deficiency list. Excerpts from the report are included below.

### Water Source

Ground water is the sole source of the Needles water supply. The Needles service area overlies one groundwater basin, historically identified by the California Department of Water Resources as the Needles Valley. The DWR's Bulletin 118 (last updated February 2004) describes the Needles Valley Groundwater Basin as follows:

*This basin underlies the portion of Mohave Valley that lies in eastern San Bernardino County. It is bounded by the Colorado River on the east and by nonwater-bearing rocks of the Dead Mountains on the northwest, of the Sacramento Mountains on the southwest, of the Chemehuevi and Whale Mountains on the south. The Mohave Valley, and its underlying groundwater basin, extends into Nevada and Arizona. The surface is drained by Piute Wash eastward to the Colorado River. Annual average precipitation ranges from about four to six inches.*

*Recharge of the basin is chiefly from percolation of Colorado River, with deep percolation of irrigation water and precipitation, and subsurface inflow as minor additional sources. Groundwater levels generally fluctuate within an annual range of two feet except near pumping wells, irrigated land, and the river. About 150,000 af/yr of water infiltrates the Mohave Valley directly from the Colorado River, which mainly supports consumptive use.*

The City's wells are approximately 100 feet deep and the City has identified that they are located in the "lower part" of the City (no map reference provided). The first figure below shows the well production from 2002-2011. Water production peaked in 2007 and has decreased overall since then by 34%. This can be attributed to increased conservation methods coupled with a decrease in population. The second figure below identifies that Well

**RESOLUTION NO. 3171**

12 has the highest capacity, at 2,000 gallons per minutes. This well is also used for golf course irrigation.

**Table 2: Production Data for Past Ten Years (2002-2011)**

Year	Maximum Day, MG	Maximum Month, MG	Month	Annual Produced, MG
2011	2.50	64.2	July	572.8
2010	2.92	76.3	July	583.5
2009	3.03	76.9	May	676.2
2008	2.62	71.7	July	603.4
2007	4.66	99.1	July	871.0
2006	4.05	73.4	June	669.9
2005	3.91	89.0	June	825.9
2004	2.82	70.5	July	587.5
2003	4.37	85.5	July	651.6
2002	3.31	80.5	August	649.5

Notes: Source is Annual Reports submitted to the Department. Amounts include water sold to Fort Mojave Indian Tribe. NA = not available.

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

**Table 3: City of Needles Sources**

Sources	Status	Capacity (gpm)	Comments
<b>Groundwater</b>			
Well 8	Active	700	
Well 11	Active	1,800	
Well 12	Active	2,000	Used for golf course irrigation. Has manganese above MCL.
Well 15	Pending	--	2,000 gpm anticipated
	<b>TOTAL</b>	4,500	6.48 MGD.
<b>Surface Water – NONE</b>			
<b>Connections with other systems</b>			
Fort Mojave Indian Tribe* (Arizona Village)	Active	145 gpm	0.21 MGD. 2011 maximum sold via one-way 3 inch connection.

Notes: Capacities provided by Jerry Porter during survey. Need recent pump tests. \*The City also has a 6 inch connection with California Village but is considered a service connection.

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

## RESOLUTION NO. 3171

The figure below identifies if the City's wells meet maximum daily demand (MDD) and Peak Hourly Demand (PHD). As shown, the wells meet MDD and PHD but do not meet MDD when the highest capacity source (Well 12) is offline.

Requirement for capacity	Demand	Capacity	Meets Requirement (Capacity ≥ Demand)
MDD at all times	4.66 MGD	6.48 MGD	Yes
MDD with high cap. source off	4.66 MGD	3.6 MGD	No
4 hrs PHD	0.29 MG/hr	0.27 MG/hr + 0.08 MG	Yes (Source+Storage)

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

Those residents residing outside of a water purveyor have their own on-site methods for domestic water such as wells or springs. The yield from these sources will vary dependent on the amount of rainfall or river percolation and the individuals are responsible for monitoring the quality of the water they use.

The CA Dept. of Public Health Survey describes the following for the City's water supply:

*All well sites were visited and all were found to be in sanitary conditions with minor corrections. Since the previous inspection, the City has destroyed Wells 6, 7, and 10. With the addition of the new Well 15 the City is in compliance with the source capacity requirements of the Waterworks Standards. The Department requests that pump tests be completed for all wells and boosters to obtain a calibrated flow.*

*All wells have elevated total dissolved solids (TDS) near/at the short term secondary maximum contaminant level (MCL) of 1,500 mg/L. If levels are exceeded, the City may need to provide treatment or evaluate consumer acceptance and request a nine-year waiver. It is recommended that the City investigate additional sources.*

A response from the City was due to the Department by May 17, 2013, which may include information as to how it would investigate additional sources to remedy TDS levels.

### Storage

Water storage is provided by two 1.5 million gallon tanks for the lower pressure zone next to the Rodeo Grounds and one 1.5 million gallon tank and one 100,000 gallon tank out Parkway Street for the upper pressure zone. Total storage is 4.5 million gallons.

RESOLUTION NO. 3171

**Table 6: City of Needles Storage Reservoirs**

Reservoir Name	Type	Capacity (MG)	Zones Served	Notes/Comments
East Tank	Welded Steel	1.5	Zone 1	Last int. coating 1967
West Tank	Welded Steel	1.5	Zone 1	Last int. coating 1988
High Tank	Welded Steel	1.5	Zone 2	Last int. coating 1990
100K Tank	Welded Steel	(0.1)	Zone 2	Last int. coating 1958? Offline, used for emergencies
	<b>Total Storage</b>	<b>4.5 MG</b>		Excludes 100K tank.

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

Distribution

Water distribution consists of 66 miles of lines varying in diameter from 2” to 16”. New water mains are a minimum of six-inch. Lines are constructed of ductile iron, asbestos cement, steel and plastic pipe. Of the 66 miles of distribution lines, 29 miles are classified as water mains. In 1994 there was 57,000 feet of downtown mains replaced and a total of at least 11.7 miles of main have been replaced since 1993 with PVC C-900, approximately 40% of the distribution system.

**Table 9: Main Composition**

Material	Amount (ft or %)	Size	Class/Gage	Condition
Cl/steel	6,074 ft	2 in		Cl/steel > 22 years
AC / Cl/steel	3,861 ft	4 in		Cl/steel > 22 years
AC / PVC	30,478 ft	6 in	C900-150	Majority of PVC 1994. AC > 22 yrs
AC / PVC	49,425 ft	8 in	C900-150	Majority of PVC 1994. AC > 22 yrs
AC / PVC	22,422 ft	10 in	C900-150	Majority of PVC 1994. AC > 22 yrs
AC / PVC	26,129 ft	12 in	C900-150	Majority of PVC 1994. AC > 22 yrs
AC	15,991 ft	16 in		AC > 22 years
<b>TOTAL</b>	<b>154,380 ft</b>	<b>29.2 mi</b>		

Notes: Source of amounts provided by City during survey. Approximately 59% of the distribution system is asbestos cement, 40% PVC with the remaining comprised of PVC and a minor amount cast iron/steel.

Source: CA Department of Public Health. 2013 Sanitary Survey of City of Needles.

The CA Department of Public Health Survey describes the following for the City’s distribution:

*The City has approximately 6,074 ft of main that is less than minimum 4 inch. The City does not have a valve exercise program and has exercised less than 16 percent of system valves in the past three years. This was identified as a deficiency in the 2000 Annual Inspection and is a continuing deficiency.*

*The Department notes that the City is currently short staffed and has been unable to dedicate the time needed to fully implement the valve maintenance program. However, the City should take steps to address valve maintenance and ensure that adequate staffing is available for the maintenance of the distribution system. The Department requests that the City submit a Valve Maintenance Program plan for review.*



## RESOLUTION NO. 3171

*In the past three years not all backflow devices have been tested annually as required. The City needs to ensure that all active connection with backflow devices are tested annually.*

The 2-inch and estimated portion of the 4-inch pipe representing approximately 5% of the City's system in need of replacement represents a significant cost for the City.

### Pump Facilities

The City has two booster stations and no pressure reducing stations. Adequate pressure is maintained throughout the system. The CA Department of Public Health Survey describes the following for the City's pump facilities:

*The booster facilities were found in need of general maintenance during the survey. It is recommended that the diesel booster at the Lillyhill Station be periodically tested and that records be maintained. All wells pump into the Lower Zone and the Upper zone is served solely by booster. In the event of a power outage, only the Lillyhill diesel booster can supply water to the Upper Zone. The City does not have emergency generators or hook-ups for generators. It is recommended that the City consider providing hook-ups for emergency generators at the wells and booster stations to provide reliability.*

### Water Quality Monitoring

According to the 2011 Water Quality Consumers Confidence Report , arsenic and nitrates were detected; however, all are below the state and federal regulations for maximum contaminant level and meet the primary drinking water standards.

The CA Department of Public Health Survey describes the following for the City's water quality monitoring:

*The City is currently in compliance with all source monitoring. For distribution monitoring, the City missed the 2012 round of lead and copper monitoring and will need to complete monitoring this year sometime between June and September.*

### City's Water Planning

The City has divided its planning for its utilities (water, wastewater, electricity) into six sections. The sections start in the south with Section A and work northward. Particular to water service, the current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) - The City does not provide service. There are no plans for service to this area, except if Pirate Cove expands and requests connection to the City system.
- Section B (south City boundary to downtown) – The City provides water service to this section. This area, during the strong economic period, was planned to be utilized for commercial and industrial projects, allowing developers to install infrastructure. All projects have ceased and no infrastructure installations are planned. One solar project at the old landfill is still in the preliminary phase. Connections have steadily decreased.

## RESOLUTION NO. 3171

- Section C (downtown) - The City provides water service to this section. Well 10 is currently being replaced and the Well #15 treatment facility may be replaced depending on level of iron/manganese. Connections have steadily decreased.

The City has an out-of-agency service agreement with the Fort Mojave Indian Reservation Village for water service. The City supplies the Village with a master water meter – houses in the Village have individual meters and the Tribe bills each individual meter with payment in sum to the City. There is a one-way interconnect agreement with the Tribe for emergency situations only.

- Section D (downtown to Budweiser Road) – The City does not provide water to this area. This area continues to grow with single family residential homes; the City requires a minimum 1-acre lot for wells/septic; the area is expected to experience ongoing development, with a strong potential for developer(s) to provide infrastructure improvements.
- Section E (Budweiser Road to north sphere limits) – The City does not provide water to this area. This area is being proposed for several solar projects and may require access to water, depending on the technology.
- Section F (within western sphere of influence) – The City does not provide water to this area and there are no plans for service.

### **Wastewater**

#### *Regional Wastewater*

The City of Needles is located within the Colorado River Water Basin regulated by the Colorado River Regional Water Quality Control Board (“Colorado Water Board”). The regulating document for this region is the Water Quality Control Plan, which was adopted by the Board in 1993, and last amended in November 2002. The Colorado Water Board is currently in the process of developing and updating various regulatory requirements concerning urban runoff, septic systems, groundwater and surface waters in their jurisdiction.

The Colorado Water Board is currently using 1981 and 1997 guideline requirements for sewage disposal for both single and grouped or community sewerage systems. The Colorado Water Board is planning on addressing septic usage in their Basin Plan update, which at this time is in the very early stages. It is not known when the plan will be completed.

Current regulations do not require a property of less than five units to report on domestic sewage use and maintenance. If a property has more than five single-family units, 20 mobile home spaces, 50 recreational vehicle spaces or exceeds 5,000 gallons per day, then an annual waste discharge report is required.

Currently, for larger, non-residential systems, the Colorado Water Board requires that “no part of the subsurface disposal systems shall be closer than 150 feet to any water well or closer than 100 feet to any stream, channel, or other water source.” The Colorado Water Board also requires that a sufficient amount of land shall be reserved for a possible 100 percent replacement of the septic system. The Colorado Water Board also defers to the local agency for structural setback guidelines.

## RESOLUTION NO. 3171

### *Local Wastewater*

City's Wastewater Department is responsible for managing the City's sanitary sewer collection system. The collection system consists of 19.25 miles of sewer line 3.6 miles of force main, four lift stations, 390 manholes, and a 11.2 mgd wastewater treatment plant. The sewer system was first installed in 1950.

The City has four lift stations that transport the wastewater to the treatment plant where the effluent is pumped to the City's percolation ponds located behind Bashas Center. Here the water percolates back into the ground and replenishes the groundwater basin. The City's sewer collection system does not include all developed properties within the northernmost and southernmost portions of the City. In these areas along the river the population is sparse and spread, remaining on septic systems.

The current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) - The City does not provide service. There are no plans for service to this area.
- Section B (south City boundary to downtown) – The City provides service to this section. There are no plans for expanding service in this area.
- Section C (downtown) - The City provides service to this section. The lines were installed in the 1950s, and maintenance is ongoing. A treatment facility was brought online in 2001, with a daily capacity of 1.3 million gallons; current capacity is at 300,000 gallons per day. Infrastructure improvements are proposed as a part of the El Garces Renovation project, which is currently on hold pending the release of funds.

The City has an out-of-agency service agreement with the Fort Mojave Indian Reservation Village for wastewater service. The Tribe is responsible for collection and transportation of effluent to the City's mainlines. The City is responsible for transportation to its treatment facility and treatment of the effluent.

- Section D (downtown to Budweiser Road) – The City does not provide service to this area. This area continues to grow with single family residential homes; the City requires a minimum 1-acre lot for wells/septic; the area is expected to experience ongoing development, with a strong potential for developer(s) to provide infrastructure improvements.
- Section E (Budweiser Road to north sphere limits) – The City does not provide service to this area. This area is being proposed for several solar projects and may require access to water, depending on the technology.
- Section F (within western sphere of influence) – The City does not provide service to this area and there are no plans for service.

A review of the Colorado Water Board's website does not indicate any enforcement orders within the past five years for the City of Needles.

**RESOLUTION NO. 3171**

**TABLE RE-2  
INVENTORY OF RECREATIONAL FACILITIES**

<b>Facility</b>	<b>Size (ac)</b>	<b>Location</b>	<b>Amenities</b>
<b>Parks</b>			
Luckie Park	27.4	5885 Luckie Avenue	Swimming pool Playground areas (3) Picnic Shelters (3) Basketball courts lighted (3) Skateboard park lighted Baseball fields lighted (4) Horseshoe pits (2 sets of 2) Soccer field lighted Indoor Racquetball courts
Knott Sky Park	19.5	6897 El Sol Avenue	Baseball field Small playground area Picnic shelter Large playground area
Veteran's Park	6.4	6136 Adobe Road (part of City Hall)	Picnic tables Trees Lawn America's Veterans Display
Pioneer Park	18.4	73637 Sullivan Road	Theatre 29 (local community theatre group stage)
Bucklin Park	0.4	Northeast corner of Desert Queen Avenue and Twentynine Palms	Picnic tables Shade structures Public art sculpture and nature murals Desert landscaped walkways

**Electricity**

*Needles Electrical System*

The electrical system is administered and operated by the City's Needles Public Utility Authority ("NPUA"). The NPUA Board makes recommendations to the City Council for its action; City Council Members are also the NPUA managing body. The City and NPUA entered into a separate agreement wherein the City has agreed to continue to manage and administer the utility operations. As a result, the City performs the customer billing and collection function and pays the expenses related to the utility operations. NPUA reimburses the City on a monthly basis for expenses incurred.

According to the City, prior to 2007, the City purchased its non-hydro power from NV Energy (formerly Nevada Power). The NPUA engages in the purchase, resale, transmission, and distribution of electric power and has an allocation of the Federal Hydro Resources from the Parker-Davis Project. Additionally, since 2008, the City operates with a contract with the

## RESOLUTION NO. 3171

Western Area Power Administration (“WAPA”) of the Department of Energy for transmission, marketing, power scheduling, and management services provided by WAPA (WAPA Contract No. 08-DSR-11916). WAPA also purchases all of the City’s non-hydro power.

