

# **AGENDA**

## **LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY**

**SAN BERNARDINO CITY COUNCIL CHAMBERS  
300 NORTH D STREET, FIRST FLOOR, SAN BERNARDINO**

**REGULAR MEETING OF JANUARY 21, 2015**

### **9:00 A.M. – CALL TO ORDER – FLAG SALUTE**

**ANNOUNCEMENT:** Anyone present at the hearing who is involved with any of the changes of organization to be considered and who has made a contribution of more than \$250 in the past twelve (12) months to any member of the Commission will be asked to state for the record the Commission member to whom the contribution has been made and the matter of consideration with which they are involved.

### **CONSENT ITEMS:**

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter.

1. Approval of Minutes for Regular Meeting of October 22, 2014
2. Approval of Executive Officer's Expense Report
3. Ratify Payments as Reconciled for Months of October, November and December 2014 and Note Cash Receipts
4. Review and Accept Audit Report for Fiscal Year Ended June 30, 2014
5. Consideration of Fee Reduction Requested by Crest Forest Fire Protection District for its Sphere of Influence Amendment Application (LAFCO 3185) and Reorganization Proposal (LAFCO 3186)

### **PUBLIC HEARING ITEMS:**

6. Consent Items Deferred for Discussion
7. Consideration of: (1) CEQA Statutory Exemption for LAFCO 3181; and (2) LAFCO 3181 – Reorganization to Include Annexations to the Bighorn-Desert View Water Agency; Dissolution of Zone W-1 of County Service Area 70 and Formation of an Improvement District of the Bighorn-Desert View Water Agency
8. Consideration of: (1) CEQA Statutory Exemption for LAFCO 3176; and (2) LAFCO 3176 -- Special Study of the Daggett, Newberry, and Yermo Community Services Districts including a Plan for Service and Service Review

9. Mid-Year Budget Review for Fiscal Year 2014-15:

- Financial Report for Period July 1 through December 31, 2014
- Rescind Action taken by Commission at October 22, 2014 Hearing to Establish Separate Trust Accounts within the County Chart of Accounts
- Authorization of Fund Transfer of \$20,000: Add Account 2040 (Relocation Charges) with \$10,000 Appropriation; Increase Account 2125 Inventoriable Equipment by \$5,000 and Account 2041 Phone Service/Outside Company by \$5,000 to address IT equipment following relocation of County Department from 215 North "D" Street

**DISCUSSION ITEMS:**

10. Request for Authorization for Special Study of the Morongo Community Services District

**INFORMATION ITEMS:**

11. Legislative Update Report

12. Executive Officer's Report

13. Commissioner Comments

(This is an opportunity for Commissioners to comment on issues not listed on the agenda, provided that the subject matter is within the jurisdiction of the Commission and that no action may be taken on off-agenda items unless authorized by law.)

14. Comments from the Public

(By Commission policy, the public comment period is limited to five minutes per person for comments related to items under the jurisdiction of LAFCO.)

The Commission may adjourn for lunch from 12:00 to 1:30 p.m.

In its deliberations, the Commission may make appropriate changes incidental to the above-listed proposals.

Materials related to an item on this Agenda submitted to the Commission or prepared after distribution of the agenda packet will be available for public inspection in the LAFCO office at 215 N. D St., Suite 204, San Bernardino, during normal business hours, on the LAFCO website at [www.sbclafco.org](http://www.sbclafco.org), and at the hearing.

Current law and Commission policy require the publishing of staff reports prior to the public hearing. These reports contain technical findings, comments, and recommendations of staff. The staff recommendation may be accepted or rejected by the Commission after its own analysis and consideration of public testimony.

IF YOU CHALLENGE ANY DECISION REGARDING ANY OF THE ABOVE PROPOSALS IN COURT, YOU MAY BE LIMITED TO RAISING ONLY THOSE ISSUES YOU OR SOMEONE ELSE RAISED DURING THE PUBLIC TESTIMONY PERIOD REGARDING THAT PROPOSAL OR IN WRITTEN CORRESPONDENCE DELIVERED TO THE LOCAL AGENCY FORMATION COMMISSION AT, OR PRIOR TO, THE PUBLIC HEARING.

The Political Reform Act requires the disclosure of expenditures for political purposes related to a change of organization or reorganization proposal which has been submitted to the Commission, and contributions in support of or in opposition to such measures, shall be disclosed and reported to the same extent and subject to the same requirements as provided for local initiative measures presented to the electorate (Government Code Section 56700.1). Questions regarding this should be directed to the Fair Political Practices Commission at [www.fppc.ca.gov](http://www.fppc.ca.gov) or at 1-866-ASK-FPPC (1-866-275-3772).

A person with a disability may contact the LAFCO office at (909) 383-9900 at least 72-hours before the scheduled meeting to request receipt of an agenda in an alternative format or to request disability-related accommodations, including auxiliary aids or services, in order to participate in the public meeting. Later requests will be accommodated to the extent feasible.



**ACTION MINUTES OF THE  
LOCAL AGENCY FORMATION COMMISSION  
HEARING OF OCTOBER 22, 2014**

**REGULAR MEETING**

**9:00 A.M.**

**OCTOBER 22, 2014**

**PRESENT:**

**COMMISSIONERS:** Jim Bagley  
Kimberly Cox, Vice-Chair  
Steve Farrell, Alternate  
Robert Lovingood  
Larry McCallon

James Ramos  
Sunil Sethi, Alternate  
Acquanetta Warren, Alternate  
Diane Williams

**STAFF:** Kathleen Rollings-McDonald, Executive Officer  
Clark Alsop, LAFCO Legal Counsel  
Samuel Martinez, Assistant Executive Officer  
Michael Tuerpe, Project Manager  
Rebecca Lowery, Clerk To The Commission  
Angela Schell, Administrative Assistant

**ABSENT:**

**COMMISSIONERS:** James Curatalo, Chair  
Janice Rutherford, Alternate

**CONVENE REGULAR SESSION OF THE LOCAL AGENCY FORMATION  
COMMISSION – CALL TO ORDER – 9:04 A.M. – SAN BERNARDINO CITY COUNCIL  
CHAMBERS**

Vice-Chair Cox calls the regular session of the Local Agency Formation Commission to order and leads the flag salute.

Vice-Chair Cox requests those present who are involved with any of the changes of organization to be considered today by the Commission and have made a contribution of more than \$250 within the past twelve months to any member of the Commission to come forward and state for the record their name, the member to whom the contribution has been made, and the matter of consideration with which they are involved. There are none.

**CONSENT ITEMS – APPROVE STAFF RECOMMENDATION:**

The following consent items are expected to be routine and non-controversial and will be acted upon by the Commission at one time without discussion, unless a request has been received prior to the hearing to discuss the matter.

1. Approval of Minutes for Regular Meeting of September 17, 2014
2. Approval of Executive Officer's Expense Report
3. Ratify Payments as Reconciled for Month of September 2014 and Note Cash Receipts
4. **CONTINUED FROM SEPTEMBER 17, 2014 HEARING:** Review and Consideration of Amendment to LAFCO Conflict of Interest Code
5. **TO BE DEFERRED FOR DISCUSSION:** Adoption of LAFCO Resolution No. 3190 for LAFCO 3157 – Sphere of Influence Establishment for County Service Area 120 (Habitat Preservation and Historical Resources – North Etiwanda)

LAFCO considered the items listed under its consent calendar, which includes a Visa Justification, the Executive Officer expense report and staff report outlining the staff recommendations for the reconciled payments. Also included is Amendment to the LAFCO Conflict of Interest Code and the adoption of the resolution for LAFCO 3157. Copies of each report are on file in the LAFCO office and are made part of the record by their reference herein.