The current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) – Service is provided to the Park Moabi/Pirate Cove facility located outside of the City’s boundaries, within its sphere of influence. An upgrade is proposed as part of the expansion plans for Pirate Cove, planned to begin in late 2012/early 2013. Additionally, there is ongoing replacement of old equipment, including poles/transformers.
- Section B (south City boundary to downtown) – Service is provided to the Needles Airport, Towne Center Shopping, and residential areas. A service expansion is planned for a proposed solar project at the old landfill. This project is still in the preliminary stages with the developer to pay for a new line.
- Section C (downtown) - The City provides service to this section. Upgrades are proposed, including replacement of old equipment including poles, transformers, and wires. Additionally, there is ongoing replacement of old equipment, including poles/transformers. The City identified that it does not provide electrical service to the Fort Mojave Indian Reservation Village.

In May 2008, the Fort Mojave Indian Tribe through its Aha Macav Power Service (“AMPS”) completed the engineering, procurement, construction, and energization of a new interconnection with the City. This project serves to enhance the reliability of transmission service to the City. The project has been possible through a contractual relationship between the federal government, WAPA, City, and AMPS. In addition, according to the City letter dated February 20, 2013, the City and AMPS have informal mutual aid agreements to provide emergency services to each other on an ad-hoc basis.

- Section D (downtown to Budweiser Road) – The City provides service to this area. This area is served to capacity, with an upgrade underway. The transmission line upgrade is to be paid by WAPA. Additionally, there is ongoing replacement of old equipment, including poles/transformers.
- Section E (Budweiser Road to north sphere limits) – The City provides service to this area. The transmission line upgrade is to be paid by WAPA.
- Section F (within western sphere of influence) – The City does provides service to the railroads, generally where the rail lines cross Interstate 40.

### *PUC Audit of the Needles Electric Distribution Facilities*

The City’s electrical system, as a publically-owned utility, is under jurisdiction of the California Energy Commission. In September 2012, the California Public Utilities Commission (“PUC”) conducted an audit of the City of Needles’ Electric Distribution Facilities. The PUC does not have direct oversight of publically-owned utilities (it regulates investor-owned utilities). However, according to the City, in this instance the PUC is endeavoring to usurp the CEC’s

## RESOLUTION NO. 3171

authority with respect to infrastructure utilizing recently adopted PUC General Orders. The PUC requested, and the City allowed, a review of records and field inspections of the City's facilities. During the audit, the PUC identified violations of one or more PUC General Orders. An explanation of the violations, as identified in the audit, is as follows:

- *The City of Needles does not inspect its facilities frequently; it only inspects facilities reported by the public, or its personnel, as having a problem. The City of Needles does not inspect its distribution facilities as specified in Table 1 of General Order 165 ["Inspection cycles for electric distribution facilities"].*
- *The City of Needles does not inspect its facilities thoroughly. The City of Needles does not identify and document all General Orders 95 ["Overhead electric line construction"] & 128 ["Construction or underground electric supply and communication systems"] violations during its detailed inspections. In addition, the city of Needles does not record the date of corrective action.*
- *The City of Needles does not submit an annual report to the Commission detailing its compliance with General Order 165.*
- *The City of Needles does not notify communication companies of any safety hazards discovered on their facilities during its inspection.*
- *During the audit, we observed many line switches and line disconnects with grounded metal operating rods passing through the supply and communication conductor level that were not protected with a suitable protective covering.*
- *During the audit, we observed many jointly used poles with a vertical run or a riser without pole steps.*
- *During the audit, we observed many pad-mounted transformers that were not secured in place (bolted down).*

The audit cover letter requested the City to advise by November 16, by electronic or hard copy, of all measures taken by the City of Needles to remedy and prevent such violations. However, the City replied informally via telephone discussion and has not prepared any documentation. According to the City, it fully cooperated with the PUC auditors and will make best efforts to meet the targets set by the PUC audit; however, lacking personnel and financial ability by the NPUA meeting the targets is anticipated to be a challenge.

### **Parks and Recreation (includes Cemetery)**

The City of Needles has approximately 42 acres of recreational opportunities made up of park and recreational areas.

#### *City Facilities*

#### Parks

Following is a list of the parks with acreage and respective purposes:

**RESOLUTION NO. 3171**

<b>PARK</b>	<b>ACRES</b>	<b>TYPE</b>
River's Edge Golf Course	6.02	Soccer Field/Park
Duke Watkins Park	6.02	Playground & Turf, Skate Park
Ed Parry Ballpark	4.60	Baseball Field
Franz Flowers Ballpark	3.31	Softball Field
Nikki Bunch Ballpark	3.25	Softball Field
Jack Smith Park & Launching Facility	11.16	Marina/Boat Launch / Playground
Rodeo Grounds	5.72	Rodeo/Special Events
Santa Fe Park & El Garces Depot	0.82	City Park/WWI Monument
Manny Morris Beach side Park	1.4	Turf / Cabanas with adjoining Public Beach along river.

Quimby Act

The Quimby Act (Government Code sections 66477 et seq.) authorizes jurisdictions to require developers to set aside land for open space or pay in-lieu fees for park improvements. The goal of the Quimby Act is to require developers to help mitigate the impacts of property improvements. This ensures that jurisdictions adopt Quimby Act standards and provide three to five acres of open space per 1,000 persons. The City's existing General Plan park standard is four acres of parkland per 1,000 persons. The City currently has 42 acres of parkland, which includes parks and special use areas. The Commission is unaware of any undeveloped parkland sites. As shown below, based upon both population projections (SCAG and LAFCO) and the current acreage of park/open space, the City would not need to obtain additional parkland through 2040.

	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>
2010 parkland/open space acreage	42	42	42	42	42	42	42
<b>Population – LAFCO projections</b>	<b>4,844</b>	<b>4,976</b>	<b>5,113</b>	<b>5,252</b>	<b>5,396</b>	<b>5,544</b>	<b>5,665</b>
Acreage (4) per 1,000 - City standard	19.4	19.9	20.45	21.01	21.58	22.18	22.66
<b>Population – SCAG projections</b>	<b>4,844</b>	<b>5,370</b>	<b>5,954</b>	<b>6,559</b>	<b>7,225</b>	<b>7,959</b>	<b>8,767</b>
Acreage (4) per 1,000 - City standard	19.4	21.5	23.8	26.2	28.9	31.8	35.1

Other Community Facilities and Activities

In addition to parks, the City offers a range of community facilities and activities.

## RESOLUTION NO. 3171

- The Duke Watkins Park includes the Needles Skate Park which was built with grant funds from the Tony Hawk Foundation.
- The Needles Municipal Aquatic Center was dedicated in 1990. It contains a 25-yard competition size swimming pool, a slide, and a kid play area that features a wading pool. There is a park within the complex, complete with shade trees, picnic tables/benches and barbecue stands.
- The Parks Department offers recreation programs including: recreation classes, aquatic programs, sports programs, summer day camp, field allocation, facility rentals, special events, and an after school program.
- The Senior Citizens Center has several services to offer including transportation to medical facilities, shopping and appointments around town, and a senior noon meal program including home delivery to eligible participants.
- Rivers Edge Golf Course is owned and operated by the City of Needles, and offers a championship par 71, 18 hole golf course. It is the only golf course in the tri state area located on the Colorado River.

### *Other Facilities*

Nearby natural attractions include the Colorado River, Mojave National Preserve, Mitchell Caverns Natural Preserve, Havasu National Wildlife Refuge, Topoc Gorge, and the County's Moabi Regional Park.

Moabi Regional Park is the most-attended park in the county's system. It offers camping, fishing, swimming, boating, and water skiing. In 2008, the County Board of Supervisors approved roughly \$600,000 in upgrades to improve the recreational vehicle camping area by allowing for full utility hook-ups. The park currently has 100 recreational vehicle camping spaces grouped into 25 sets of four each.

### *Cemetery*

In 1994 the dissolution of the Needles Public Cemetery District was completed by LAFCO and the City was designated as the successor agency. The dissolution transferred the Cemetery District's share of the general ad valorem property tax to the City to continue the service. The City operates the Needles Riverview Cemetery through its parks and recreation department. The Cemetery is an endowment care cemetery meaning that it charges for and receives funds for the perpetual care of the gravesites. The endowment fund is impressed with a public trust and the City is obligated to maintain the principal amount in perpetuity to fund maintenance of the cemetery.

### **Roads/Transportation**

Interstate 40 is the major highway through Needles, connecting Barstow to the west and Arizona to the east. U.S. Route 95 also enters the city from the south on former Route 66 which intersect with I-40 within the City of Needles, traversing roughly 11 miles, then splits with the Interstate west of the city heading north to Nevada. The Colorado River Bridge crosses the Colorado River on Topock, Arizona, connecting Needles directly with Mohave County, Arizona, and Arizona State Route 95.



## RESOLUTION NO. 3171

Caltrans is responsible for maintaining the highways and the City maintains the remainder of the public roads within its maintained system. Maintenance and highway improvements must be coordinated through Caltrans as the highways are part of the State Highway System. Even though the highways represent a constraint on the City's circulation system, it also serves as the City's primary access route as there are very limited access alternatives to the highway. Due to the highway's role as the main thoroughfare in and out of the City and region, it receives a high volume of traffic.

A review of the Southern California Association of Governments (SCAG) "2012-2035 Regional Transportation Plan" does not identify any specific plans for the Needles portion of Interstate 40 or U.S. Highway 95.

### Interstate 40-Highway 95 Interconnect Project

The City is proceeding with the engineering design of the I-40/AZ 95 Interconnect project for which \$4.8 million in Federal Transit Authority funding has been granted. The County of San Bernardino is contributing \$628,000 through a grant and a loan for the local matching funds. The project will include the widening of J Street north of Interstate 40, Needles Highway between Broadway and K Street, and K Street between Needles Highway. Traffic signals will be installed at four intersections.

### El Garces Train Depot

The City is rehabilitating a historic train station known as the El Garces Train Depot. The total cost of the rehabilitation is expected to exceed \$12 million. El Garces is listed on the National Register of Historic Places. This project is anticipated to be the economic engine that will drive the redevelopment of the Needles downtown area.

The first phase of the project involved clean-up and stabilization, at a cost of about \$428,000. There are Federal Transit Authority Grants of more than \$7.7 million already approved for additional construction activity. In addition, there are state funds of nearly \$900,000 also approved for this project. The Federal grant funds require a twenty-five percent local match, which is being met by using City labor and infrastructure from the Needles Public Utility Authority. According to the City, the NPUA is providing utility stub outs for the project because the train depot will become a rate payer of NPUA once it is commercially ready to accept tenants.

The second phase of the project includes \$223,000 approved by the state legislature for engineering and construction documents. No construction costs are anticipated for fiscal year 2012. The second phase involves demolition work, shear wall construction, and column reinforcement work. When complete, the Depot will house an intermodal transportation center for Amtrak and regional/local bus lines. The City plans for completion by October 2013, in time to celebrate the City's Centennial Celebration.

Recent and proposed California laws and regulations targeting the reduction of carbon emissions will require goods and services to be delivered by highly efficient, low-polluting-emitting trucks and trains. In August 2011, the County Board of Supervisors adopted a resolution supporting any and all legislation or regulatory adjustments necessary to allow the sitting and operation of freight transfer facilities (bump stations) near the California border at Needles, as well as other high volume freight transportation points of entry in California. The County report for this item reads that in addition to reducing air pollution and truck traffic, the

## RESOLUTION NO. 3171

sitting of bump stations in the county would promote job creation, local utility solvency and revenue influx to local communities from “turn around” freight haulers at and near bump stations.

### **Streetlights**

The City, through its City’s Needles Public Utility Authority, administers and operates the electrical system. Unlike other communities where Southern California Edison is the electrical service provided, in Needles the City owns and operates the streetlights within its boundaries. Therefore, the NPUA responds to problems and is responsible for the utility costs associated with the individual lights. There are no plans at this time to increase the number of the streetlights. However, if the community continues to see growth in its population, the need for streetlights will also increase.

### **Hospital**

A review of LAFCO files and newspaper articles for the past 20 years reveals a turbulent time for the hospital. According to the FY 2010-11 Hospital audit, the departure of the private operator in 2008 resulted in significant lack of oversight by management.

### **Recent History**

In 2008 operation of the hospital was transferred from an independent operator, Life Point, back to the City after Life Point decided to close the medical center. This determination was made after Life Point opened a new hospital – Valley View Medical Center – just 12 miles to the east in Fort Mohave, AZ. In 2008 the medical center identified the two biggest challenges facing the hospital;

1. The need to break away from the City and be able to operate independently. The Hospital has used the staff and services of the City to supplement certain financial and management functions – particularly in 2008 and 2009. Discussions with the City continue as to payment for these services.
2. To secure financing and establish a financial accounting system. In 2009 the hospital board approved a contract for the management of the hospital with a private entity.

Title 4, Division 3, Part 2, Chapter 5 of the Government Code allows a hospital board to function, for the most part, independent of the City or its council, while the City remains ultimately responsible for any decisions made or financial indebtedness incurred by the board. At present the Hospital Board of Trustees is appointed by the City Council, provides for the management of the facility, and is composed of the following:

Terri Anderson (President), Georgia Breault, Pamela Blake, Adela Owensby, Robert McKeever, Lana Shaw, and Norma Jean Williams.

In June 2010 the City placed a ballot measure, Measure Q, with the following question:

*“Shall the ordinance to mandate the Board of Hospital Trustees and the Needles City Council to sell the Colorado River Medical Center Pursuant to Government Code Section 37615.1(o) be adopted?”*

## RESOLUTION NO. 3171

The measure passed with 55% voting yes. This measure, codified as City Ordinance 516, requires the Hospital Board, with approval of City Council, to sell the hospital to a qualified nonprofit corporation which meets certain criteria.

In 2011, the Hospital took two important steps forward. It hired a permanent Chief Executive Officer and completed an audit. With the audit completed, the accounting system could be utilized to create ongoing and regular financial reports as well as operating statistical reports for management. The audit states that licensing issues are critical for the future of the Hospital, and that the hiring of competent management staff and training of existing managers is ongoing.

Currently, the Hospital is a licensed 25-bed rural general acute care hospital with a critical access designation (a Critical Access designation requires hospitals to provide emergency care necessary to meet the needs of its patients or outpatients. The Hospital serves not only the residents of the city but also travelers on Interstate 40, Highway 95, residents of the lower Mohave Valley, AZ, and approximately 3,100 square miles of the outlying area of San Bernardino County. The Hospital provides a fully-staffed, 24-hour emergency department with physician on duty. The Hospital also has airship capabilities and is Medicare certified. The Hospital's billing remains in the hands of a third party collection agency, HRG. Due to geographical proximity to another state, managing the process is complex and requires specific skill sets not readily available in the area. This past year, the Hospital entered into an agreement with a local hospice home to provide care for their patients on a per diem basis reimbursement.

### **Economic and Market Factors**

The following excerpt is taken from the Hospital FY 2011-12 audit which identifies the economic and market challenges facing the Hospital.

Competition remains a growing concern for the Medical Center. Competition will be a factor in both services performed at the Medical Center, as well as in physician offices, as other hospitals compete for the loyalty of physicians to refer patients to their facilities. One way the Medical Center can accomplish this is through the use of its status as a Critical Access Hospital. Bringing in Primary Care physicians to the community will offer an opportunity for the Medical Center to potentially draw some patients from additional Primary Care resources in the market. The only real opportunity for growth and further redevelopment of the Medical Center is through the recruitment of Primary Care Physicians into the community. Recognizing that there is not a single Primary Care practitioner in the City of Needles and there are basically two other specialty physicians available, Gastroenterology and General Surgery, it is essential to attempt this necessary recruitment. The out-migration of Primary Care impacts not only these specialists, but the Emergency Room, Outpatient Service areas, and the Inpatient Hospital service.