Executive Officer Kathleen Rollings-McDonald states that an update to her expense report has been placed at each Commissioner's place; she also notes that item 5 has been requested to be deferred for discussion.

Commissioner McCallon moves approval of the consent calendar, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Farrell, Lovingood, McCallon, Williams. Noes: None. Abstain: None. Absent: Curatalo (Mr. Farrell voting in his stead), Ramos.

**PUBLIC HEARING ITEMS:**

Clark Alsop, Legal Counsel for the Commission, leaves the dais; Holly Whatley, from Colantuono, Highsmith & Whatley, PC, Special Counsel for the Commission, takes his place.

**ITEM 6. CONSENT ITEMS DEFERRED FOR DISCUSSION ADOPTION OF LAFCO RESOLUTION NO. 3190 FOR LAFCO 3157 – SPHERE OF INFLUENCE ESTABLISHMENT FOR COUNTY SERVICE AREA 120 (HABITAT PRESERVATION AND HISTORICAL RESOURCES – NORTH ETIWANDA)**

Vice-Chair Cox opens the public hearing.

Executive Officer Kathleen Rollings-McDonald presents the staff report for LAFCO 3157, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. She says that at the September 17, 2014 hearing, the Commission reviewed and considered the Sphere of Influence Establishment for CSA 120. She says that at that time the Commission made mandatory determinations

required by Government Code Section 56425 and also approved the modification requested by the County of San Bernardino. She says that during the September Commission hearing, the manager of CSA120 expressed questions regarding the amount of interest earned to be returned to the endowment fund. Staff had identified that amount to be \$112,884.

(It is noted that Commissioner Warren arrives at the dais.)

Ms. McDonald states that County Special Districts staff identified their concerns that the statute specifying that the interest earned could not be consolidated for use did not take effect until January 2012 and its provisions should not be applied retroactively. LAFCO staff has been in consultation with Special Districts staff on this concern.

Ms. McDonald says that staff believes its position is legally defensible given the contractual nature of the endowment funds for use for maintenance and preservation of specific properties going back to the acquisition and agreement for conservation. She says that the adoption of the updated Cooperative Management Plan in October 2010 by the County Board of Supervisors clearly identifies the division of the areas into two units. She says that therefore, staff is modifying their determination to reflect the need to redeposit the interest earnings for Fiscal Years 2010-11, 2011-12, 2012-13 and the amount for 2013-14 now due.

(It is noted that Commissioner Ramos arrives at the dais.)

Ms. McDonald says that Special Districts staff also questioned the \$17,517 shown for Fiscal Year 2012-13 as interest earned and requested the amount be modified. She says that LAFCO staff received a revised version of the 2012-13 audit for CSA 120, a copy of which is included as attachment #3 to the staff report, and shows the interest earned during Fiscal Year 2012-13 as reduced to \$6,844. She says that staff is still concerned that even with the reduction on interest to be returned, it does not alleviate concern for the future operation of CSA 120 and that significant work still remains to address the conditions identified and approved by the Commission.

Ms. McDonald requests that the Commission take the actions outlined in page 1 of the staff report to amend the determination on interest to be returned to the endowment fund and adopt LAFCO Resolution No. 3190.

Commissioner Farrell questions where the net increase in fair value change came from and also notes an error in the chart versus the text in the staff report.

Executive Officer McDonald says that the fair value change was due to the auditor's acknowledgement of the large amount to be held on deposit, that it is a net fair value that needs to be assigned. She says that the text in the staff report will be corrected to reflect the correct amounts.

Tim Millington, County Special Districts, says that Net Fair Value relates to property value as well as the endowment fund and that as the property value increases, the net fair value is added to the audit report. He says that County Special Districts is also

having County Counsel review Government Code Section 65968 with regard to the retroactive activity and if it is applicable to CSA 120.

Vice-Chair Cox closes the public hearing.

Commissioner Farrell moves approval of staff recommendations for LAFCO 3157, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Farrell, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Curatalo (Mr. Farrell voting in his stead).

LAFCO Legal Counsel Clark Alsop returns to the dais.

**ITEM 7. CONTINUED FROM SEPTEMBER 17, 2014 HEARING: CONSIDERATION OF: (1) CEQA STATUTORY EXEMPTION FOR LAFCO 3180; AND (2) LAFCO 3180 – REORGANIZATION TO INCLUDE ANNEXATIONS TO COUNTY SERVICE AREA 54, DETACHMENT FROM COUNTY SERVICE AREA SL-1 AND DISSOLUTION OF COUNTY SERVICE AREA 73 AND ZONE A OF COUNTY SERVICE AREA 53 (STREETLIGHT REORGANIZATION FOR THE MOUNTAIN REGION)**

Assistant Executive Officer Samuel Martinez presents the staff report for LAFCO 3180, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here.

He reviews the maps for the project area and says that the purpose of this proposal is to consolidate streetlighting services within the entire mountain region into a single county service area to reduce indirect costs while maintaining the current level of service. He says that the County Special Districts Department submitted two proposals – one for the sphere of influence expansion for County Service Area (CSA) 54 (LAFCO 3179), which the Commission approved at its July 2014 hearing, and the reorganization proposal (LAFCO 3180) currently before the Commission for consideration.

Mr. Martinez says that the overall reorganization includes annexations to CSA 54, a detachment of an area from CSA SL-1, and the dissolutions of CSA 53 Zone A (53-A) and CSA 73. The reorganization includes eight specific areas encompassing a total of approximately 8,462 acres. Area 1 is an area being detached from CSA SL-1 and annexed into CSA 54. Area 2 contains the boundaries for CSA 73, which is being dissolved and annexed into CSA 54. Areas 3, 4, and 5 comprises the total area for CSA 53-A, which is also being dissolved and annexed into CSA 54. And finally, Areas 6, 7, and 8 are areas that are simply being annexed into CSA 54.

Mr. Martinez noted that a streetlight in Running Springs was found outside the boundaries of CSA 73 and, due to its remoteness, staff is recommending that the Special Districts Department consider either transferring the light to another appropriate entity or turn the light off if no other entity is willing to accept responsibility for the light.

Mr. Martinez states that the plan for services submitted by the County included a 5-year projection that indicates that the reorganization proposal will allow CSA 54 to continue to provide streetlighting services in the mountain region at current service levels. However, with

the funding constraints associated with the districts, LAFCO staff is also recommending that the Special Districts Department do an accounting of all the streetlights that are being paid for by these districts.

Mr. Martinez says that Tom Dodson from Tom Dodson and Associates has indicated that the proposal is statutorily exempt from the California Environmental Quality Act (CEQA).

Mr. Martinez says that staff supports approval of LAFCO 3180 and that the reorganization accomplishes the County's goal to consolidate all of the County's mountain region streetlighting service providers into a single county area and through the reorganization, there is the potential to reduce indirect costs and continue to maintain the current level of service.

Assistant Executive Officer Samuel Martinez states that the staff's recommendation is that the Commission take the actions outlined on the overhead display and on pages 1 and 2 of the staff report.

Commissioner Farrell asks who will be responsible for the street light in the Running Springs area.

Executive Officer McDonald says that CSA 73 funds the light, but is not responsible for the light.

Commissioner Bagley says that CALTRANS should be made responsible for the streetlight and that the Commission should make that a recommendation.

Vice-Chair Cox opens the public hearing.

Tim Millington, County Special Districts, says that Southern California Edison will from time to time transfer lights to other poles without informing County Special Districts, so it can be problematic when keeping maps updated, so he is in support of staff identifying the existing lights.

Vice-Chair Cox calls for further testimony; there being none closes the public hearing.

Commissioner Ramos moves approval of staff recommendations for LAFCO 3180, second by Commissioner Lovingood. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Farrell, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Curatalo (Mr. Farrell voting in his stead).

**ITEM 8. CONTINUED FROM SEPTEMBER 17, 2014 HEARING: CONSIDERATION OF : (1) CEQA STATUTORY EXEMPTION FOR AMENDMENTS TO POLICY AND PROCEDURE MANUAL; AND (2) AMENDMENTS AND UPDATES TO LAFCO POLICY AND PROCEDURE MANUAL DEFINED AS: A. UPDATE OF SECTION 2, ACCOUNTING AND FINANCIAL POLICIES AND PROCEDURES – INTRODUCTION; B. UPDATE SECTION 3, HUMAN RESOURCES PERSONNEL POLICIES AND PROCEDURES AND LAFCO BENEFIT PLAN – ADD POLICY 302 VACATION, SECTION E PRIOR SERVICE CREDIT; AMEND POLICY 202 FOR COMPENSATION; AND AMEND BENEFIT PLAN SECTION 1 ITEM C; C. UPDATE SECTION 4, APPLICATION/PROJECT PROCESSING – ADD POLICY 14 -- CAMPAIGN**

**DISCLOSURE POLICY, AMEND POLICY 9 – INDIVIDUAL NOTICE OF COMMISSION HEARINGS TO LANDOWNERS AND REGISTERED VOTERS, AND AMEND POLICY 13(A) -- DISADVANTAGED UNINCORPORATED COMMUNITY ANNEXATION POLICY; D. UPDATE SECTION 6, SPECIAL DISTRICT REPRESENTATION POLICIES AND PROCEDURES – AMEND EXHIBIT A LISTING TO REFLECT STATUTORY CHANGES; E. UPDATE SECTION 7, FORMS – AMEND APPLICATION SUBMISSION CHECKLIST, AMEND LANDOWNER AND REGISTERED VOTER PROTEST FORMS, AND ADD CAMPAIGN DISCLOSURE FORM**

Executive Officer Kathleen Rollings-McDonald presents the staff report for the proposed amendments to the LAFCO Policy and Procedure Manual, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. She says that at the June 2012 Commission hearing, the LAFCO Policy and Procedure Manual was reorganized and updated and established an annual review of the Manual be conducted in August or September. She says staff has prepared a report with the Manual items for update and amendment.

Ms. McDonald says that in the Accounting and Financial Policies Section 2, an update to the Introduction portion of this section includes the language with identifies the new contractual relationship with the County's Information Services Department.

Ms. McDonald says that in the Human Resources Policies and Procedures and Benefit Plan Section 3, includes the policy for prior service credit and the policy regarding vacation leave accrual for prior service that was inadvertently excluded from the previous manual restructuring and the amendments related to the staffing reorganization.

Ms. McDonald says that in the Project/Application Processing Section 4, includes the addition of Policy 14 – Campaign Disclosure Policy; the amendment of the Individual Notice of Commission Hearings to Landowners and Registered Voters; and the amendment of the Disadvantaged Unincorporated Community Annexation policy.

Ms. McDonald says that the Special District Representation Policies and Procedures Section 6 includes the amendment to the Exhibit A to reflect statutory changes. She says that in the Forms Section 7, amendments to the Application Submission Checklist, Landowner and Registered Voter Protest forms are included along with the addition of the Campaign Disclosure form.

Ms. McDonald says that the Commission's Environmental Consultant has reviewed the requested changes to the Commission's Policy and Procedure Manual and has indicated that the updates and amendments are statutorily exempt from the California Environmental Quality Act (CEQA) and asks that the Commission approve staff recommendations and adopt LAFCO Resolution No. 3188.

Commissioner McCallon asks what the definition of a disadvantaged community is.

Executive Officer Kathleen Rollings-McDonald says that in LAFCO law it is defined as an unincorporated area whose residents earn less than 80% of the California median income. She says that the Commission's Policies determine that every April, after the Department of Finance issues their changes, staff is to define those areas on a map for the County. She says that staff

also identifies the disadvantaged incorporated areas for the County as well.

Vice-Chair Cox opens the public hearing.

Jane Hunt, member of the public, asks for clarification of the unincorporated annexation policy.

Executive Officer Kathleen Rollings-McDonald clarifies the policy.

Vice-Chair Cox closes the public hearing.

Commissioner McCallon moves approval of staff recommendations for LAFCO Policy and Procedure Manual, second by Commissioner Williams. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Farrell, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Curatalo (Mr. Farrell voting in his stead).

**ITEM 9. CONSIDERATION OF CEQA STATUTORY EXEMPTION FOR VALLEY REGION SERVICE REVIEWS TO INCLUDE, BUT NOT BE LIMITED TO, THE FOLLOWING SERVICES: WATER ( RETAIL, WHOLESALE AND RECLAMATION), SEWER (TREATMENT, COLLECTION), LAW ENFORCEMENT, FIRE PROTECTION/ EMERGENCY MEDICAL RESPONSE/AMBULANCE, PARK AND RECREATION, STREETLIGHTS, SOLID WASTE AND OTHER MISCELLANEOUS URBAN SERVICES**

Project Manager Michael Tuerpe presents the staff report for the consideration of CEQA Statutory Exemption for the Valley Region Service Reviews, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. He says that the first round of service reviews were conducted on a community-by-community basis and the second round of service review are being conducted on a by-service basis. Staff is commencing the Valley Region and the services reviewed will include Water (Retail, Wholesale and Recycle), Wastewater (Treatment, Collection, and Reclamation), Law Enforcement, Fire Protection/Emergency Medical Response/Ambulance; Park and Recreation; Streetlights; Solid Waste; and other Miscellaneous Urban Services. He says that sphere updates will be conducted on an as needed basis and will require a separate environmental assessment as an individual project.

Mr. Tuerpe says that the Commission's environmental consultant has determined separate environmental analysis for each service review is not required and do not constitute a project under CEQA, whereby making the service reviews statutorily exempt from CEQA. He asks that the Commission approve staff's recommendation as noted in the staff report.

Vice-Chair Cox opens the public hearing.

No Comments from the public received.

Vice-Chair Cox closes the public hearing.

Commissioner Farrell moves approval of staff recommendations for CEQA Statutory Exemption for the Valley Region Service Reviews, second by Commissioner Ramos.

There being no opposition, the motion passes unanimously with the following vote:

Ayes: Bagley, Cox, Farrell, Lovingood, McCallon, Ramos, Williams. Noes: None.

Abstain: None. Absent: Curatalo (Mr. Farrell voting in his stead).

**ITEM 10. FIRST QUARTER FINANCIAL REVIEW FOR PERIOD JULY 1 THROUGH SEPTEMBER 30, 2014: A. FINANCIAL REVIEW; B. TRANSFER OF \$11,000 FROM CONTINGENCY FUNDS (ACCOUNT 6000) TO INFORMATION SERVICES DEPARTMENT DIRECT (ACCOUNT 2421); C. ESTABLISHMENT OF TRUST ACCOUNTS FOR RESERVE FUNDS CURRENTLY ALLOCATED IN ACCOUNTS 6010, 6025, 6030**

Executive Officer Kathleen Rollings-McDonald presents the staff report for the First Quarter Financial Review, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. She says that the report includes a review of the financial activities and the presentation of a spreadsheet showing the line item expenditures and receipts during the first quarter. She says that Salaries and Benefits are at 22% of the Adopted Budget, Service and Supplies are at 23% of the Adopted Budget. She says that the fiscal indicators project is nearing completion and that will be live by the end of the year; the Special Study for Daggett, Newberry and Yermo Community Services Districts will be completed by the beginning of next year and that the Feasibility Study for the Incorporation of the Rim of the World Communities is ready to begin, but no funds have been expended to date.