### **Current Status**

Currently, the City remains the owner with the Board of Hospital Trustees operating the Hospital. In August 2012, the City Council approved the sale of the Hospital to a non-profit-group, Community Healthcare Partner Inc, a California nonprofit corporation. According to the City, it was anticipated that a draft contract would be presented to the Hospital Board of Trustees and City Council in late February for consideration.

## RESOLUTION NO. 3171

### Needs and deficiencies in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

This factor is discussed above under service delivery for water, wastewater and fire protection.

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

##### Independent Audit

Discussed in Note 1 to the financial statements, the amounts reflected as capital assets in the accompanying financial statements do not include capital assets acquired prior to July 1, 1987, nor do they reflect numerous parcels of land owned by the City, which should be included in order to conform to accounting principles generally accepted in the United States of America. The amount that should be recorded is not known. Accordingly, the independent auditor was unable to satisfy itself as to the amount of capital assets as of June 30, 2012 or the amount of depreciation expense for the year then ended. The audits filed with LAFCO for this review, earliest being for FY 2005-06, make this same statement. Therefore, it is believed that the City is not rectifying the auditor's concern as to the amount of capital assets.

For FY 2007-08 and FY 2008-09, the City Audit included the Hospital activities as an enterprise fund of the City. Effective with FY 2009-10, the Hospital activities are no longer included in the City audit. Therefore, for the FY 2009-10 and subsequent audits, the Hospital is not included as a component unit of the City.

##### General Operations and Accounting

The governmental activities of the City include general government, public safety, parks and recreation, and public services. Business type activities include power and water, wastewater, refuse collection, public transportation, and a municipal golf course. When able, this Determination analyses the Governmental activities separate from the Business-type activities due to the different accounting standards for these activities. Additionally, since the audit for the Hospital fund is not included as a component unit of the City, the Hospital Fund is reviewed separately in this determination.

##### Component Units

The reporting entity "City of Needles" includes the activities of the City, the Needles Redevelopment Agency, the Needles Public Utility Authority, and the Needles Public Financing Authority. All three of these component units are blended into the City's financial statements.

- Needles Redevelopment Agency ("RDA") represents a legally separate entity for which the City is financially accountable, and, accordingly, is considered a component unit of the City. Pursuant to ABX1-26, Redevelopment Agencies in the State of California were to be dissolved effective October 1, 2011, and litigation deferred the date to February 1, 2012. Therefore, this agency has been dissolved. The City Council was allowed to become a successor agency to the RDA, which it opted to do so, and is responsible for

## RESOLUTION NO. 3171

revenue collection, maintaining the bond reserves, depositing of any excess property, and fulfilling the remaining obligations of the dissolved agency. At the present time, the "RDA" budget consists of the recognized obligation payment schedule, which is currently being reviewed by the state Department of Finance.

- Needles Public Financing Authority ("Financing Authority") was formed on March 7, 1992 for the sole purpose of providing financing for various City capital projects. The Financing Authority is governed by a seven-member board, which consists of members of the City Council.
- Needles Public Utility Authority ("Utility Authority") was formed by a Joint Powers Agreement, entered into in 1997, between the City and the RDA. The Utility Authority was formed for the purpose of acquiring, owning, operating and maintaining the City's water, sewer, and electrical enterprises. A seven member Board that consists of members of the City Council governs the Utility Authority. It is not clear at this time the future of the Utility Authority as the City's RDA has been dissolved and there is no second entity to include in the joint powers agreement to succeed to the RDA.

### Long-term Debt

#### Governmental Activities

The governmental activities debt includes advances to the RDA for the purchase of land and for operations. Repayment of these debts is expected from tax increment revenues. Further, there is a balance of \$1.19 million in tax allocation bonds issued by the Financing Authority, the proceeds of which were lent to the RDA. Repayment is being made from the loan payments paid by the RDA to the Financing Authority. Finally, the governmental activities debt also includes certificates of participation, the proceeds of which were used to construct a wastewater treatment plant.

- Advances to RDA: \$1,912,835  
The RDA purchased land from the City resulting in a note payable. The note will be repaid with interest at 10% from tax increment revenues at such time as excess funds exist after debt service payments are made on the loan payable to the Financing Authority. The total principal and interest was due May 6, 1995; however, the RDA did not have the financial resources available to repay the note. The City and the RDA are in the process of renegotiating the note terms to enable the RDA to repay the obligation. However, a review of the past five City audits shows that no interest has accrued for this advance. Further, the Schedule of Maturities identified in the 2011-12 audit, identifies that payment is not scheduled until 2037-38. Therefore, the Commission questions if the advance is akin to a gift rather than a short-term advance or a long-term note. Further, with the dissolution of the RDA it is not known if repayment of the advance will occur.

Additionally, the City provided a loan to the RDA to fund its operations. The loan is to be repaid with interest ranging from 10-12% from tax increment revenues at such times as excess funds exist after debt service payments are made on the loan payable to the Financing Authority. The status of this loan and its total amount are also unknown by the Commission.

## RESOLUTION NO. 3171

- 1992 Series A Tax Allocation Bonds: \$1,190,000  
The bonds were issued to provide monies to enable the Financing Authority to fund a loan to the RDA. The bonds are payable solely from the loan payments to be made to the Financing Authority by the RDA and from the reserve account created under the Loan Agreement and investment earnings thereon. Tax revenues of the RDA from its redevelopment project secure repayment of the loan. Principal payments in amounts from \$15,000 to \$85,000 are due annually to 2022, with interest payments at rates ranging from 5.40% to 7.50% payable semi-annually.
- 1998 Certificates of Participation: \$2,527,575  
In October 1998, the Financing Authority issued \$3.1 million in certificates of participation bearing interest at the rate of 4.5%. Principal and interest installment payments are due semi-annually from August 1999 through August 2037. The certificate proceeds were used to construct a new wastewater treatment plant.

### Business Activities

The business-type activities debt consists of revenue bonds issued by the public utility authority. These bonds are being repaid from the utility's operating revenues. There is also a note payable in the sanitation fund resulting from an agreement with San Bernardino County related to a municipal landfill.

- 1997 Series A Revenue Bonds: \$16,680,079  
In March 1997, the Utility Authority issued \$21,145,000 in revenue bonds bearing interest rates of 4.70% - 6.65%. Principal payments in various amounts are due annually through February 1, 2032. Approximately \$17,900,000 of the bond proceeds were disbursed to the City as an initial payment for the acquisition of its Water, Sewer and Electric Enterprise Funds. In addition, the City used a portion of the payment to refund the 1993 and 1995 Series A Revenue Bonds.

- Obligation with County of San Bernardino: \$665,195

The notes payable in the Sanitation Enterprise Fund of \$665,195 resulted from an agreement the City made with the County of San Bernardino ("County") on January 30, 1996. The County agreed to accept the landfill into the County landfill system and to serve as lead agency for the cleanup, closure and post-closure activities for the landfill. The City agreed to reimburse the County \$665,195 over a 15-year period for its share of the cleanup, closure and post-closure costs, to provide in-kind services for post-closure activities, to assist the County in obtaining approval from regulatory agencies for a "monolithic soil cover", and in seeking recovery from other parties who may be responsible for the costs of cleanup, closure and post-closure.

Per the agreement, interest shall accrue on the unpaid balance at 6% per annum compounded annually commencing on January 1 of the year following the year in which the landfill is deemed closed. Although the landfill ceased accepting waste in 1994, it was not closed until 2002. As referenced by the County's Solid Waste Programs Administrator in an email to LAFCO staff, the \$665,195 is due and payable. The City's audit identifies that the City expects to increase solid waste collection fees to meet the debt service requirements. Per the terms of the County's agreement the unpaid balance is accruing 6% interest per year. The table which follows, as calculated by LAFCO staff,

**RESOLUTION NO. 3171**

identifies the estimated current balance of the obligation utilizing a simple compounding interest. Accrued interest as of June 30, 2012 is over \$525,000.

<b>Year</b>	<b>Balance</b>	<b>Interest</b>	<b>TOTAL</b>
2003	\$665,195	\$39,912	\$705,107
2004	\$705,107	\$42,306	\$747,713
2005	\$747,713	\$44,849	\$792,562
2006	\$792,562	\$47,554	\$840,116
2007	\$840,116	\$50,407	\$890,523
2008	\$890,523	\$43,432	\$933,955
2009	\$933,955	\$56,037	\$989,992
2010	\$989,992	\$59,400	\$1,049,392
2011	\$1,049,392	\$62,964	\$1,112,356
2012	\$1,112,346	\$66,741	\$1,179,087

However, the City has requested that the County reset the 15-year amortization period for the original note balance since it states it was not aware or notified by any party that the landfill had been closed. Should the City's amortization request be granted, then the 15-year repayment would assumingly begin in 2013 with a schedule as follows. Should the amortization request not be granted and with payments beginning in 2013, then the total repayment of principal and interest would be \$1.94 million.

<b>Repayment Schedule - Potential Revised</b>					
<b>Year</b>	<b>Beginning Balance</b>	<b>Principal</b>	<b>6% Interest</b>	<b>Total Payment</b>	<b>Ending Balance</b>
2013	665,195	50,000	39,912	89,912	615,195
2014	615,195	50,000	36,912	86,912	565,195
2015	565,195	50,000	33,912	83,912	515,195
2016	515,195	50,000	30,912	80,912	465,195
2017	465,195	50,000	27,912	77,912	415,195
2018	415,195	50,000	24,912	74,912	365,195
2019	365,195	50,000	21,912	71,912	315,195
2020	315,195	50,000	18,912	68,912	265,195
2021	265,195	50,000	15,912	65,912	215,195
2022	215,195	50,000	12,912	62,912	165,195
2023	165,195	50,000	9,912	59,912	115,195
2024	115,195	50,000	6,912	56,912	65,195
2025	65,195	50,000	3,912	53,912	15,195
2026	15,195	15,195	912	16,107	-
<b>TOTAL</b>		<b>665,195</b>	<b>285,764</b>	<b>950,959</b>	

The figure below identifies the current debt service requirements through 2038 as identified by the City of Needles 2010-11 audit, not including the amount owed to the County related to the Needles Landfill. Of concern to the Commission, is that although repayments have occurred on the 1997 bonds, repayment does not resume until 2018 with annual payments of \$837,000 for seven years, with a five-year break, then payments of \$1.58 million for seven years.

**RESOLUTION NO. 3171**

**Long term debt – Schedule of Maturities**

Debt service requirements for long-term debt are as follows:

<b>Years ending <u>June 30:</u></b>	<b>Advance from Other <u>Funds</u></b>	<b>1992 <u>Bonds</u></b>	<b>1997 <u>Bonds</u></b>	<b>1998 <u>COPs</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2013	\$ -	75,000	-	54,702	1,316,958	1,446,660
2014	-	80,000	-	57,191	1,308,656	1,445,847
2015	-	85,000	-	59,793	1,299,866	1,444,660
2016	-	90,000	-	62,514	1,290,583	1,443,097
2017	-	100,000	-	65,359	1,280,613	1,445,972
2018-2022	-	610,000	5,860,000	374,211	6,038,446	12,882,658
2023-2027	-	150,000	-	467,466	4,059,767	4,677,233
2028-2032	-	-	11,075,000	583,960	3,569,404	15,228,364
2033-2037	-	-	-	729,485	109,685	839,170
2037-2038	<u>1,626,473</u>	<u>-</u>	<u>-</u>	<u>72,893</u>	<u>11,024</u>	<u>1,710,390</u>
<b>Totals</b>	<b><u>\$ 1,626,473</u></b>	<b><u>1,190,000</u></b>	<b><u>16,935,000</u></b>	<b><u>2,527,575</u></b>	<b><u>20,285,001</u></b>	<b><u>42,564,049</u></b>

**Post-Employment Benefits**

The City contributes to the California Public Employees Retirement System (CalPERS). CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. The City is a part of the Miscellaneous 2% at 55 Risk Pool, a cost-sharing multiple-employer defined benefit plan. The most recent financial statements for the City identify that the City has contributed 100% of its annual pension cost since at least FY 2005-06 and currently has a zero net pension obligation. The following information is taken from these reports.

**Contribution Rates**

The City's contractually required contribution rates as identified in the CalPERS reports are as follows:

2010-11	1.928%
2011-12	2.364%
2012-13	6.315%



## RESOLUTION NO. 3171

2013-14	6.648%, unadjusted
2014-15	7.500%, projected

As a municipality, the City is responsible for law enforcement and fire protection. It has chosen to contract with the County Sheriff's Department since 1989 and the San Bernardino County Fire Protection District since 1994. Being so, the former employees have been placed into the CalPERS Inactive Pool.

### Summary of Participant Data

The table below shows a summary of the City's active member data upon which the CalPERS valuation is based:

	<b>Member Data - Active</b>		
	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>
Projected Payroll for Contribution Purposes	\$2,639,923	\$5,750,129	\$5,536,533
Number of Members			
Active	55	111	111
Transferred	11	11	13
Separated	88	91	105
Retired	31	31	37

According to the 2011-12 Hospital audit, during its transition time from Lifepoint, the Hospital did not fund employer contributions for a significant period of time (April 1, 2008 through November 29, 2009). There were 46 hospital employees who were not included in the plan but are under the City's CalPERS contract. These employees have now shown up in the CalPERS valuation data as at June 30, 2010 contributing to the 56 employee increase from 2009 to 2010.

The Hospital has updated its liability amount for CalPERS due to employees to \$749,658 for the period of April 1, 2008 through November 29, 2009 and includes this amount in current liabilities in its most recent audit (line Accrued payroll and related liabilities). Since November 29, 2009, the Hospital has enrolled employees, made withholdings from employee wages and deposited the appropriate amounts with CalPERS. This liability remains a point of discussion between the City and the Hospital.

The deficiency in the plan assets prior to December 2009 is being reflected as an experience loss to the plan and is being made up with additional contributions by the City in future years. Essentially, the City is paying this liability through the City retirement accounts which are City Reserves.

At some time in the future, if the reserve account is ever exhausted then that liability will come due or if the hospital is sold, the City could arguably ask for that money from the sale proceeds. Due to the complexity of the issue and conservative approach, a liability account was set up on the hospital balance sheet to account for the "underfunded" portion of retirement plan and is a part of current liabilities. It is unclear to the Commission if these changes are considered by CalPERS to be an "inactive" status for this account.

**RESOLUTION NO. 3171**

The table below shows a summary of the City's inactive member data upon which the CalPERS valuation is based:

**Member Data - Inactive**

	<b>June 30, 2009</b>	<b>June 30, 2010</b>	<b>June 30, 2011</b>
Projected Payroll for Contribution Purposes	\$0	\$0	\$0
Number of Members			
Transferred	2	2	1
Separated	0	0	0
Retired	7	7	8

Funded Status

The information below shows the actuarial accrued liability, actuarial value of assets, market value of assets, and funded ratios. The funded status is a measure of how well funded a plan or risk pool is with respect to assets vs. accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets. The actuarial value of assets (AVA) is used to establish funding requirements and the funded ratio on this basis represents the progress toward fully funding future benefits for current plan participants. The funded ratio based on the market value of assets (MVA) is an indicator of the short-term solvency of the plan.