Ms. McDonald says that no activity has been authorized by the Commission for the Contingency and Reserve accounts and reviews the first quarter revenues. She reviews the first quarter proposal activity.

Ms. McDonald says that the County has changed the billing method for its ISD desktop support service from an hourly charge based on activity to a flat monthly fee. The new charges will be roughly \$10,000 per year. She says that to cover this change in cost for FY 14-15, staff is recommending that the Commission transfer \$11,000 from its Contingency Funds Account to its Information Service Department Direct Account.

Ms. McDonald says that staff is recommending a change in the holding of the Commission's reserve funds; the reserve funds would be placed in a separate account in the County Treasury that would segregate the reserve fund from the operating funds and reinforce the fact that reserve funds are for restricted activities. She says that the gained interest in this account would be allocated proportionally amongst the reserve funds.

Ms. McDonald says that an amendment to the Accounting and Reserve Policy #7 will also be needed to identify the Net Pension Liability Reserve as noted in the staff report.

Ms. McDonald says that LAFCO is in the process of reviewing the contract with the County for payroll and payroll reporting and general accounting services as required by the Affordable Care Act.

She outlines the staff recommendations for Commission action.



Commissioner Ramos says that staff should call upon his office if help is needed in with the review and finalization of the contract with the County for payroll and accounting services.

Commissioner Bagley says he is pleased that staff is addressing the issue of unfunded liabilities.

Executive Officer Kathleen Rollings-McDonald says that staff is aware of the financial responsibilities of unfunded liabilities and will continue to monitor and address this both internally and also for agencies and municipalities that the commission reviews.

Vice-Chair Cox opens the public hearing.

No Comments from the public received.

Vice-Chair Cox closes the public hearing.

Commissioner McCallon moves approval of staff recommendations for the Financial Review, second by Commissioner Ramos. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Farrell, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Curatalo (Mr. Farrell voting in his stead).

(It is noted that Commissioner Ramos leaves the dais.)

**ITEM 11      WORKSHOP ON LAFCO 3176 -- SPECIAL STUDY FOR DAGGETT, NEWBERRY AND YERMO COMMUNITY SERVICES DISTRICT INCLUDING PLAN FOR SERVICE AND SERVICE REVIEW**

Executive Officer Kathleen Rollings-McDonald presents the staff report for the workshop on LAFCO 3176 – Special Study for Daggett, Newberry and Yermo Community Services District, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. She says that the San Bernardino County Grand Jury investigated the Newberry Community Service District in 2012-13 and identified numerous issues and challenges related to governance, accounting and financial management. She says that the Grand Jury also recommended that LAFCO conduct a more robust analysis of the District and as a result the Commission directed staff to initiate a special study for Daggett, Newberry and Yermo Community Service District (CSD).

(It is noted that Commissioner Lovingood leaves the dais.)

Ms. McDonald says that staff has been working the three districts to gather information and that staff has conducted site visits with the three districts. She says that the draft staff report was reviewed in August with the affected agencies for comment and editorial purposes and that Newberry CSD was the only district to provided comments. She says that the draft report is being presented to the Commission for review in a workshop session for additional input prior to the community meeting that will be scheduled in late

November/early December with the community at the Silver Valley High School in Yermo. She says that no action is required from the Commission at this time and that the final staff report will be presented to the Commission at the January 21, 2015 hearing for consideration.

Ms. McDonald asks the Commission to review the draft Plan for Service and Service Review and provide comment and direction to staff.

Project Manager Michael Tuerpe presents the draft Plan for Service and Service Review to the Commission. He says that staff has reviewed the six determinations for the Service Review and that for Determination I – Growth and population projections, the area is not anticipated to experience significant growth and that transient traffic on I-15 and I-40 has significantly increased. He says that for Determination II – Disadvantaged Unincorporated Communities, the entire study area is considered a disadvantaged unincorporated community. Mr. Tuerpe says that for Determination III – Present and planned capacity of public facilities, that streetlighting and park and recreation services are adequately provided; upgrades and improvements to community center building are necessary; that the Daggett CSD Water Service has had three occurrences that disrupted water flow and staff is concerned on how Daggett CSD handled the situations; and that for Fire protection and emergency response the area has scant property tax revenue and runs an all-volunteer force with satisfactory equipment and is responsible for the provision of service to not only residential and commercial areas, but to vast public lands and two of the four interstate highways the exit Southern California to the east.

Mr. Tuerpe says that for Determination IV – Financial abilities, that there is not enough revenue to fund capital and needed improvements; that fire protections and EMS comprise the largest expense; the districts do not adhere to the constitutional requirement for the establishment of an appropriation limit and other statutes related to finances. He says that Daggett CSD has failed to operate with a budget since 1995 and that Newberry CSDs' independent auditor issued a disclaimer of opinion for the 2010 and 2011 audits.

Mr. Tuerpe says that for Determination V – Shared Facilities, that the opportunity for shared facilities amongst all three CSDs through a consolidation or joint powers authority would maximize the limited resources available; and that for Determination VI – Accountability for community service needs including governmental structure and operational efficiencies that since 1995 the County Register of Voters has indicated that the districts have had a high turnover and have not yielded enough candidates to continually run for office. He says that Yermo CSD has been without a General Manager since late July 2014.

(It is noted that Commissioners Lovingood and Ramos return to the dais.)

Mr. Tuerpe says that the service review has identified numerous areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. He says that staff is recommending that the Commission determine that the districts are not in compliance as noted in the staff report and to

instruct LAFCO staff to return to the Commission with progress updates on a bi-annual basis until satisfactory compliance is reached by the districts.

Mr. Tuerpe says that the objectives Plan for Service for the districts is to improve the financial mechanism to the districts to provide service; provide services effectively and efficiently within the funding level acceptable to these that pay taxes; provide standardized fire apparatus and levels of service, and training that meets regulatory standards; and improve the management efficiency of the district. He reviews staff's recommended consolidated organizational charts with the different options for the districts and the option of a Joint Powers Authority for Fire and Emergency services.

Mr. Tuerpe says that the community prefers to keep the status quo and is not supportive of the consolidation of the districts. He says that staff will be scheduling a community meeting in late November/early December to review the draft staff report with the community and that the final staff report will be presented to the Commission at its January Hearing for action.

Vice-Chair Cox says that these districts were formed by isolated communities and that there are some concerns with the operation of the districts and that she is interested in hearing what the community has to say about staff's report. She says that there is a need for improvement in the districts with reporting and with compliance to the law.

Executive Officer Kathleen Rollings-McDonald says that during the last service review the Commission and the community were made aware of the district's deficiencies and that at that time the community's response was that no information was provided as to what the projected costs would be. She says that in this new report, staff has provided the projected costs and that they will be presented and discussed with the community at the community meeting. She says that notice of the meeting and the location of the draft staff report on the Commission's web site will be provided to the registered voters and landowners in the study area and that comment regarding the draft staff report will be encouraged during the community meeting.

Vice-Chair Cox says that the need for the special study was in response to a direct request from the Grand Jury; therefore questions what the Commission's authority is on this issue.

Executive Officer Kathleen Rollings-McDonald says the Commission has the authority to initiate a consolidation, be it of two districts or all three districts, based on the findings of the report and that the protest proceeding would require a smaller percentage. However, that if the districts were to initiate the consolidation the standard protest proceeding percentages would apply.