**Funding Status - Active**

	<b>June 30, 2010</b>	<b>June 30, 2011</b>
1. Present Value of Projected Benefits (PVB)	N/A	\$ 19,383,255
2. Entry Age Normal Accrued Liability	N/A	13,356,248
3. Plan's Actuarial Value of Assets (AVA)	N/A	\$ 13,111,761
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	\$ 244,487
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A	98.2%
6. Plan's Market Value of Assets (MVA)	N/A	\$ 11,736,771
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A	1,619,477
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A	87.9%

**Funding Status - Inactive**

**RESOLUTION NO. 3171**

	<b>June 30, 2010</b>	<b>June 30, 2011</b>
1. Present Value of Projected Benefits (PVB)	N/A	\$ 1,652,007
2. Entry Age Normal Accrued Liability	N/A	1,652,007
3. Plan' Actuarial Value of Assets (AVA)	N/A	\$ 1,806,727
4. Unfunded Liability (AVA Basis) [(2) - (3)]	N/A	\$ (154,720)
5. Funded Ratio (AVA Basis) [(3) / (2)]	N/A	109.4%
6. Plan's Market Value of Assets (MVA)	N/A	\$ 1,600,163
7. Unfunded Liability (MVA Basis) [(2) - (6)]	N/A	51,844
8. Funded Ratio (MVA Basis) [(6) / (2)]	N/A	96.9%

Hypothetical Termination Liability

The table below shows the hypothetical termination liability, the market value of assets, the unfunded termination liability and the termination funded ratio. The assumptions used, including the discount rate, take into account the yields available in the US Treasury market on the valuation date and the mortality load for contingencies. The discount rate is duration weighted and is not necessarily the rate that would be used for this plan if it were to terminate. The discount rate for this plan's termination liability would depend on the duration of the liabilities of this plan. For purposes of this estimate, the discount rate of 4.82% is based on the June 30, 2011 30-year US Treasury Stripped Coupon Rate. Please note, as of June 30, 2012 the 30-year US Treasury Stripped Coupon Rate was 2.87%.

**Hypothetical Termination Liability - Active**

<b>Valuation Date</b>	<b>Hypothetical Termination Liability</b>	<b>Market Value of Assets (MVA)</b>	<b>Unfunded Termination Liability</b>	<b>Termination Funded Ratio</b>	<b>Discount Rate</b>
06/30/11	\$ 16,942,046	\$ 11,736,771	\$ 5,205,275	69.3%	4.82%

**Hypothetical Termination Liability - Inactive**

<b>Valuation Date</b>	<b>Hypothetical Termination Liability</b>	<b>Market Value of Assets (MVA)</b>	<b>Unfunded Termination Liability</b>	<b>Termination Funded Ratio</b>	<b>Discount Rate</b>
06/30/11	\$ 2,320,866	\$ 1,600,163	\$ 720,703	69.0%	4.82%

Other Post-Employment Benefits

In addition to providing pension benefits, the City provides certain health care benefits for retired employees. Classified employees retiring after 20 or more years of service and after having reached age 58 or older are provided medical insurance coverage until the retiree becomes eligible for Medicare. Unclassified employees retiring at age 55 or later with 20 or more years of service are paid \$300 per month for medical insurance coverage until the retiree becomes eligible for Medicare. No retirees received post-retirement health care benefits during the fiscal year ended June 30, 2012.

**Governmental Activities**

## RESOLUTION NO. 3171

The governmental activities of the City include general government, public safety, parks and recreation, and public services.

### Net Assets

The accumulation of consistently presented financial information allows a reader to understand an agency's financial position and determine whether there is improvement or deterioration. One such measure of improvement or decline is the change in net assets. Net assets for the Governmental Funds have increased by 79% since FY 2006-07 as shown on the chart below. During this time Total Assets have increased by 47% and Total Liabilities have increased by 14%. From the Net Assets perspective, the financial health of the Governmental Funds overall has increased during the past five years. For FY 2011-12, the City's net assets, exclusive of the Hospital fund, decreased slightly primarily because of declining revenues and increasing costs. As of June 30, 2012, the Governmental Funds had \$14.7 million in net assets. Of this amount, most is invested in capital assets, net of related debt.

Total liabilities include a bank overdraft for each audited year. According to the City's independent auditor, the overdraft in the financial statements is a function of how the funds are reported. One must look at the overall picture of cash in bank less overdraft to get the true picture of the cash position. There are not a series of bank accounts with negative balances in them. One major bank account is used for all governmental funds, and when the general fund issues a check for another fund, it can create an overdraft in the affected fund.

Also identified below is a large annual negative unrestricted net asset figure. According to the City's independent auditor, this is a function of the required reporting of net assets. Assets that are restricted because they do not constitute currently spendable resources (such as for inventories, accounts receivable) must be reflected as restricted net assets. The overall net assets are positive, but because of the required restrictions, this means that unrestricted net assets must be negative. Only the general fund is allowed to have negative unrestricted net assets.

**RESOLUTION NO. 3171**

GOVERNMENTAL ACTIVITIES: NET ASSETS								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	5-yr Var.	
<b>Assets:</b>								
Cash & investments	3,631,170	4,374,501	4,283,188	4,357,985	5,106,686	5,419,184	49%	
Capital assets (net)	6,387,900	8,125,385	12,395,826	12,444,500	12,734,297	12,853,089	101%	
Advances to other funds	1,626,472	1,626,472	1,636,973	1,636,723	1,626,473	1,626,473	0%	
Other	4,903,126	4,698,802	4,293,707	4,420,398	4,244,441	4,346,903	-11%	
<b>Total Assets</b>	<b>\$ 16,548,668</b>	<b>\$ 18,825,160</b>	<b>\$ 22,609,694</b>	<b>\$ 22,859,606</b>	<b>\$ 23,711,897</b>	<b>\$ 24,245,649</b>	<b>47%</b>	
<b>Liabilities:</b>								
Bank overdraft	536,129	971,003	475,268	443,331	726,980	1,013,969	89%	
Current liabilities	1,676,223	1,833,477	2,121,230	2,320,510	2,368,971	3,148,679	88%	
Long-term liabilities	6,090,830	5,895,268	5,762,042	5,661,413	5,466,370	5,344,049	-12%	
<b>Total Liabilities</b>	<b>\$ 8,303,182</b>	<b>\$ 8,699,748</b>	<b>\$ 8,358,540</b>	<b>\$ 8,425,254</b>	<b>\$ 8,562,321</b>	<b>\$ 9,506,697</b>	<b>14%</b>	
<b>Change in Net Assets</b>	<b>\$ 1,321,003</b>	<b>\$ 1,879,926</b>	<b>\$ 4,125,742</b>	<b>\$ 183,198</b>	<b>\$ 715,224</b>	<b>\$ (410,624)</b>		
<b>Total Net Assets</b>	<b>\$ 8,245,486</b>	<b>\$ 10,125,412</b>	<b>\$ 14,251,154</b>	<b>\$ 14,434,352</b>	<b>\$ 15,149,576</b>	<b>\$ 14,738,952</b>	<b>79%</b>	
<b>Net Assets:</b>								
Invested in capital assets, net of related debt	6,308,083	8,074,336	12,377,222	12,444,500	12,734,297	12,853,089	104%	
<b>Restricted</b>								
Capital projects	378,561	(389,627)	382,008	552,015	522,750	378,978	0%	
Debt service	3,345,543	3,531,381	3,055,444	2,982,685	3,912,411	3,955,489	18%	
Comm. Dev. Projects	1,110,330	1,429,123	960,166	1,121,904	1,050,535	734,909	-34%	
Unrestricted	(2,897,031)	(2,519,802)	(2,523,686)	(2,666,752)	(3,070,417)	(3,183,513)	10%	
<b>Total Net Assets</b>	<b>\$ 8,245,486</b>	<b>\$ 10,125,411</b>	<b>\$ 14,251,154</b>	<b>\$ 14,434,352</b>	<b>\$ 15,149,576</b>	<b>\$ 14,738,952</b>	<b>79%</b>	
Increase from prior year	19.1%	22.8%	40.7%	1.3%	5.0%	-2.7%		
source: Statement of Net Assets								

**Fund Balance**

Considering net assets does not indicate if an agency has enough fund balance to operate short and long-term operations. Governmental funds focus on the availability of resources on a short-term basis, showing inflows and outflows and resulting in an ending balance of spendable resources. A trend of operating deficits is a key indicator of the financial health of an agency. The chart below shows fund balances for the governmental activities for the past six audited years. The fund balance has decreased by 6% since FY 2006-07 with Total Revenues decreasing by 8% and Total Expenditures increasing by 3%.

The ending fund balance for governmental funds at June 30, 2012 was \$8,157,884. For FY 2011-12, governmental activities expenses increased by about \$829,000 and program revenues decreased by about \$534,000. This was partially offset with an increase in general revenues of about \$417,000. Property taxes and transient occupancy taxes continued to play a significant role in the City's results, totaling nearly \$1.8 million in revenues. Further, governmental fund balances decreased by \$587,000 from the previous year, with expenses exceeding revenues by about \$2.2 million. This was offset by incoming transfers, primarily from the public utility authority (a business activity) for the purchase payment and franchise fees. According to the Management Discussion and Analysis section of the FY 2011-12 audit, "the primary reason for the City being able to maintain its financial position is the operation of the public utility. The public utility generated operating income of

**RESOLUTION NO. 3171**

over \$1.8 million”. However, the Commission questions the ability to draw upon these funds for general government activities since the enterprise activity cannot expend its funds for operations outside the enterprise. So, how is it that these funds make the City an ongoing, viable entity? The chart below identifies the operating shortfall of the City for each of the last six audited years.

GOVERNMENTAL ACTIVITIES: FUND BALANCE							
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	5-yr Var.
<b>Fund Balance:</b>							
Non spendable					288,565	308,096	
Restricted (reserved)	5,856,033	5,911,741	6,094,137	5,886,235	4,613,738	4,433,762	
Committed (designated)	798,643	240,355	511,225	770,317	1,708,266	1,849,761	
Assigned					816,166	359,856	
Unassigned (undesignated)	2,208,193	2,688,057	1,913,152	1,924,900	1,318,359	1,206,409	
<b>Total Fund Balances</b>	<b>\$ 8,862,869</b>	<b>\$ 8,840,153</b>	<b>\$ 8,518,514</b>	<b>\$ 8,581,452</b>	<b>\$ 8,745,094</b>	<b>\$ 8,157,884</b>	<b>-8%</b>
<b>Revenues:</b>							
Taxes	2,841,529	2,825,251	2,519,986	2,216,462	2,425,276	2,356,494	-17%
Licenses, permits, fees	363,821	1,174,004	1,359,417	1,396,416	1,454,468	1,034,370	184%
Intergovernmental	1,746,734	2,419,382	4,496,119	638,213	713,412	1,202,787	-31%
Charges for service	144,128	258,868	227,889	243,535	227,870	249,065	73%
Other	575,120	368,082	546,801	440,223	522,724	383,487	-33%
<b>Total Revenues</b>	<b>\$ 5,671,332</b>	<b>\$ 7,045,587</b>	<b>\$ 9,150,212</b>	<b>\$ 4,934,849</b>	<b>\$ 5,343,750</b>	<b>\$ 5,226,203</b>	<b>-8%</b>
<b>Expenditures:</b>							
General government	968,153	998,852	987,538	770,790	680,614	618,528	-36%
Public safety	2,688,664	2,783,397	2,825,882	2,739,227	2,939,987	2,721,477	1%
Public works	603,939	606,477	900,628	914,582	1,055,969	2,101,307	248%
Park & recreation	816,587	860,621	740,164	670,902	680,304	644,996	-21%
Comm. Development	247,866	215,654	614,992	262,661	210,071	244,350	-1%
Capital outlay	1,478,393	2,187,463	4,283,719	231,828	954,867	368,242	-75%
Debt service	439,324	470,032	432,492	431,061	316,448	740,701	69%
<b>Total Expenditures</b>	<b>\$ 7,242,926</b>	<b>\$ 8,122,496</b>	<b>\$10,785,415</b>	<b>\$ 6,021,051</b>	<b>\$ 6,838,260</b>	<b>\$ 7,439,601</b>	<b>3%</b>
<b>Revenues less Expenditures:</b>	<b>\$ (1,571,594)</b>	<b>\$ (1,076,909)</b>	<b>\$ (1,635,203)</b>	<b>\$ (1,086,202)</b>	<b>\$ (1,494,510)</b>	<b>\$ (2,213,398)</b>	
<b>Operating Transfers</b>							
Transfers In	\$ 2,102,667	\$ 1,684,197	\$ 1,711,310	\$ 1,474,406	\$ 2,371,107	\$ 2,925,172	
Transfers Out	\$ (436,177)	\$ (630,003)	\$ (397,746)	\$ (325,267)	\$ (581,788)	\$ (918,948)	
Fund Balances, Beginning*	8,767,973	8,862,869	8,840,154	8,518,515	8,450,285	8,365,059	
<b>Fund Balances, Ending</b>	<b>\$ 8,862,869</b>	<b>\$ 8,840,154</b>	<b>\$ 8,518,515</b>	<b>\$ 8,581,452</b>	<b>\$ 8,745,094</b>	<b>\$ 8,157,885</b>	<b>-8%</b>
Increase from prior year	1.1%	-0.3%	-3.6%	0.7%	3.5%	-2.5%	
* Beginning Fund Balance restated for July 1, 2011 & 2012							
sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance							

General Fund Liquidity

As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. At the end of FY 2011-12, unassigned fund balance of the general fund was \$1,206,409 while total fund balance

**RESOLUTION NO. 3171**

reached \$3,009,249. Unassigned fund balance represents 25 percent of total general fund expenditures, while total fund balance represents 62 percent of that same amount. Therefore, while the fund balance has decreased by 25% during the past six audited years, the liquidity of the general fund is decreasing accordingly.

<b>GENERAL FUND LIQUIDITY</b>						
<b>General Fund (GF)</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>
Total GF expenditures	\$ 5,031,165	\$ 5,153,425	\$ 5,326,373	\$ 4,572,736	\$ 4,942,883	\$ 4,876,763
Unassigned GF fund balance	2,057,671	2,396,103	1,659,978	1,567,424	1,318,359	1,206,409
(as a % of total expenditures)	41%	46%	31%	34%	27%	25%
Total fund GF balance	4,034,022	4,269,276	3,458,207	3,350,332	3,094,692	\$ 3,009,249
(as a % of total expenditures)	80%	83%	65%	73%	63%	62%
sources: Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance						

Unassigned Fund Balance of the General Fund

The Government Finance Officers Association (“GFOA”) currently recommends that governments establish a formal policy on the level of unrestricted fund balance that should be maintained in the general fund. The current GFOA policy is vague in stating that the “adequacy of unrestricted fund balance in the general fund should be assessed based upon a government’s own specific circumstances.” Though the existing GFOA policy is not specific, it recommends that regardless of size, general-purpose governments should maintain unrestricted fund balance in their general fund of “no less than two months of regular general fund operating revenues or expenditures.” A General Fund balance of a lesser level exposes the General Fund to the risk of not being able to meet cash flow requirements, economic uncertainties, or other financial hardships.

As shown on the chart above, the City’s unrestricted fund balance during this timeframe is more than two months of regular general fund operating expenditures. Therefore, the City is above the threshold and meets the requirements of the GFOA policy. However, its general fund balance is continually decreasing. Should this trend continue, the liquidity of the City would challenge its ability to support short-term operations.

Other Governmental Funds

The Public Financing Authority exists to service various long-term obligations. The Financing Authority collects interest income, and makes principal and interest payments. The Financing Authority’s fund balance decreased by about \$50,000 during 2010-11 and 2011-12, ending at \$2,859,938.

The All American Canal project fund serves to accumulate funds to be used for the supply of water for domestic, municipal, industrial, and recreational purposes along the All American Canal in Imperial County. The City acts as watermaster on behalf of the Bureau of Reclamation to administer the project from the Nevada border to the Mexican border for 10,000 acre-feet of water for non-Federal subcontractors. This fund expended \$772,761 for capital improvements during 2010-11 and \$865,800 during 2011-12.

Revenues

**RESOLUTION NO. 3171**

The Governmental activities only receive a small fraction of total revenues from charges for service. The bulk of the revenue comes from taxes and transfers in, mainly from the Needles Public Utility Authority (as shown in the chart below taken from the City's audits).

<b>GOVERNMENTAL ACTIVITIES</b>							
<b>General Revenues, Special Items, and Transfers</b>							
	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	
<b>Taxes:</b>							
Property	1,161,506	1,533,019	1,334,540	1,239,224	1,426,596	1,268,275	
Hotel	610,608	511,152	469,695	438,229	454,102	499,281	
Fuel	379,981	321,581	313,096	296,297	137,072	180,525	
State sales	602,257	543,246	468,239	312,814	407,506	420,963	
Franchise	181,875	706,496	1,213,843	1,272,701	1,376,426	1,365,154	
Vehicle license fees	583,448	245,092	-	-	-	-	
Interest	359,876	261,367	360,310	293,951	247,799	243,366	
Miscellaneous	137,932	32,092	148,839	108,017	364,224	853,095	
Transfers	1,666,490	1,054,192	1,313,565	1,149,139	1,789,319	2,006,224	
<b>Total</b>	<b>\$ 5,683,973</b>	<b>\$ 5,208,237</b>	<b>\$ 5,622,127</b>	<b>\$ 5,110,372</b>	<b>\$ 6,203,044</b>	<b>\$ 6,836,883</b>	

As shown above, it would seem that the City stopped receiving vehicle license fees (VLF) from the state in 2008-09. However, according to the City in its letter dated February 20, 2013, it appears that the VLF revenues were categorized as Franchise Taxes in the subsequent audits. The City identifies VLF revenues received as follows:

2007	\$583,448
2008	\$246,780
2009	\$486,372
2010	\$490,528
2011	\$460,129
2012	\$448,527

Taxes

Property taxes and transient occupancy taxes play a significant role in the City's bottom line, totaling nearly \$1.88 million in revenues for FY 2010-11 and \$1.77 for 2011-12. For property taxes, the County Assessor's "Assessment Roll Re-cap Totals" identify increases of 14.6% for 2007, 6.5% for 2008, and 0.8% for 2009 with subsequent decreases of 5.7% (2010), 2.9% (2011), and 2.7% (2012).

*Measure T*

The November 2012 general election measure asked the voters to adopt a general utility users tax:



## RESOLUTION NO. 3171

*Shall Needles eliminate 2.5% of the current 7.5% franchise fee that the City of Needles charges the Needles Public Utility Authority and in its place establish a utility user tax of up to 2.5% to be applied to electric, water and sewer use charges?*

The purpose of the utility user tax proposal was to approve a continuation of the 2.5% fee that was increased by City Council two years ago and, change the nomenclature to a tax instead of a fee. The franchise fee was increased to close a budget shortfall two years ago with the assumption revenue shortfalls would be short lived. In early 2012 the State Legislature eliminated all Redevelopment Agencies. So, there is a need to continue the 2.5% fee to provide essential city services such as police, fire, parks and recreation, road maintenance, etc. at current levels. Recently passed Proposition 26, classifies a fee as a tax, and the electorate has a vote on any changes. The electorate passed the measure with 51.6%. Current rates have been adjusted to back out the 2.5% then a line item has been added to the utility bill showing the utility user tax.

### *Measure S*

The November 2012 general election measure asked the voters to tax marijuana businesses at a rate of up to 10% of their gross receipts, for the privilege of conducting business within the City. The tax is in addition to the current business tax imposed on businesses within the City. The City may use the revenue from the tax for any legal municipal purpose. The Measure passed with 81% of the vote.

### Development Impact Fees

The City has completed a revenue and cost analysis, which has been used in the adoption of an updated personal choice public service fee schedule. In addition, the City has completed a master facilities plan in 2007 for all future City infrastructure needs, leading to the adoption of a development impact fee schedule. Collections of impact fees began in 2007 and continue to date. Impact Fees are collected for two project areas, North Needles and South Fill-In Areas, and are imposed for animal control, fire suppression, streets, storm drainage, electric, general facilities, community center, parks, water, wastewater collection, and wastewater treatment. As of June 30, 2012, the North Needles area balance was \$69,679 and the South Fill-In Areas balance was \$50,695. No funds were collected during FY 2011-12. There is no plan to eliminate the development impact fees, nor is there a plan to refund the fees collected, as the City intends to use the fees when enough money is collected.

### Transfers

As for transfers from the NPUA, the City and NPUA entered into an agreement wherein the City has agreed to continue to manage and administer the utility operations. As a result, the City performs the customer billing and collection function and pays the expenses related to the utility operations. NPUA reimburses the City on a monthly basis for expenses incurred.

### **Expenditures**

The chart below breaks down the expenditure activity for the Governmental funds. As shown, public safety accounts for roughly half of all Governmental expenditures. The City contracts for both public safety services (police and fire protection/emergency medical services).

**RESOLUTION NO. 3171**

<b>Governmental Activity</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Public safety	38%	47%	48%
Public services	29%	16%	16%
Parks & recreation	11%	13%	15%
General government	9%	11%	14%
Community development	4%	9%	2%
Interest	9%	4%	5%

Police services are provided through contract with the San Bernardino County Sheriff's Department. The contract amount for FY 2010-11 was \$1,851,379 and decreased to \$1,770,541 for FY 2011-12. The City elected to leave a position vacant to absorb the annual cost increase, which deleted one deputy and one marked unit. For FY 2012-13, the contract increases to \$1,850,052, mainly due to additional retirement costs and an increase in charges for the Countywide Cost Allocation Plan from 3% of salaries and benefits to 5%. No staffing or equipment changes are identified for FY 2012-13. Additional costs are billed quarterly such as overtime, vehicle fuel and maintenance, and on-call cost. The contract provides for termination by either party upon one-year advance written notice.

Fire protection and emergency medical services are provided through contract with the San Bernardino County Fire Protection District which is governed by the County Board of Supervisors as the ex-officio board of directors. The FY 2010-11 cost for service was contracted at \$551,983. The contracted cost decreased for FY 2011-12 to \$504,823 and increased to \$562,796 for FY 2012-13.

Other governmental expenses are funded primarily through general revenues. Parks and recreation expenses are significant for the City, as it is the City's responsibility to maintain the marinas, public swimming pool, a skate park, and the cemetery.

**Cemetery**

In 1994 LAFCO completed the dissolution of the Needles Cemetery District designating the City as the successor agency. The dissolution transferred the Cemetery District's share of the property tax (\$35,595 in 1994) to the City to continue the service. The City provided the following information summarizing the revenues and expenses of the cemetery since 2005. As shown, the City general fund provides an annual transfer to the cemetery fund in order to sustain operations, which may or may not be the equivalent of the ad valorem property tax transferred. Without the general fund subsidy, cemetery revenues would not be adequate to cover expenses.

**RESOLUTION NO. 3171**

NEEDLES CEMETERY									
STATEMENT OF REVENUES & EXPENSES (SEVEN YEARS)									
FY 2005 - FY 2012									
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	
<b>REVENUES</b>									
Proceeds	\$ 26,971	\$ 30,817	\$ 39,486	\$ 56,356	\$ 74,662	\$ 29,369	\$ 39,983	\$ 33,521	
General Fund Trf	\$ 65,398	\$ 66,864	\$ 83,364	\$ 90,000	\$ 5,987	\$ 58,968	\$ 34,200	\$ 30,000	
Prop 1B Funds					\$ 93,746				
	\$ 92,369	\$ 97,681	\$ 122,850	\$ 146,356	\$ 174,395	\$ 88,337	\$ 74,183	\$ 63,521	
<b>EXPENSES</b>									
Operating	\$ 80,708	\$ 77,513	\$ 92,754	\$ 91,642	\$ 83,585	\$ 82,256	\$ 69,355	\$ 77,060	
Capital	\$ 20,718	\$ -	\$ 13,527	\$ 22,472	\$ 93,746	\$ -	\$ -	\$ -	
	\$ 101,426	\$ 77,513	\$ 106,281	\$ 114,114	\$ 177,331	\$ 82,256	\$ 69,355	\$ 77,060	
<b>NET</b>	\$ (9,057)	\$ 20,168	\$ 16,569	\$ 32,242	\$ (2,936)	\$ 6,081	\$ 4,828	\$ (13,539)	
<b>NET without Gen Fund Trf</b>	\$ (74,455)	\$ (46,696)	\$ (66,795)	\$ (57,758)	\$ (8,923)	\$ (52,887)	\$ (29,372)	\$ (43,539)	

Additionally, the 1994 dissolution included a condition that the City, acting in a fiduciary capacity, was to make a separate accounting of the Endowment Care Fund. Information provided by the County Auditor for the dissolution proposal (LAFCO 2761) identifies the required Endowment Care Fund Account level as of June 30, 1993 as \$81,647. Up through the 2006-07 City audit, the Cemetery Endowment fund balance was identified. As of June 30, 2007 the audit identifies a reserve balance of \$99,183 for Cemetery Endowment. Subsequent audits no longer include this information. The City provided information for this review showing the annual balance of the fund. Of note, this accounting does not identify the endowment principal, which must not decrease, or how much the Endowment is of the Total Restricted balance.

**RESOLUTION NO. 3171**

<b>CITY OF NEEDLES CEMETERY: ANALYSIS OF THE PERPETUAL (ENDOWMENT) FUND</b>			
Needles Cemetery			
Analysis of Endowment Fund	FY 2004 thru FY 2012		
Balance End of Fiscal Year	2004	\$	158,845
Addition to Fund.....	FY 2005	\$	9,230
Balance End of Fiscal Year	2005	\$	168,075
Addition to Fund.....	FY 2006	\$	9,387
Balance End of Fiscal Year	2006	\$	177,462
Addition to Fund.....	FY 2007	\$	7,242
Balance End of Fiscal Year	2007	\$	184,704
Addition to Fund.....	FY 2008	\$	16,869
Balance End of Fiscal Year	2008	\$	201,573
Addition to Fund.....	FY 2009	\$	11,760
Balance End of Fiscal Year	2009	\$	213,333
Addition to Fund.....	FY 2010	\$	5,142
Balance End of Fiscal Year	2010	\$	218,475
Addition to Fund.....	FY 2011	\$	9,420
Balance End of Fiscal Year	2011	\$	227,895
Addition to Fund.....	FY 2012	\$	1,100
<b>Balance End of Fiscal Year</b>	<b>2012</b>		<b>\$ 228,995</b>

While the City has a separate fund isolating the cemetery funds, the audits do not separately identify this activity from the park and recreation service. Given the condition of the LAFCO resolution, coupled with the lack of understanding of how much is restricted principal and how much is from gains, the Commission conditions that for approval for LAFCO 3158 that the City:

- Provide a full accounting of the Cemetery Endowment to include revenues, expenses, and transfers to include a breakdown of the fund balance to include principal and gains for the past ten years.
- Separately identify the restricted funds of the cemetery activity in the City's audits in both the financial statements and in the notes or management discussion and analysis.

**Hospital Activity**

As identified in the Hospital's FY 2011-12 audit:

"The accompanying financial statements have been prepared assuming the Hospital will continue as a going concern, which contemplates realization of assets and satisfaction of liabilities in the normal course of business. The Hospital has experienced recurring cash shortages and has a net deficit of \$(81,977). The Hospital was offered for sale and is in the process of completing a sales contract with a qualified buyer, however there can be no assurance that this sale will be completed. These matters raise substantial doubt about the

**RESOLUTION NO. 3171**

Hospital's ability to continue as a going concern. The June 30, 2012 financial statements do not include any adjustments that might result from the outcome of this uncertainty.”

Revenues and Expenses

Medicare and Medi-Cal revenue represent from 68% to 71% of the Medical Center's gross patient revenues. Net patient service revenues summarized by payer for FY 2009-10 and FY 2010-11 are as follows:

	<u>2012</u>	<u>2011</u>
Medicare services	\$ 8,190,746	\$ 6,365,228
Medi-Cal services	6,703,904	6,890,820
Insurance, third-party payors and self-pay	7,034,311	6,330,197
Gross patient service revenues	<u>21,928,961</u>	<u>19,586,245</u>
Less contractual allowances	(10,306,430)	(10,300,434)
Less allowance for bad debts	(3,979,474)	(1,731,695)
Net patient service revenues	<u>\$ 7,643,057</u>	<u>\$ 7,554,116</u>

Expenses did not fluctuate significantly in 2010-11 and 2011-12. The biggest expense categories continued to be salaries, wages and benefits as well as professional services. The Hospital added a few positions throughout the year (CEO, additional biller, RN's) and aligned some departments to agree with industry standards as well as serve operating needs.

The Medical Center does not carry long-term interest bearing debt (e.g., issued bonds).

At the end of FY 2011-12, the Hospital generated a negative cash flow of (\$609,502). This includes a negative Cash flow from operations of (\$505,026). It should be noted that the Hospital operates without the benefit of a cash reserve. Total Days Cash on Hand at June 30, 2011 was 45 days of operating expenses and was 21 days at June 30, 2012 (\$463,636). While not an uncommon condition especially for smaller healthcare facilities, it remains a serious issue for the Hospital when faced with unabated equipment, facility and, physician recruitment needs and potential operating cash flow deficits brought about by curtailed or terminating government funding programs.

**RESOLUTION NO. 3171**

<b>HOSPITAL: CASH FLOWS</b>					
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>3-yr Var.</b>
<b>Cash flows from operating activities:</b>					
Cash received from patients	8,440,081	7,434,720	7,754,882	7,710,300	-8.6%
Cash payments for operations	(2,773,978)	(3,772,127)	(3,426,267)	(4,181,109)	50.7%
Cash payments to employees	(4,883,667)	(3,120,065)	(4,351,784)	(4,034,217)	-17.4%
<b>Net cash from operating activities</b>	<b>782,436</b>	<b>542,528</b>	<b>(23,169)</b>	<b>(505,026)</b>	<b>-164.5%</b>
<b>Cash flows from capital &amp; related financing</b>					
Addition to capital assets, net	(624,303)	(62,053)	(21,411)	(54,386)	-91.3%
Interest payment			(31,280)	(50,090)	
<b>Net cash from financing</b>	<b>(624,303)</b>	<b>(62,053)</b>	<b>(52,691)</b>	<b>(104,476)</b>	<b>-83.3%</b>
<b>Net increase (decrease) in cash &amp; equivalents</b>	<b>158,133</b>	<b>480,475</b>	<b>(75,860)</b>	<b>(609,502)</b>	
Cash & cash equivalents, beginning	510,390	668,523	1,148,998	1,073,138	
Cash & cash equivalents, ending	668,523	1,148,998	1,073,138	463,636	-30.6%
Increase from prior year	31.0%	71.9%	-6.6%	-56.8%	-283.2%
Sources: Statement of Cash Flows					

As shown below, the deficit of revenues over expenses was \$1,279,325 or an operating margin of negative 16.7% for 2011-12. The same negative operating margin was experienced for 2010-11 (\$1,265,666) with a lesser negative operating margin for 2009-10, 5.3% (\$371,069).