Commissioner Lovingood says that the residents in study area are great people and that they are concerned with the provision of services and that it is critical to provide the opportunity for better services and safety to the area.

Vice-Chair Cox asks if there is the potential for legal liability for the Commission or for staff as this study goes forward.

Executive Officer Kathleen Rollings-McDonald says that she will return with the answer to the potential for legal liability at the January 2015 hearing.

Vice-Chair Cox asks if there is help available for the districts in developing budgets and such, should they require it.

Executive Officer Kathleen Rollings-McDonald says that staff has provided the information regarding appropriation limits, budgets and other materials in an effort to help these districts become more compliant and that staff will continue to offer its services as needed.

Commissioner Sethi asks if the consolidation will compromise the services or staff.

Executive Officer Kathleen Rollings-McDonald says that the consolidation will not compromise services or staff.

Ellen Johnson, resident of Newberry Springs, says that staff has done a good job with the preparation of the draft service review. She asks what LAFCO's protest proceedings are.

Executive Officer Kathleen Rollings-McDonald says that the protest proceedings for a consolidation would be related to registered voters and land owners; the areas are legally inhabited and that the success or failure of this consolidation will be based on whether or not the voters support it and she details the percentages as based on the study area.

Ms. Johnson asks how fire protection services would be provided if County Fire were to provide the service in Newberry.

Ms. McDonald says that County Fire would have to submit a plan for service if they were to provide the fire protection service in Newberry and that plan would detail how fire protection services would be provided; in addition, a LAFCO process would ensue and an analysis would be conducted by LAFCO staff.

#### **DISCUSSION ITEMS:**

#### **ITEM 12. TO BE CONTINUED TO THE JANUARY 21, 2015 HEARING: STATUS REPORT ON RIM OF THE WORLD RECREATION AND PARK DISTRICT**

Executive Officer Kathleen Rollings-McDonald presents the staff report for the requesting the continuance of the item, a complete copy of which is on file in the LAFCO office and is made a part of the record by its reference here. She says that staff continues to monitor the activities of this district and that staff met with the General Manager and newly appointed Finance Officer and a member of the Board of Directors in October. She says that at that meeting it was determined that more time was required to adequately answer staff questions. Staff is recommending that the item be continued to the February 18, 2015 hearing.

Commissioner McCallon moves approval of staff recommendations to continue the item to the January 21, 2015 hearing, second by Commissioner Ramos. There being no opposition, the motion passes unanimously with the following vote: Ayes: Bagley, Cox, Farrell, Lovingood, McCallon, Ramos, Williams. Noes: None. Abstain: None. Absent: Curatalo (Mr. Farrell voting in his stead).

### **INFORMATION ITEMS:**

#### **ITEM 13. LEGISLATIVE UPDATE REPORT**

Executive Officer Kathleen Rollings-McDonald provides the Commission with the Legislative Update from the 2014 CALAFCO Annual Conference. She says the update identifies legislature of importance to LAFCO Commissions and notes that AB 1521 and SB 69 were vetoed and that it is probable that the City of Jurupa Valley will be submitting disincorporation documents to Riverside County. She says that she has been appointed to chair a subcommittee of the CALAFCO legislative committee to review and rewrite the statutes on disincorporation.

Ms. McDonald reviews the Infrastructure Financing Districts bills and says that AB 229 has been signed and that it is meant to create infrastructure and revitalization districts to clean up and develop former military bases; SB 628 that allow the creation of infrastructure financing district to finance specified infrastructure projects and facilities using tax increment financing and AB 471 that allows infrastructure financing districts to include portions of former redevelopment project areas and amends several statutes governing the dissolution of redevelopment agencies. She says that staff will continue to monitor these going forward.

Ms. McDonald asks that the report be received and filed.

#### **ITEM 14. EXECUTIVE OFFICER'S REPORT -- RECAP OF CALAFCO ANNUAL CONFERENCE**

Executive Officer Kathleen Rollings-McDonald presents an oral report. She circulates a plaque that was presented to the Commission from CALAFCO, and says that Chairman Curatalo and Assistant Executive Officer Samuel Martinez are to be commended for the excellent work they did in the securing the success of this year's CALAFCO Annual Conference. She says that many accolades were received from peers, presenters and guests in attendance.

Ms. McDonald says that she has provided a copy of the Countywide Vision Water Element Groups meeting information that will be held on October 29, 2014 in Rancho Cucamonga and says that the Commission is welcome to participate. She also says that she has provided a copy of the CALAFCO Sphere Publication that includes an article related to San Bernardino LAFCO's establishment of fire protection service in Baldwin Lake.

Ms. McDonald says that the Commission will be dark for both November and December and that the Commission will reconvene in January 2015. She says that the staff office will be closed from December 19, 2014 to January 2, 2015 and will be open for regular business on January 5, 2015 and that staff will be using their vacation time for the time off.

**ITEM 15. COMMISSIONER COMMENTS**

Commissioner Ramos wishes the Commission and staff happy holidays.

Commissioner Williams says that the Annual Conference was spectacular and that the Commission should be very proud. She says that those in attendance had many great reviews of the event and that the energy of the attendees was wonderful and that the sessions were well attended and that the extending of the LAFCO 101 class to Special Districts and Stakeholders was an affordable and wonderful idea and should be continued at all Annual Conferences.

Commissioner Farrell says that the Annual Conference was very enjoyable and educational.

Commissioner McCallon says that he is sorry he missed the Annual Conference and also welcomes Commissioner Bagley back.

Commissioner Bagley says that he is sorry he missed the Annual Conference and thanks the Commission for the Get Well Plant he received.

Commissioner Lovingood says that he and his staff are happy to provide any assistance in developing mining resource information.

**ITEM 16. COMMENTS FROM THE PUBLIC**

No Comments

**THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE COMMISSION  
THE HEARING IS ADJOURNED AT 11:21 A.M.**

**ATTEST:**

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**REBECCA LOWERY**  
Clerk to the Commission

**LOCAL AGENCY FORMATION COMMISSION**

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**KIMBERLY COX, Vice- Chair**

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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[www.sbclafco.org](http://www.sbclafco.org)

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**DATE: JANUARY 12, 2015**

**FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer**

**TO: LOCAL AGENCY FORMATION COMMISSION**

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**SUBJECT: AGENDA ITEM #2 – APPROVAL OF EXECUTIVE OFFICER’S  
EXPENSE REPORT**

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## **RECOMMENDATION:**

Approve the Executive Officer’s Expense Report for Procurement Card Purchases for October, November and December 2014 as presented.

## **BACKGROUND INFORMATION:**

The Commission participates in the County of San Bernardino’s Procurement Card Program to supply the Executive Officer a credit card to provide for payment of routine official costs of Commission activities as authorized by LAFCO Policy #4(H). Staff has prepared an itemized report of purchases that covers the billing period of September 23, 2014 through October 22, 2014, October 23, 2014 through November 22, 2014, and November 23, 2014 through December 22, 2014.

It is recommended that the Commission approve the Executive Officer’s expense report as shown on the attachments.