**RESOLUTION NO. 3171**

<b>HOSPITAL: STATEMENT OF REVENUE, EXPENSE &amp; CHANGE IN NET ASSETS</b>						
	<b>2008-09</b>	<b>2009-10</b>	<b>2010-11</b>	<b>2011-12</b>	<b>3-yr Var.</b>	
<b>Operating revenues:</b>						
Total operating revenue	9,034,399	6,961,465	7,596,867	7,678,240	-15.0%	
<b>Operating expenses:</b>						
Salaries, wages & benefits	5,246,781	3,244,300	4,472,273	4,690,865	-10.6%	
Purchase services	1,599,285	1,962,181	1,662,601	1,688,395	5.6%	
Depreciation & amortization	848,647	762,061	919,269	690,087	-18.7%	
Other	1,824,788	1,311,677	1,777,110	1,838,128	0.7%	
Net cash from financing	9,519,501	7,280,219	8,831,253	8,907,475	-6.4%	
<b>Operating loss</b>	<b>(485,102)</b>	<b>(318,754)</b>	<b>(1,234,386)</b>	<b>(1,229,235)</b>		
Non-operating expense (interest)		(52,315)	(31,280)	(50,090)		
<b>Total Expenses over Revenues</b>	<b>(485,102)</b>	<b>(371,069)</b>	<b>(1,265,666)</b>	<b>(1,279,325)</b>	<b>163.7%</b>	
Net Assets, beginning	3,319,215	2,834,113	2,463,004	1,197,348	-63.9%	
Net Assets, ending	2,834,113	2,463,004	1,197,348	(81,977)	-102.9%	
Increase from prior year	-14.6%	-13.1%	-51.4%	-106.8%	631.8%	
Sources: Statement of Revenue, Expense & Change in Net Assets						

Government Subsidies and Support

The Hospital is the benefactor of several government supported programs. Each of these programs has its own set of rules as to how and when they are funded and certain requirements of the Hospital to receive the funding. The AB915 program (Supplemental Outpatient Reimbursement) requires that the Hospital maintain its municipal entity status. The Hospital filed and received a Supplemental Outpatient Reimbursement (part of the AB915 program) for FY 2010 in the amount of \$602,112. The Outpatient Reimbursement helped the Hospital's cash flow tremendously. The Hospital also received money from the Quality Assurance Fee (AB1653) in the amount of \$1,302,982. Without both AB915 and AB1653, the Hospital would be experiencing extreme negative cash flow and would be in a dire financial situation.

Due to the potential sale of the Hospital from the City (a public entity), to another not-for-profit hospital owner/operator, and depending on how that sale and ownership transfer is structured, the Hospital may experience changes to some of its government/public sourced cash flows. It is possible that some of these changes may include termination to suspension or reduction in funding from these government and publically funded programs. An example of such a program is AB915 which is provided to healthcare providers that are public municipal entities. As such, the Hospital would lose AB915 funding if the sale of the Hospital is to a non-government entity.

## RESOLUTION NO. 3171

### Additional Retirement Plan

According to the 2011-12 Hospital audit, the Colorado River Medical Center Retirement Income Plan (the "Plan"), a single-employer defined benefit pension plan, is a separate trust fund of the City and is administered by the City of Needles. The Plan covers substantially all permanent full time employees. The Hospital contributed to the Plan approximately \$65,000 and \$40,000 in 2012 and 2011, respectively. However, review of this question with City of Needles personnel did not support the claims in the 2011-12 audit for its operation.

### **Business-type Activities**

Business type activities include services provided by the Needles Public Utility Authority ("NPUA") (electricity, water, wastewater) and also refuse collection, public transportation, and a municipal golf course. All business-type activities are designed to be self-supporting, and costs are expected to be fully recovered by user fees and other revenues. Refuse collection activities are contracted out to a private company. Except for the transit activities, all business-type activities reflected an excess of expenses over revenues for the fiscal year ended June 30, 2012, resulting in operational deficits.

### Net Assets

Net assets for the Business Funds have increased by 72% since FY 2006-07 as shown on the chart below. During this time Total Assets have increased by 4% and Total Liabilities have decreased by 4%. From the Net Assets perspective, the financial health of the Business activities overall has increased during the past six years. As of June 30, 2012, the Business activities had \$5.5 million in net assets. Of this amount roughly half is unrestricted and half is invested in capital assets, net of related debt.



**RESOLUTION NO. 3171**

BUSINESS-TYPE ACTIVITIES: NET ASSETS								
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	5-yr Var.	
<b>Assets:</b>								
Cash & investments	5,300,133	5,812,929	8,089,123	9,417,551	8,644,190	7,101,486	34%	
Capital assets (net)	18,012,104	17,169,932	15,560,574	15,942,700	15,093,339	14,656,907	-19%	
Other	5,419,184	6,283,152	6,450,088	4,717,505	5,545,209	8,142,661	50%	
<b>Total Assets</b>	<b>\$ 28,731,421</b>	<b>\$ 29,266,013</b>	<b>\$ 30,099,785</b>	<b>\$ 30,077,756</b>	<b>\$ 29,282,738</b>	<b>\$ 29,901,054</b>	<b>4%</b>	
<b>Liabilities:</b>								
Bank overdraft	624,865	329,058	841,953	1,164,451	1,063,264	1,511,654	142%	
Current liabilities	3,002,331	2,628,909	2,392,306	2,339,847	2,452,104	3,036,052	1%	
Long-term liabilities	21,926,260	21,557,951	21,298,590	20,826,435	20,341,268	19,872,750	-9%	
<b>Total Liabilities</b>	<b>\$ 25,553,456</b>	<b>\$ 24,515,918</b>	<b>\$ 24,532,849</b>	<b>\$ 24,330,733</b>	<b>\$ 23,856,636</b>	<b>\$ 24,420,456</b>	<b>-4%</b>	
<b>Change in Net Assets</b>	<b>\$ 1,043,126</b>	<b>\$ 1,572,130</b>	<b>\$ 816,841</b>	<b>\$ 180,087</b>	<b>\$ (320,921)</b>	<b>\$ 54,496</b>		
<b>Total Net Assets</b>	<b>\$ 3,177,965</b>	<b>\$ 4,750,095</b>	<b>\$ 5,566,936</b>	<b>\$ 5,747,023</b>	<b>\$ 5,426,102</b>	<b>\$ 5,480,598</b>	<b>72%</b>	
<b>Net Assets:</b>								
Invested in capital assets, net of related debt	2,720,838	2,436,841	2,729,645	2,004,469	1,997,570	1,968,666	-28%	
Restricted	-	-	-	-	-	-		
Unrestricted	457,127	2,313,254	2,837,291	3,742,554	3,451,532	3,511,932	668%	
<b>Total Net Assets</b>	<b>\$ 3,177,965</b>	<b>\$ 4,750,095</b>	<b>\$ 5,566,936</b>	<b>\$ 5,747,023</b>	<b>\$ 5,449,102</b>	<b>\$ 5,480,598</b>	<b>72%</b>	
Increase from prior year	-54.1%	49.5%	17.2%	3.2%	-5.2%	0.6%		
source: Statement of Net Assets								

NPUA

The Needles Public Utility Authority (“NPUA”) is by far the most significant fund for the City. NPUA provides electricity, water and wastewater to the City’s businesses and residents. All fixed assets of the utility are carried on NPUA’s books, as well as the revenue bonds issued to finance the acquisition of the utility. Comprising 55% of total assets and about 59% of total revenues, the NPUA produced income of over \$3.0 million in FY 2011-12. However, for FY 2011-12, interest expense of \$1.244 million on the bonds issued to finance the acquisition of the utility and transfers out of about \$2.0 million (including purchase payments of \$1,085,300 and franchise fees) figured into the public utility’s decrease in net assets of about \$108,000 for the fiscal year.

Golf Course

The second biggest business activity is the operation of the golf course. At the start of FY 2011-12, the Golf Fund had negative Cash (Net Bank Overdraft) of -\$976,326. During the year, it experienced a decrease in cash of \$158,331 bringing the Net Bank Overdraft to \$1,134,657. This large overdraft has also resulted in negative Net Assets for the Golf Fund as shown below. No known changes in operation to address neither this deficit nor the means by which the shortfall is addressed in supplemental funding have been identified in the materials provided.

**RESOLUTION NO. 3171**

	FY 2005-06	FY 2006-07	FY 2007-08	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12
Operating Revenues	\$ 1,011,168	\$ 959,617	\$ 916,575	\$ 729,630	\$ 682,356	\$ 602,673	\$ 581,229
Operating Expenses	(1,201,871)	(1,174,384)	(1,200,935)	(1,029,364)	(1,033,053)	(863,446)	(843,269)
Non-Operating Rev (Exp)	-	-	-	(10,314)	(6,583)	-	-
Operating Transfers In	213,532	115,284	151,356	-	100,000	147,000	66,996
Operating Transfers Out	(69,996)	(69,996)	(69,996)	-	-	-	-
Change in Net Assets	(47,167)	(169,479)	(203,000)	(310,048)	(257,280)	(113,773)	(195,044)
<b>Net Assets, Ending</b>	<b>\$ 138,714</b>	<b>\$ (30,765)</b>	<b>\$ (233,765)</b>	<b>\$ (543,813)</b>	<b>\$ (801,093)</b>	<b>\$ (890,386)</b>	<b>\$ (1,085,430)</b>
The FY 2009-10 ending balance was adjusted by \$24,480 in FY 2010-11.							

Sanitation

Another significant business activity is Sanitation (refuse collection) which operates at a running negative net asset of \$1.8 million. This figure includes liabilities of a bank overdraft (\$203,189), due to the general fund (\$753,930), other liabilities (\$526,068), and the note payable to the County (\$665,195). Refuse collection activities are contracted out to a private company.

	FY 2010-11	FY 2011-12
Operating Revenues	\$ 946,904	\$ 955,327
Operating Expenses	(930,977)	(917,681)
Non-Operating Rev (Exp)	-	(67,430)
Operating Transfers In	-	-
Operating Transfers Out	(123,121)	(120,000)
Change in Net Assets	(107,194)	(149,784)
<b>Net Assets, Ending</b>	<b>\$ (1,200,436)</b>	<b>\$ (1,808,858)</b>
The FY 10-11 ending balance was adjusted by (\$458,638) in FY 11-12.		
Negative Net Assets includes \$665,195 in principal & \$526,068 in interest owed to County and \$753,930 owed to General Fund		

Of concern, and question, is how the Golf Fund and the Sanitation Fund can continue to operate in the short and long-run when revenues are not adequate for ongoing operation and in the case of the Sanitation Fund, liabilities.

**Appropriations Limit**

Under Article XIII B of the California Constitution (the Gann Spending Limitation Initiative), the City is restricted as to the amount of annual appropriations from the proceeds of taxes, and if proceeds of taxes exceed allowed appropriations, the excess must either be refunded to the State Controller, returned to the taxpayers through revised tax rates or revised fee schedules, or an excess in one year may be offset against a deficit in the following year. Furthermore, Section 5 of Article XIII B allows the City to designate a portion of fund balance of general contingencies to be used in future years without limitation.

Section 1.5 reads that the annual calculation of the appropriations limit for each entity of local government shall be reviewed as part of an annual financial audit. A review of the financial

## RESOLUTION NO. 3171

statements for the past five fiscal years does not identify that proceeds of taxes did or did not exceed appropriations. The Commission recommends that this information be included in subsequent audits.

Government Code Section 7910 expands upon the Gann Initiative and requires each local government to annually establish its appropriation limits by resolution. For FY 2012-13, the City adopted an appropriation limit of \$8,136,998.

### **Conclusion to Financial Determination:**

The financial materials presented in this service review identify ongoing financial questions for the City of Needles and illuminate significant economic disadvantages with its neighbors of Laughlin Nevada, Bullhead City Arizona and Mohave Valley Arizona. The Commission determines that the continuing increases in costs for public safety – contracts with County Sheriff and San Bernardino County Fire Protection District – will outstrip any increase in general fund revenue and will result in a degradation of service. This degradation cannot be avoided if the City wishes to live within its revenue streams.

The ongoing saga of the Colorado River Medical Center, Needles Hospital, has been, continues to be, and may continue into the future as a significant liability. This position is taken on the basis of the existing liability to CalPERS for failure to fund retirement benefits and the obligation to the private Retirement Income Plan that the City was unaware existed. It is hoped that the sale of the facility will address these concerns and remove the pending liability of the City.

In addition it appears that enterprise activities are being tapped to prop up general fund activities through such items as franchise charges to the Needles Public Utility Authority paid into the general fund. The audit identifies “the primary reason for the City being able to maintain its financial position is the operation of the public utility” which is an enterprise activity restricting the use of the funds for the purposes of the rates charged. Questions continue surrounding the financial operation of the cemetery district transferred to the City and its endowment fund, the ongoing operation of the golf course and the continuing deficit spending in the sanitation division.

City of Needles staff has worked diligently to address the future financial implications – such as contacting the County to reset the landfill repayment – but the economic disadvantages of population growth to the east are beyond their control and will impact their ability to address these issues for the future.

### **5. Status of, and opportunities for, shared facilities:**

According to the contract with the San Bernardino Fire Protection District, SBCFPD shall provide to the City fire prevention, fire investigation, fire suppression, hazardous materials, and rescue services, and standards shall comply with SBCFPD criteria. Additionally, the City is to lease to the SBCFPD the fire station for \$1 per year and the fire vehicles, apparatus, equipment, and property for the sum of \$1 per year. In addition, the County sheriff shares facilities with the City.

The opportunity exists for shared facilities with the school district for sharing of storage facilities and park use.

**RESOLUTION NO. 3171**

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

Local Government Structure and Community Service Needs

The City operates under the council-manager form of government. Six council members are elected at large for four-year overlapping terms with the mayor elected to a two-year term. The Charter reads that no mayor shall serve more than four consecutive terms. In council proceedings, the mayor is not empowered to move or second council action, but is empowered to vote only to break a tie vote. For the November 2012 general election, there were 1,893 registered voters within the City with a 67% voter turnout for that election. City Council meetings are on the second and fourth Tuesdays of the month at 6:00pm. Below is the composition of the current council, their positions, and terms of office:

<b>Council Member</b>	<b>Title</b>	<b>Term</b>
Edward Paget	Mayor	2014
Tom Darcy	Council Member	2016
Tony Frazier	Council Member	2016
Jim Lopez	Council Member	2016
Terry Campbell	Council Member	2014
Linda Kidd	Council Member	2014
Shawn Gudmundson	Council Member	2014

The City has three commissions (Planning, Cemetery Advisory, and Parks and Recreation). The City Council sits as the boards of the Needles Public Utility Authority, Needles Public Finance Authority, Needles Hospital, and is the successor entity of the former Needles Redevelopment Agency.

Not including hospital staff, the City in 2011 had 81 full-time employees, part-time employees, contract employees and seasonal employees and seven elected officials. The budgets identify a cost of roughly \$5,000 for the Mayor and City Council. A review of the State Controller's "Government Compensation" website identifies the following for the City for 2009-2011:

	<b>2009</b>	<b>2010</b>	<b>2011</b>
<b>Residents</b>	5,793	5,809	4,874
<b>Employees</b>	93	88	81
<b>Ratio of residents per City employee</b>	62:1	66:1	60:1
<b>Avg. wages for all City employees</b>	\$30,094	\$31,102	\$30,998
<b>Amount spent on total wages</b>	\$2,798,754	\$2,736,987	\$2,520,875
<b>Amount spent on total wages per resident</b>	\$483	\$471	\$515
<b>Highest salary reported</b>	\$131,316	\$168,843	\$104,526

Operational Efficiencies

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

- The City is a member of the California Joint Powers Insurance Authority ("Authority"). The Authority is composed of 121 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured

## RESOLUTION NO. 3171

losses, to purchase excess insurance or reinsurance, and to arrange for group purchased insurance for property and other lines of coverage.

- The City acts as the manager and operator of the Needles Public Utility Authority's water, sewer, and electrical enterprises under a Management Agreement. The City receives a management fee equal to its actual costs and direct overhead incurred in connection with the management and operation of the enterprises.
- The County provides library services to the community through its Needles Branch Library located at the County's Needles Government Center.
- The electrical system is administered and operated by the City's Needles Public Utility Authority ("NPUA"). The NPUA Board makes recommendations to the City Council for its action; however, City Council members are the NPUA board. The City and NPUA entered into a separate agreement wherein the City has agreed to continue to manage and administer the utility operations with City employees. As a result, the City performs the customer billing and collection function and pays the expenses related to the utility operations. NPUA reimburses the City on a monthly basis for expenses incurred.
- The Needles Hospital has begun a strategic initiative to develop a relationship with the County of San Bernardino Health Services agencies. Utilizing the services of a physician consultant to assist in this business development, the Hospital hopes to add Public Health and Behavioral Health Services.

### 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

Pursuant to Government Code Section 56133, since 1994 LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. There are no out-of-agency service agreements approved by LAFCO authorizing the City to provide service outside of its boundaries.

Correspondence from the District in 1994, on file at the LAFCO office, identifies that the City had out-of-agency service contracts at that time. The law exempted service provided prior to 1994 originally (later amended as 2001); therefore, further review by LAFCO is not required.

- Water and sewer to the Fort Mojave Indian Reservation village which is wholly surrounded by the City.
- Electrical service to the Park Moabi/Pirate Cove facility located outside of the City's boundaries, within its sphere of influence.

## RESOLUTION NO. 3171

### Government Structure Options:

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review. The Guidelines address 49 factors in identifying an agency's government structure options. Themes among the factors include but are not limited to: more logical service boundaries, elimination of overlapping boundaries that cause service inefficiencies, economies of scale, opportunities to enhance capital improvement plans, and recommendations by a service provider.

In some cases, functional consolidation or integration can reduce costs so that services can be maintained and improved with fewer dollars. The following scenarios are not being presented as options for the Commission to consider for action as a part of this service review. Rather, a service review should address possible options, and the following are theoretical, yet possible, scenarios for the community to consider for the future. Movement towards these scenarios would include, but not be limited to, the requirement to prepare a plan for service, fiscal impact analysis, and any other required studies.

- Annexation to SBCFPD. As a municipality, the City is responsible for providing fire protection within its boundaries, and it has chosen to contract with the San Bernardino County Fire Protection District ("SBCFPD") for the provision of the service. Should the City desire not to be responsible for fire protection within its boundaries, the City could annex to SBCFPD. This would require an application to LAFCO for annexation to SBCFPD which would necessitate the development of a Plan for Service and Financing Plan showing at least five years of projected revenues/expenditures. Such action would require the City's consent to the overlay of SBCFPD over the city, but would remove the City's service responsibility. In this case, SBCFPD would succeed to all of the City's fire protection assets, liabilities, and any property tax that provides for the contract with SBCFPD. This scenario would provide for a single governing and administrative body for fire protection and emergency medical services in this area of the county.
- Annexation to the City. The Fort Mojave Indian Village, comprising approximately 18 acres, is totally surrounded by the City in the north. Given the circumstances that it is within the City's sphere of influence, less than 150 acres, developed, and is totally surrounded by the City, it would normally be eligible for annexation under the Island Annexation provisions under Government Code Section 56375.3. However, being the territory of a sovereign Indian nation this is not the case. In addition, there are no property taxes to transfer from one agency to another at the present time. Without additional revenue generated for municipal services from such an annexation, it would not be considered to be sustainable; therefore, there would be no tangible benefit to annexation. Land use authority would remain under the Tribe, and fire protection, law enforcement, and electricity are already provided by the Tribe. The City provides water and wastewater collection service to the Village through contract with the Tribe, and these services receive revenue from user charges rather than property tax revenue. Therefore, this scenario is highly unlikely.
- Formation of new county or secession to Nevada. The Needles community has long had an economic disadvantage in relation to the neighboring communities in Nevada and Arizona. In 2008 the County Board of Supervisors proposed to replace the hospital's emergency room with an urgent care center. This sparked talks within the Needles

## RESOLUTION NO. 3171

community of either seceding from California to Nevada or Arizona or forming a new county. The Commission determines that both of these scenarios are not feasible.

- Formation of a new county would require a minimum of 10,000 residents. Unable to provide a sufficient population base, the city would have to add additional population centers into its proposed county such as Barstow (150 miles away) or the Morongo Basin (with the City of Twentynine Palms 125 miles away). Such a proposal would need to gain voter approval from both San Bernardino County as a whole and from within the proposed new county. In the late 1980s, San Bernardino County voters rejected an attempt to create a new county, Mojave County, stretching from the Cajon Pass to Needles while it was supported by the voters within the proposed Mojave County.
- Changing states would require approval not only from the United States Congress but also the legislatures of both California and Nevada or California and Arizona. With the exception of West Virginia leaving Virginia during the Civil War, succession movements generally have failed.
- Disincorporation of the City and formation of a Community Services District. As identified at the outset of the service review presented to the Commission, the City faces an economic disadvantage with its neighboring communities in Arizona and Nevada, questioning the long-term viability of the City. The option of forming an independent single, multi-purpose special district, is a form of government that is feasible for the Needles community. The City could propose a reorganization that would disincorporate the City and simultaneously form a community services district (“CSD”), which would assume the responsibility for providing services such as electricity, water, sewer, parks, etc. and annex to the San Bernardino County Fire Protection District for ongoing fire and emergency medical services. The new CSD could assume the responsibilities and all functions, obligations, assets, liabilities, and equipment of the City. This scenario would maintain an efficient service delivery pattern for the full range of services available within the community through a single agency.

Currently, the County provides library service and operates the airport, and ambulance service is assigned by ICEMA. Although responsible for law enforcement, and fire protection as a municipality, the City contracts with the County Sheriff’s Department for law enforcement, and San Bernardino County Fire Protection District for fire protection and emergency medical services. The remaining services the City actively provides: water, wastewater, park and recreation, electricity, roads, and streetlight services.

In regard to law enforcement, road maintenance, and land use authority, services not available to a CSD, County would assume service responsibility and would receive those revenues such as Motor Vehicle In-Lieu, sales tax revenues and a share of the general ad valorem property tax revenues to support the operations. However, it is important to note that within the unincorporated area traffic control is under the jurisdiction of the California Highway Patrol, which would decrease law enforcement costs to the County.

However, the loss of the City of Needles and its local control, the community would forgo tangible and intangible aspects. First, the community would lose its identity as a city. Second, civic engagement between the citizens and its local government would remain, although with an independent special district and not a city. Third, the one function that an independent special district cannot perform is land use authority, which would revert to

## RESOLUTION NO. 3171

the County. Fourth, the sales tax revenues and motor vehicle fees that were received by the City would be received by the County instead.

However, in this scenario, regression from a municipality to a special district would be proposed in response to economic factors affecting Needles in the Tri-state area. Such a proposal, should it be submitted to LAFCO for consideration, would require a plan for service detailing the transition from city government to an independent special district. The proposal in the end would require a determination of the registered voters within the City for ultimate approval. Additionally, this theoretical scenario would be one of the first of its kind in the state and would raise many issues such as CalPERS retirement contributions, continuation of franchise taxes, etc.

Based upon its evaluation, the Commission does not recommend a change in governmental status at this time; however, discussions with the community about its future should be undertaken given the questions of financial sustainability.

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

**1. Present and Planned Uses:**

According to the current adopted General Plan land use and zoning map for the City of Needles (adopted in February 1986), approximately 42% is Residential, 16% Commercial, 18% Industrial, 6% Open Space, 3% Parks and Recreation, 1% Institutional, 3% Others (i.e. highways, railroads, etc.), and approximately 11% has no land use designation.

For its unincorporated sphere area, the County of San Bernardino designates approximately 99% as Resource Conservation, and the remainder 1% includes a mix of Rural Living, Open Space, and Institutional land uses.

Within the City's entire sphere, roughly 7% of the land is privately owned and the remainder, 93%, is public, which are devoted primarily to resource protection and recreational use. In addition, a portion of the reservation lands for the Fort Mojave Indian Tribe (approximately 6,136 acres) and the reservation lands for the Chemehuevi Indian Tribe (approximately 1,502 acres) are located within the City's unincorporated sphere of influence. This represents approximately 1.7% of the total public lands within the City's unincorporated sphere.

The City's proposed sphere reductions, Areas 1 and 2, currently have limited or no development potential since the area is 98% public lands owned by the Federal government, most of which are within BLM's Desert Wildlife Management Area, a designation for areas which have a one percent surface disturbance limit to protect the desert tortoise habitat.

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

As a municipality, the City is responsible for law enforcement and fire protection within its boundaries and has chosen to contract with the County Sheriff's Department and San Bernardino County Fire Protection District for these services. The City provides some services directly within its limits such as water, wastewater, electricity, parks and recreation (includes cemetery), roads, streetlights, and hospital.



## RESOLUTION NO. 3171

### Water

The City has divided its planning for its utilities (water, wastewater, electricity) into six sections. The sections start in the south with Section A and work northward. Particular to water service, the current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) - The City does not provide service. There are no plans for service to this area, except if Pirate Cove expands and requests connection to the City system.
- Section B (south City boundary to downtown) – The City provides water service to this section. This area, during the strong economic period, was planned to be utilized for commercial and industrial projects, allowing developers to install infrastructure. All projects have ceased and no infrastructure installations are planned. One solar project at the old landfill is still in the preliminary phase. Connections have steadily decreased.
- Section C (downtown) - The City provides water service to this section. Well 10 is currently being replaced and the Well #15 treatment facility may be replaced depending on level of iron/manganese. Connections have steadily decreased.

The City has an out-of-agency service agreement with the Fort Mojave Indian Reservation Village for water service. The City supplies the Village with a master water meter – houses in the Village have individual meters and the Tribe bills each individual meter with payment in sum to the City. There is a one-way interconnect agreement with the Tribe for emergency situations only.

- Section D (downtown to Budweiser Road) – The City does not provide water to this area. This area continues to grow with single family residential homes; the City requires a minimum 1-acre lot for wells/septic; the area is expected to experience ongoing development, with a strong potential for developer(s) to provide infrastructure improvements.
- Section E (Budweiser Road to north sphere limits) – The City does not provide water to this area. This area is being proposed for several solar projects and may require access to water, depending on the technology.
- Section F (within western sphere of influence) – The City does not provide water to this area and there are no plans for service.

### Wastewater

The current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) - The City does not provide service. There are no plans for service to this area.

## RESOLUTION NO. 3171

- Section B (south City boundary to downtown) – The City provides service to this section. There are no plans for expanding service in this area.
- Section C (downtown) - The City provides service to this section. The lines were installed in the 1950s, and maintenance is ongoing. A treatment facility was brought online in 2001, with a daily capacity of 1.3 million gallons; current capacity is at 300,000 gallons per day. Infrastructure improvements are proposed as a part of the El Garces Renovation project, which is currently on hold pending the release of funds.

The City has an out-of-agency service agreement with the Fort Mojave Indian Reservation Village for wastewater service. The Tribe is responsible for collection and transportation of effluent to the City's mainlines. The City is responsible for transportation to its treatment facility and treatment of the effluent.

- Section D (downtown to Budweiser Road) – The City does not provide service to this area. This area continues to grow with single family residential homes; the City requires a minimum 1-acre lot for wells/septic; the area is expected to experience ongoing development, with a strong potential for developer(s) to provide infrastructure improvements.
- Section E (Budweiser Road to north sphere limits) – The City does not provide service to this area. This area is being proposed for several solar projects and may require access to water, depending on the technology.
- Section F (within western sphere of influence) – The City does not provide service to this area and there are no plans for service.

### Electricity

The current service level and planned expansions are identified below by City defined section.

- Section A (south City boundary to south sphere boundary) – Service is provided to the Park Moabi/Pirate Cove facility located outside of the City's boundaries, within its sphere of influence. An upgrade is proposed as part of the expansion plans for Pirate Cove, planned to begin in late 2012/early 2013. Additionally, there is ongoing replacement of old equipment, including poles/transformers.
- Section B (south City boundary to downtown) – Service is provided to the Needles Airport, Towne Center Shopping, and residential areas. A service expansion is planned for a proposed solar project at the old landfill. This project is still in the preliminary stages with the developer to pay for a new line.
- Section C (downtown) - The City provides service to this section. Upgrades are proposed, including replacement of old equipment including poles, transformers, and wires. Additionally, there is ongoing replacement of old equipment, including

**RESOLUTION NO. 3171**

poles/transformers. The City identified that it does not provide electrical service to the Fort Mojave Indian Reservation Village.

In May 2008, the Fort Mojave Indian Tribe through its Aha Macav Power Service (“AMPS”) completed the engineering, procurement, construction, and energization of a new interconnection with the City. This project serves to enhance the reliability of transmission service to the City. The project has been possible through a contractual relationship between the federal government, WAPA, City, and AMPS. In addition, according to the City letter dated February 20, 2013, the City and AMPS have informal mutual aid agreements to provide emergency services to each other on an ad-hoc basis.

- Section D (downtown to Budweiser Road) – The City provides service to this area. This area is served to capacity, with an upgrade underway. The transmission line upgrade is to be paid by WAPA. Additionally, there is ongoing replacement of old equipment, including poles/transformers.
- Section E (Budweiser Road to north sphere limits) – The City provides service to this area. The transmission line upgrade is to be paid by WAPA.
- Section F (within western sphere of influence) – The City does provide service to the railroads, generally where the rail lines cross Interstate 40.

**Parks and Recreation**

The Quimby Act (Government Code sections 66477 et seq.) authorizes jurisdictions to require developers to set aside land for open space or pay in-lieu fees for park improvements. The goal of the Quimby Act is to require developers to help mitigate the impacts of property improvements. This ensures that jurisdictions adopt Quimby Act standards and provide three to five acres of open space per 1,000 persons. The City’s existing General Plan park standard is four acres of parkland per 1,000 persons. The City currently has 42 acres of parkland, which includes parks and special use areas. The Commission is unaware of any undeveloped parkland sites. As shown below, based upon both population projections (SCAG and LAFCO) and the current acreage of parkland/open space, the City would not need to obtain additional parkland through 2040.

	2010	2015	2020	2025	2030	2035	2040
2010 parkland/open space acreage	42	42	42	42	42	42	42
<b>Population – LAFCO projections</b>	<b>4,844</b>	<b>4,976</b>	<b>5,113</b>	<b>5,252</b>	<b>5,396</b>	<b>5,544</b>	<b>5,665</b>
Acreage (4) per 1,000 - City standard	19.4	19.9	20.45	21.01	21.58	22.18	22.66
<b>Population – SCAG projections</b>	<b>4,844</b>	<b>5,370</b>	<b>5,954</b>	<b>6,559</b>	<b>7,225</b>	<b>7,959</b>	<b>8,767</b>
Acreage (4) per 1,000 - City standard	19.4	21.5	23.8	26.2	28.9	31.8	35.1

**Roads/Transportation**

A review of the Southern California Association of Governments (SCAG) “2012-2035 Regional Transportation Plan” does not identify any specific plans for the Needles portion of Interstate 40 or U.S. Highway 95.

Interstate 40-Highway 95 Interconnect Project

## RESOLUTION NO. 3171

The City is proceeding with the engineering design of the I-40/AZ 95 Interconnect project for which \$4.8 million in Federal Transit Authority funding has been granted. The County of San Bernardino is contributing \$628,000 through a grant and a loan for the local matching funds. The project will include the widening of J Street north of Interstate 40, Needles Highway between Broadway and K Street, and K Street between Needles Highway. Traffic signals will be installed at four intersections.

### Hospital

A review of LAFCO files and newspaper articles for the past 20 years reveals a turbulent time for the hospital. According to the FY 2010-11 Hospital audit, the departure of the private operator in 2008 resulted in significant lack of oversight by management.