KRM/rc1

Attachments



**COUNTY OF SAN BERNARDINO  
PROCUREMENT CARD PROGRAM**

Page 1 of 1

**MONTHLY PROCUREMENT CARD PURCHASE REPORT**

<b>Card Number</b> [REDACTED]	<b>Cardholder</b> Kathleen Rollings-McDonald	<b>Billing Period</b> 9/23/14 to 10/22/14
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Date	Vendor Name	Receipt/ Invoice No.	Item Description	Purpose	\$ Amount	Reconciled (R) Disputed (D)	Sales Tax Included on invoice (Yes or No)
9-25	Amazon	1	Brita Water Filters	Filters for Brita Pitchers	66.02	R	Y
9-25	TLF A New Creation	2	Flowers for Commissioner	Get Well Flowers	63.95	R	Y
10-3	Thomson West	3	Monthly Payment	Law Library Updates	169.92	R	N
10-16	Doubletree Inn Ontario	4	Dinner – Rollings-McDonald, Lowery, Schell, Serrano	CALAFCO Annual Conference	122.46	R	Y
10-20	Doubletree Inn Ontario	5	Breakfast – Rollings-McDonald & Lowery	CALAFCO Annual Conference	39.29	R	N
10-20	Doubletree Inn Ontario	6	Hotel – Serrano	CALAFCO Annual Conference	338.13	R	Y
10-20	Doubletree Inn Ontario	7	Hotel - Curatalo	CALAFCO Annual Conference	338.13	R	Y
10-20	Doubletree Inn Ontario	8	Hotel – Lowery	CALAFCO Annual Conference	338.13	R	Y
10-20	Doubletree Inn Ontario	9	Hotel – Rollings-McDonald	CALAFCO Annual Conference	338.13	R	Y
10-20	Doubletree Inn Ontario	10	Hotel - Martinez	CALAFCO Annual Conference	338.13	R	Y
10-20	Doubletree Inn Ontario	11	Hotel – Schell	CALAFCO Annual Conference	338.13	R	Y
10-20	Doubletree Inn Ontario	12	Hotel - Farrell	CALAFCO Annual Conference	225.42	R	Y
10-20	Doubletree Inn Ontario	13	Hotel - Sethi	CALAFCO Annual Conference	225.42	R	Y
10-20	Doubletree Inn Ontario	14	Hotel - Tuerpe	CALAFCO Annual Conference	225.42	R	Y

The undersigned, under penalty of perjury, states the above information to be true and correct. If an unauthorized purchase has been made, the undersigned authorizes the County Auditor/Controller-Recorder to withhold the appropriate amount from their payroll check after 15 days from the receipt of the cardholder's Statement of Account.

<b>Cardholder (Print &amp; Sign)</b>  Kathleen Rollings-McDonald	<b>Date</b> 11/18/14	<b>Approving Official (Print &amp; Sign)</b>  James Curatalo, Chairman	<b>Date</b> 1/21/15
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**COUNTY OF SAN BERNARDINO  
PROCUREMENT CARD PROGRAM**

Page 1 of 1

**MONTHLY PROCUREMENT CARD PURCHASE REPORT**

<b>Card Number</b> [REDACTED]	<b>Cardholder</b> Kathleen Rollings-McDonald	<b>Billing Period</b> 10/23/14 to 11/24/14
----------------------------------	---	---

Date	Vendor Name	Receipt/ Invoice No.	Item Description	Purpose	\$ Amount	Reconciled (R) Disputed (D)	Sales Tax Included on invoice (Yes or No)
11/5	TLF City Florist	1	Flower Arrangement	For Hospitalized Staff Member	64.60	R	Y
11/6	SurveyMonkey	2	Subscription for Survey Monkey	Survey for LAFCO 3176	78.00	R	N
11/10	Southwest Airlines	3	Airfare - Rollings-McDonald	CALAFCO Board of Directors Meeting	395.70	R	N
11/14	Verizon	4	Payment - Phone Bill	Phone Line for Alarm	113.45	R	Y
11/14	Thomas West	5	Monthly Payment	Law Library Updates	169.92	R	N
11/14	Southwest Airlines	3	Airfare - Rollings-McDonald	CALAFCO Board of Directors Meeting	28.00	R	N
11/17	SITOA	7	Cab Fare - Rollings-McDonald	CALAFCO Board of Directors Meeting	38.00	R	N
11/17	Holiday Inn	8	Hotel - Rollings-McDonald	CALAFCO Board of Directors Meeting	168.11	R	Y
11/17	Holiday Inn	9	Meal - Rollings-McDonald	CALAFCO Board of Directors Meeting	17.00	R	N
11/17	Yellow Cab	10	Cab Fare - Rollings-McDonald	CALAFCO Board of Directors Meeting	42.55	R	N
11/17	Ontario Airport	11	Parking - Rollings-McDonald	CALAFCO Board of Directors Meeting	36.00	R	N
11/24	Southwest Airlines	12	Airfare - Martinez	CALAFCO University	119.70	R	N
11/24	Southwest Airlines	13	Airfare - Rollings-McDonald	CALAFCO University	194.70	R	N

The undersigned, under penalty of perjury, states the above information to be true and correct. If an unauthorized purchase has been made, the undersigned authorizes the County Auditor/Controller-Recorder to withhold the appropriate amount from their payroll check after 15 days from the receipt of the cardholder's Statement of Account.

<b>Cardholder (Print &amp; Sign)</b> Kathleen Rollings-McDonald	<b>Date</b> 12/11/14	<b>Approving Official (Print &amp; Sign)</b> James Curatalo, Chairman	<b>Date</b> 1/21/15
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COUNTY OF SAN BERNARDINO  
PROCUREMENT CARD PROGRAM

ATTACHMENT G

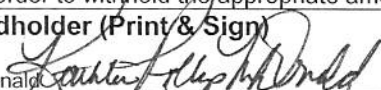
Page 1 of 1

MONTHLY PROCUREMENT CARD PURCHASE REPORT

Card Number	Cardholder	Billing Period
4246044102010737	Kathleen Rollings-McDonald	10/23/14 to 11/24/14

Date	Vendor Name	Receipt/ Invoice No.	Item Description	Purpose	\$ Amount	Reconciled (R) Disputed (D)	Sales Tax Included on invoice (Yes or No)
12/04	Paypal	1	Registration – Tuerpe & Martinez	2015 AGWA Annual Conference	355.00	R	N
12/10	Ontario Airport	2	Parking	CALAFCO University	18.00	R	N
12/11	CHO University	3	Fuel for Rental Car	Community Meeting – LAFCO 3176	53.70	R	N
12/11	Peggy Sues 50s Diner	4	Meal – Rollings-McDonald, Martinez, Tuerpe, Serrano	Community Meeting – LAFCO 3176	71.00	R	N
12/15	Hospitality Technical	5	Hotel Internet Service – Rollings-McDonald	CALAFCO Legislative Committee Meeting	14.95	R	N
12/15	Westin San Diego	6	Hotel – Rollings-McDonald	CALAFCO Legislative Committee Meeting	245.58	R	Y
12/16	Verizon	7	Payment – Phone Bill	Phone Line for alarm	41.57	R	Y
12/16	Thompson West	8	Monthly Payment	Law Library Updates	169.92	R	N
12/16	Thompson West	9	Monthly Payment	Law Library Updates	169.92	R	N
12/18	Storetrieve	10	Monthly Payment	Records and Storage Maintenance	95.04	R	N
12/18	Westin San Diego	11	Unknown	Item Disputed	16.21	D	
12/19	Storetrieve	10	Monthly Payment	Records and Storage Maintenance	95.04	R	N

The undersigned, under penalty of perjury, states the above information to be true and correct. If an unauthorized purchase has been made, the undersigned authorizes the County Auditor/Controller-Recorder to withhold the appropriate amount from their payroll check after 15 days from the receipt of the cardholder's Statement of Account.