In 2008 operation of the hospital was transferred from an independent operator, Life Point, to the City after Life Point decided to close the medical center after opening a new hospital – Valley View Medical Center – just 12 miles to the east in Fort Mohave, AZ. In 2008 the medical center identified the two biggest challenges facing the hospital:

1. The need to break away from the City and be able to operate independently. The Hospital has used the staff and services of the City to supplement certain financial and management functions – particularly in 2008 and 2009. Discussions with the City continue as to payment for these services.
2. To secure financing and establish a financial accounting system. In 2009 the hospital board approved a contract for the management of the hospital with a private entity.

In June 2010 the City placed a ballot measure, Measure Q, with the following question:

*“Shall the ordinance to mandate the Board of Hospital Trustees and the Needles City Council to sell the Colorado River Medical Center Pursuant to Government Code Section 37615.1(o) be adopted?”*

The measure passed with 55% voting yes. This measure, codified as City Ordinance 516, requires the Hospital Board, with approval of City Council, to sell the hospital to a qualified nonprofit corporation which meets certain criteria.

In 2011, the Hospital took two important steps forward. It hired a permanent Chief Executive Officer and completed an audit. With the audit completed, the accounting system could be utilized to create ongoing and regular financial reports as well as operating statistical reports for management. The audit states that licensing issues are critical for the future of the Hospital, and that the hiring of competent management staff and training of existing managers is ongoing.

Currently, the Hospital is a licensed 25-bed rural general acute care hospital with a critical access designation. The Hospital serves not only the residents of the city but also travelers on Interstate 40, Highway 95, residents of the lower Mohave Valley, AZ, and approximately 3,100 square miles of the outlying area of San Bernardino County. The Hospital provides a fully-staffed, 24-hour emergency department with physician on duty.

## RESOLUTION NO. 3171

The Hospital also has airship capabilities and is Medicare certified. The Hospital's billing remains in the hands of a third party collection agency, HRG. Due to geographical proximity to another state, managing the process is complex and requires specific skill sets not readily available in the area. This past year, the Hospital entered into an agreement with a local hospice home to provide care for their patients on a per diem basis reimbursement.

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

#### Fire Protection and Law Enforcement

These services are provided to the City of Needles by contract with the San Bernardino County Fire Protection District and County of San Bernardino respectively. The public service provided is negotiated annually through contracts specifications which define the costs for providing the service.

#### Water

Ground water is the source of the Needles water supply. Approximately 781 million gallons per year is pumped from four wells. The wells are approximately 100 feet deep and are located in the lower part of the City. Water distribution consists of 66 miles of lines varying in diameter from 2" to 16". Lines are constructed of ductile iron, asbestos cement, steel and plastic pipe. Water storage is provided by two 1.5 million gallon tanks for the lower pressure zone next to the Rodeo Grounds and one 1.5 million gallon tank and one 100,000 gallon tank out Parkway Street for the upper pressure zone.

According to the 2011 Water Quality Consumers Confidence Report, arsenic and nitrates were detected; however, all are below the state and federal regulations for maximum contaminant level and meet the primary drinking water standards.

The City is not classified as an urban water supplier because it does not have more than 3,000 connections or supplies more than 3,000 acre-feet. Therefore, the City is not required to submit an Urban Water Management Plan to the State every five years.

Those residents residing outside of a water purveyor have their own on-site methods such as wells or springs. The yield from these sources will vary dependent on the amount of rainfall or river percolation and the individuals are responsible for monitoring the quality of the water they use.

#### Wastewater

City's Wastewater Department is responsible for managing the City's sanitary sewer collection system. The collection system consists of 19.25 miles of sewer line 3.6 miles of force main, four lift stations, 390 manholes, and a 11.2 mgd wastewater treatment plant. The sewer system was first installed in 1950.

The City has four lift stations that transport the wastewater to the treatment plant where the effluent is pumped to the City's percolation ponds located behind Bashas Center. Here the water percolates back into the ground and replenishes the groundwater basin. The City's sewer collection system does not include all developed properties within the northernmost

## RESOLUTION NO. 3171

and southernmost portions of the City. In these areas along the river the population is sparse and spread, remaining on septic systems.

A review of the Colorado Water Board's website does not indicate any enforcement orders within the past five years for the City of Needles.

### **Electricity**

The City's electrical system, as a publically-owned utility, is under jurisdiction of the California Energy Commission. In September 2012, the California Public Utilities Commission ("PUC") conducted an audit of the City of Needles' Electric Distribution Facilities. The PUC does not have direct oversight of publically-owned utilities (it regulates investor-owned utilities). However, according to the City, in this instance the PUC is endeavoring to usurp the CEC's authority with respect to infrastructure utilizing recently adopted PUC General Orders. The PUC requested, and the City allowed, a review of records and field inspections of the City's facilities. During the audit, the PUC identified violations of one or more PUC General Orders.

The audit cover letter requested the City to advise by November 16, by electronic or hard copy, of all measures taken by the City of Needles to remedy and prevent such violations. However, the City replied informally via telephone discussion and has not prepared any documentation. According to the City, it fully cooperated with the PUC auditors and will make best efforts to meet the targets set by the PUC audit; however, lacking personnel and financial ability by the NPUA meeting the targets is anticipated to be a challenge.

### **Parks and Recreation**

The City of Needles has approximately 42 acres of recreational opportunities made up of park and recreational areas.

In addition to parks, the City offers a range of community facilities and activities.

- The Duke Watkins Park includes the Needles Skate Park which was built with grant funds from the Tony Hawk Foundation.
- The Needles Municipal Aquatic Center was dedicated in 1990. It contains a 25-yard competition size swimming pool, a slide, and a kid play area that features a wading pool. There is a park within the complex, complete with shade trees, picnic tables/benches and barbecue stands.
- The Parks Department offers recreation programs including: recreation classes, aquatic programs, sports programs, summer day camp, field allocation, facility rentals, special events, and an after school program.
- The Senior Citizens Center has several services to offer including transportation to medical facilities, shopping and appointments around town, and a senior noon meal program including home delivery to eligible participants.
- Rivers Edge Golf Course is owned and operated by the City of Needles, and offers a championship par 71, 18 hole golf course. It is the only golf course in the tri state area located on the Colorado River.

### **Cemetery**

## RESOLUTION NO. 3171

In 1994 the dissolution of the Needles Public Cemetery District was completed by LAFCO and the City was designated as the successor agency. The dissolution transferred the Cemetery District's share of the general ad valorem property tax to the City to continue the service. The City operates the Needles Riverview Cemetery through its parks and recreation department. The Cemetery is an endowment care cemetery meaning that it charges for and receives funds for the perpetual care of the gravesites. The endowment fund is impressed with a public trust and the City is obligated to maintain the principal amount in perpetuity to fund maintenance of the cemetery.

### **Roads/Transportation**

Caltrans is responsible for maintaining the highways and the City maintains the remainder of the public roads within its maintained system. Maintenance and highway improvements must be coordinated through Caltrans as the highways are part of the State Highway System. Even though the highways represent a constraint on the City's circulation system, it also serves as the City's primary access route as there are very limited access alternatives to the highway. Due to the highway's role as the main thoroughfare in and out of the City and region, it receives a high volume of traffic.

### **Streetlights**

The City, through its City's Needles Public Utility Authority, administers and operates the electrical system. Unlike other communities where Southern California Edison is the electrical service provided, in Needles the City owns and operates the streetlights within its boundaries. Therefore, the NPUA responds to problems and is responsible for the utility costs associated with the individual lights. There are no plans at this time to increase the number of the streetlights. However, if the community continues to see growth in its population, the need for streetlights will also increase.

### **Hospital**

The following excerpt is taken from the Hospital FY 2011-12 audit which identifies the economic and market challenges facing the Hospital.

*Competition remains a growing concern for the Medical Center. Competition will be a factor in both services performed at the Medical Center, as well as in physician offices, as other hospitals compete for the loyalty of physicians to refer patients to their facilities. One way the Medical Center can accomplish this is through the use of its status as a Critical Access Hospital. Bringing in Primary Care physicians to the community will offer an opportunity for the Medical Center to potentially draw some patients from additional Primary Care resources in the market. The only real opportunity for growth and further redevelopment of the Medical Center is through the recruitment of Primary Care Physicians into the community. Recognizing that there is not a single Primary Care practitioner in the City of Needles and there are basically two other specialty physicians available, Gastroenterology and General Surgery, it is essential to attempt this necessary recruitment. The out-migration of Primary Care impacts not only these specialists, but the Emergency Room, Outpatient Service areas, and the Inpatient Hospital service.*

Currently, the City remains the owner with the Board of Hospital Trustees operating the Hospital. In August 2012, the City Council approved the sale of the Hospital to a non-profit-group, Community Healthcare Partner Inc, a California nonprofit corporation. According to

## RESOLUTION NO. 3171

the City, it was anticipated that a draft contract would be presented to the Hospital Board of Trustees and City Council in late February for consideration. As of the date of this report no information on the presentation of this contract has been provided.

#### 4. **Social and Economic Communities of Interest:**

As one of the gateways to California, the Needles community holds a significant place in the fabric of California. However, its economic standing has suffered as the economies of communities in Arizona and Nevada have advanced. Social and economic communities of interest include the surrounding Indian tribes, Needles Unified School District, Burlington Northern Santa Fe Railroad businesses along Highway 40, Colorado River and its economic and recreational uses. The Colorado River Medical Center is the largest employer in the City but its future is also in question due to its proximity to larger and varied facilities in the adjacent states.

#### 5. **The Present and Probable Need for Public Facilities and Services of any Disadvantaged Unincorporated Communities within the Existing Sphere of Influence for a City/Special District that Provides Public Facilities or Services Related to Sewers, Water, or Fire Protection**

The City's entire unincorporated sphere of influence is not considered to be a disadvantaged unincorporated community, as defined by Government Code Section 56033.5 and Commission policy. However, the community of Needles itself is a disadvantaged community. The City provides water and sewer services to its residents. For fire protection and medical emergency medical services, the City contracts with the San Bernardino County Fire Protection District to provide these services.

#### 6. **Additional Determinations**

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation within the area, the *Needles Desert Star*. 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, in-lieu of individual notice the notice of hearing publication was provided through an eighth page legal ad.
- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice. In addition, on February 12, 2013 LAFCO staff met with the community agencies and representatives to review the determinations and recommendations made within its draft report, to solicit comments on the determinations presented and to respond to any questions.
- Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

**WHEREAS**, having reviewed and considered the determinations as outlined above, the Commission determines to reduce the City of Needles' existing sphere of influence by approximately 233 square miles that includes the 21-sq.mile non-contiguous sphere area and affirms the balance of its existing sphere of influence, subject to the following conditions:



**RESOLUTION NO. 3171**

- 1. The City shall provide a full accounting of the Cemetery Endowment to include revenues, expenses, and transfers to include a breakdown of the fund balance to include principal and gains for the past ten years.
- 2. The City shall separately identify the restricted funds of the cemetery activity in the City's audits in both the financial statements and in the notes or management discussion and analysis.

**NOW, THEREFORE, BE IT RESOLVED** by the Local Agency Formation Commission for San Bernardino County, State of California, that this Commission shall consider the territory shown on the map attached as Exhibit "A" as being within the sphere of influence of the City of Needles; 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 for San Bernardino County, State of California, does hereby determine that the City of Needles shall indemnify, defend, and hold harmless the Local Agency Formation Commission for San Bernardino County from any legal expense, legal action, or judgment arising out of the Commission's designation of the modified sphere of influence, including any reimbursement of legal fees and costs incurred by the Commission.

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

<b>AYES:</b>	<b>COMMISSIONERS:</b>
<b>NOES:</b>	<b>COMMISSIONERS:</b>
<b>ABSENT:</b>	<b>COMMISSIONERS:</b>

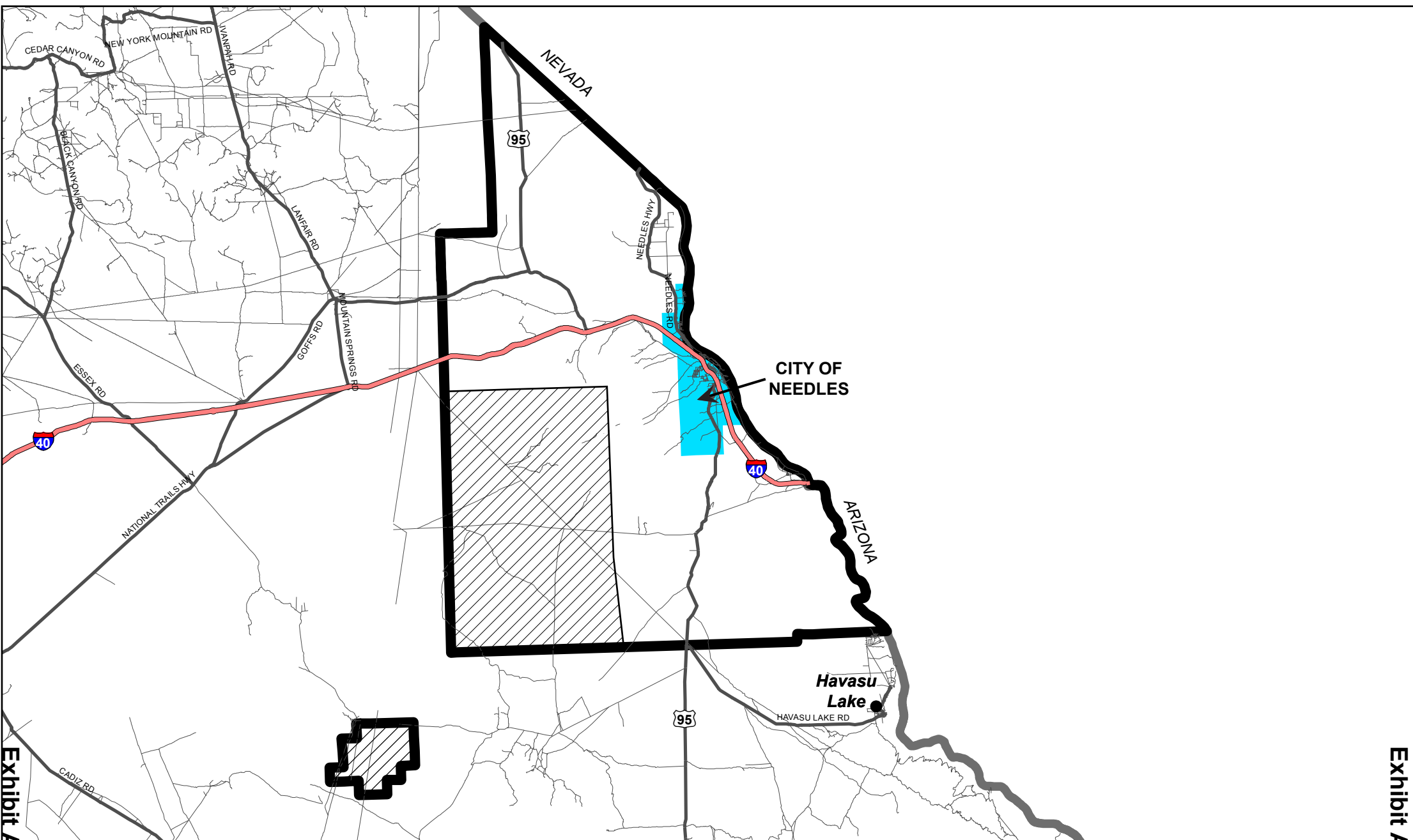
\*\*\*\*\*

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 July 17, 2013.


DATED:

\_\_\_\_\_  
**KATHLEEN ROLLINGS-McDONALD**  
 Executive Officer



LAFCO DEFINED NEEDLES COMMUNITY  
**PROPOSED COMMUNITY MODIFICATION**

-  LAFCO Defined Community Boundary  
(City of Needles Sphere of Influence)
-  City of Needles

-  Proposed Needles Community  
Modification  
(Reduction of City of Needles  
Sphere of Influence)