Cardholder (Print & Sign)	Date	Approving Official (Print & Sign)	Date
Kathleen Rollings-McDonald 	1/12/15	James Curatalo, Chairman	1/21/15

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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**DATE :** JANUARY 12, 2015

**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer

**TO:** LOCAL AGENCY FORMATION COMMISSION

---

**SUBJECT: AGENDA ITEM #3 - RATIFY PAYMENTS AS RECONCILED FOR  
MONTHS OF OCTOBER, NOVEMBER AND DECEMBER 2014 AND  
NOTE REVENUE RECEIPTS**

---

## **RECOMMENDATION:**

Ratify payments as reconciled for the months of October, November and December 2014 and note revenue receipts for the same period.

## **BACKGROUND INFORMATION:**

Staff has prepared a reconciliation of warrants issued for payments to various vendors, internal transfers for payments to County Departments, cash receipts and internal transfers for payments of deposits or other charges that cover the periods of October 1 through October 31, 2014, November 1 through November 30, 2014 and December 1, 2014 through December 31, 2014.

Staff is recommending that the Commission ratify the payments for October, November and December outlined on the attached listings and note the revenues received.

KRM/rci

Attachment

## MONTHLY RECONCILIATION OF PAYMENTS

## MONTH OF OCTOBER 2014 PAYMENTS PROCESSED

VOUCHER DOCUMENT ID	ACCOUNT	NAME	WARRANT NUMBER	WARRANT DATE	AMOUNT
PV8908278	9910	NANCY A NEIL & KAYE NEIL - REFUND LAFCO 3178	8537434	10/14/14	\$ 1,210.01
PV8908279	9910	SULTANA AVENUE LLC - REFUND SERVICE CONTRACT 389	8537453	10/14/14	\$ 812.02
PV8908280	2445/2940	KIMBERLY COX	8540515	10/17/14	\$ 260.48
PV8908281	2445/2940	JAMES V CURATALO	8540505	10/17/14	\$ 476.16
PV8908282	2445/2940	STEVEN FARRELL	8540632	10/17/14	\$ 218.48
PV8908283	2445	LARRY MCCALLON	8540518	10/17/14	\$ 200.00
PV8908284	2445/2940	SUNIL SETHI	8540576	10/17/14	\$ 229.12
PV8908285	2445/2940	ACQUANETTA WARREN	8540446	10/17/14	\$ 217.92
PV8908286	2445/2940	DIANE WILLIAMS	8540477	10/17/14	\$ 229.12
PV8908287	2424	TOM DODSON & ASSOCIATES	3233649	10/17/14	\$ 340.00
PV8908288	2905	INLAND EMPIRE PROPERTIES LLC	8540504	10/17/14	\$ 4,226.62
PV8908289	2085	DAILY JOURNAL	8540883	10/20/14	\$ 1,405.76
PV8908290	1235	SPECIAL DISTRICTS RISK MGMT - 2ND QUARTER PAYMENT	8540575	10/17/14	\$ 598.34
<b>TOTAL</b>					<b>\$ 10,424.03</b>

## MONTH OF OCTOBER 2014 INTERNAL TRANSFERS PROCESSED

JVIB 03072037D	2037	SEPTEMBER 2014 PHONE		10/7/2014	\$ 203.49
JVIB 03072038D	2038	SEPTEMBER 2014 LONG DISTANCE		10/7/2014	\$ 7.22
JVIB 03072043C	2043	SEPTEMBER 2014 ELEC EQP		10/8/2014	\$ 20.87
JVATXRT06179	2308	CAL CARD PAYMENT - OCTOBER		10/31/2014	\$ 3,166.68
JVPURRT04887	2310	1ST CLASS PRESORT- MAIL		10/9/2014	\$ 438.22
JVPURRT04885	2310	1ST CLASS - MAIL		10/10/2014	\$ 1.07
JVPURRT04901	2310	INTER-OFFICE MAIL		10/10/2014	\$ 172.20
JVPURRT04904	2310	PACKAGING - MAIL		10/10/2014	\$ 23.80
JVPURRT04906	2310	PACKAGING - MAIL		10/10/2014	\$ 5.40
JVPURRT04910	2310	PRESORT FLATS - MAIL		10/14/2014	\$ 22.24
JVIB 03072410AC	2410	SEPTEMBER 2014 DATA PROCESSING		10/17/2014	\$ 1.96
JVIB 03072410AG	2410	SEPTEMBER 2014 DATA PROCESSING		10/17/2014	\$ 125.57
JVIB 03072410AL	2410	SEPTEMBER 2014 DATA PROCESSING		10/17/2014	\$ 16.55
JVIB 03072410AR	2410	SEPTEMBER 2014 DATA PROCESSING		10/17/2014	\$ 57.12
JVIB 03072410E	2410	SEPTEMBER 2014 DATA PROCESSING		10/17/2014	\$ 28.08
JVIB 03072410Q	2410	SEPTEMBER 2014 DATA PROCESSING		10/17/2014	\$ 176.57
JVIB 03072410U	2410	SEPTEMBER 2014 DATA PROCESSING		10/17/2014	\$ 85.62
JVIB 03072410Y	2410	SEPTEMBER 2014 DATA PROCESSING		10/17/2014	\$ 155.09
JVIB 03072420L	2420	SEPTEMBER 2014 ISD OTHER IT SERVICES		10/7/2014	\$ 58.44
JVATXRT05133	9930	TAX REFUND - TRANSFER TO COUNTY AUDITOR		10/9/2014	\$ 1,579.84
<b>TOTAL</b>					<b>\$ 6,346.03</b>

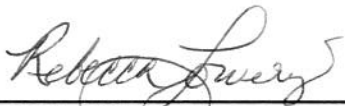
## MONTHLY RECONCILIATION OF PAYMENTS

## MONTH OF OCTOBER 2014 CASH RECEIPTS

DEPOSIT				DEPOSIT	
DOCUMENT ID	ACCOUNT	DESCRIPTION		DATE	AMOUNT
CR890A04541	9545	INDIVIDUAL NOTICE		10/21/2014	\$ 700.00
	9555	LEGAL FEES		10/21/2014	\$ 1,150.00
	9660	ENVIRONMENTAL FEES		10/21/2014	\$ 750.00
	9800	LAFCO FEES		10/21/2014	\$ 5,500.00
<b>TOTAL</b>					<b>\$ 8,100.00</b>

## MONTH OF OCTOBER 2014 INTERNAL TRANSFERS RECEIVED

TRANSFER				TRANSFER	
DOCUMENT ID	ACCOUNT	NAME		DATE	AMOUNT
JVTZ RT141017053	8500	INTEREST		10/29/2014	\$ 1,110.99
JVSPDRT04347	9660	ENVIRONMENTAL FEES		10/3/2014	\$ 5,208.75
<b>TOTAL</b>					<b>\$ 6,319.74</b>



REBECCA LOWERY, Clerk to the Commission

11/18/2014  
DATE

RECONCILIATION APPROVED BY:



KATHLEEN ROLLINGS-McDONALD, Executive Officer

11/18/2014  
DATE

## MONTHLY RECONCILIATION OF PAYMENTS

## MONTH OF NOVEMBER 2014 PAYMENTS PROCESSED

VOUCHER DOCUMENT ID	ACCOUNT	NAME	WARRANT NUMBER	WARRANT DATE	AMOUNT
PV8908291	2449	COLANTUONO & LEVIN, PC	8560958	11/26/2014	\$ 2,552.21
PV8908292	2075	CALIFORNIA SPECIAL DIST ASSN	8560945	11/26/2014	\$ 1,081.00
PV8908293	2424	TOM DODSON & ASSOCIATES	3236010	11/24/2014	\$ 170.00
PV8908294	2085	DAILY JOURNAL	8560226	11/25/2014	\$ 2,173.20
PV8908295	2400	BEST BEST & KRIEGER	3236043	11/25/2014	\$ 937.31
PV8908296	2305	DAISY WHEEL RIBBON CO INC	3236069	11/25/2014	\$ 1,754.49
PV8908297	2445	CITY OF SAN BERNARDINO	8560201	11/25/2014	\$ 600.00
PV8908298	2444	MJS ALARM	3236126	11/25/2014	\$ 102.00
PV8908299	2445/2940	JIM BAGLEY	8561005	11/26/2014	\$ 300.69
PV8908300	2445/2940	KIMBERLY COX	8561007	11/26/2014	\$ 260.48
PV8908301	2445/2940	STEVEN FARRELL	8561113	11/26/2014	\$ 218.48
PV8908302		NOT YET PROCESSED			
PV8908303	2445/2940	SUNIL SETHI	8561065	11/26/2014	\$ 229.12
PV8908304	2445/2940	ACQUANETTA WARREN	8560923	11/26/2014	\$ 217.92
PV8908305	2445/2940	DIANE WILLIAMS	8560984	11/26/2014	\$ 229.12
PV8908306	2941	CALAFCO	8556189	11/18/2014	\$ 150.00
<b>TOTAL</b>					<b>\$ 10,976.02</b>

## MONTH OF NOVEMBER 2014 INTERNAL TRANSFERS PROCESSED

JVIB 04072037D	2037	OCTOBER 2014 PHONE		11/7/2014	\$ 203.49
JVIB 04072038D	2038	OCTOBER 2014 LONG DISTANCE		11/7/2014	\$ 9.58
JVISDRT06014	2115	COMPUTER SOFTWARE LIC RENEWAL - MICROSOFT		11/5/2014	\$ 1,164.36
JVCS 20141103062	2305	STAPLES - SERVICE CHARGE		11/3/2014	\$ 9.36
JVCS 20141103062	2305	STAPLES - SERVICE CHARGE		11/3/2014	\$ 48.23
JVCS 20141103062	5012	STAPLES - SUPPLIES		11/3/2014	\$ 401.92
JVCS 20141103062	5012	STAPLES - SUPPLIES		11/3/2014	\$ 78.04
JVPURRT06641	2310	1ST CLASS - MAIL		11/10/2014	\$ 7.69
JVPURRT06644	2310	1ST CLASS PRESORT- MAIL		11/10/2014	\$ 247.42
JVPURRT06655	2310	INTER-OFFICE MAIL		11/10/2014	\$ 180.40
JVPURRT06660	2310	PACKAGING - MAIL		11/10/2014	\$ 96.78
JVPURRT06663	2310	PRESORT FLATS - MAIL		11/10/2014	\$ 335.71
JVIB 04072410AC	2410	OCTOBER 2014 DATA PROCESSING		11/7/2014	\$ 1.96
JVIB 04072410AG	2410	OCTOBER 2014 DATA PROCESSING		11/7/2014	\$ 173.27
JVIB 04072410E	2410	OCTOBER 2014 DATA PROCESSING		11/7/2014	\$ 28.08
JVIB 04072410Q	2410	OCTOBER 2014 DATA PROCESSING		11/7/2014	\$ 175.79
JVIB 04072410U	2410	OCTOBER 2014 DATA PROCESSING		11/7/2014	\$ 75.06
JVIB 04072410Y	2410	OCTOBER 2014 DATA PROCESSING		11/7/2014	\$ 175.85
JVATXRT07133	2415	COUNTY COWCAP		11/20/2014	\$ 1,577.06
JVIB 04072420L	2420	OCTOBER 2014 ISD OTHER IT SERVICES		11/7/2014	\$ 58.44
JV890RT06039	2424	NOES FOR LAFCO 3180, VALLEY SERVICE REVIEWS, LAFCO P&P MANUAL		11/4/2014	\$ 150.00
JV890RT06720	2445	ROV - LAFCO 3180		11/10/2014	\$ 405.48
JVIB 04072450B	2450	APPLICATION DEVELOPMENT		11/7/2014	\$ 215.50
<b>TOTAL</b>					<b>\$ 5,819.47</b>



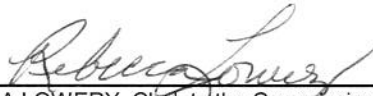
## MONTHLY RECONCILIATION OF PAYMENTS

## MONTH OF NOVEMBER 2014 CASH RECEIPTS

DEPOSIT				DEPOSIT	
DOCUMENT ID	ACCOUNT	DESCRIPTION		DATE	AMOUNT
CR890A05147	9555	LEGAL FEES		11/4/2014	\$ 742.50
CR890A05296	9800	LAFCO FEES		11/6/2014	\$ 1,000.00
<b>TOTAL</b>					<b>\$ 1,742.50</b>

## MONTH OF NOVEMBER 2014 INTERNAL TRANSFERS RECEIVED

TRANSFER				TRANSFER	
DOCUMENT ID	ACCOUNT	NAME		DATE	AMOUNT
JVSPDRT07050	9655	CSA 54 - GIMS PROCESSING FEES		11/19/2014	\$ 1,100.00
JVSPDRT07050	9800	CSA 54 - LAFCO FEES		11/19/2014	\$ 1,000.00
<b>TOTAL</b>					<b>\$ 2,100.00</b>



REBECCA LOWERY, Clerk to the Commission

1/12/2015  
DATE

RECONCILIATION APPROVED BY:



KATHLEEN ROLLINGS-McDONALD, Executive Officer

1/12/2015  
DATE

## MONTHLY RECONCILIATION OF PAYMENTS

## MONTH OF DECEMBER 2014 PAYMENTS PROCESSED

VOUCHER DOCUMENT ID	ACCOUNT	NAME	WARRANT NUMBER	WARRANT DATE	AMOUNT
PV890830201	2445	ROBERT LOVINGOOD	8561610	12/1/2014	\$ 200.00
PV890830202	2445	JAMES RAMOS	8561591	12/1/2014	\$ 200.00
PV890830203	2445	LARRY MCCALLON	8561597	12/1/2014	\$ 200.00
PV890830204 - 06	PROCESSED IN NOVEMBER				
PV8908307	2405	WHITE NELSON DIEHL EVANS	8562754	12/3/2014	\$ 6,000.00
PV8908308	2941	ASBCSD	8563359	12/3/2014	\$ 84.00
PV8908309	2305	SILVER VALLEY USD	3237209	12/11/2014	\$ 80.00
PV8908310 - 11	NOT YET PROCESSED				
PV8908312	2905	INLAND EMPIRE PROPERTIES LLC	8574216	12/19/2014	\$ 8,453.24
<b>TOTAL</b>					<b>\$ 15,217.24</b>

## MONTH OF DECEMBER 2014 INTERNAL TRANSFERS PROCESSED

JVIB 05082037D	2037	NOVEMBER 2014 PHONE		12/8/2014	\$ 203.49
JVIB 05082038D	2038	NOVEMBER 2014 LONG DISTANCE		12/8/2014	\$ 4.38
	2308	CAL CARD - NOVEMBER		12/3/2014	\$ 1,465.73
JVPURRT08271	2310	PRINTING OF ADDRESSES ON ENVELOPES - LAFCO 3176 - SPECIAL STUDY		12/22/2014	\$ 457.07
JVPURRT08272	2310	INSERTING OF NOTICE IN ENVELOPES - LAFCO 3176 - SPECIAL STUDY		12/22/2014	\$ 457.07
JVPURRT08269	2310	1ST CLASS PRESORT POSTAGE - LAFCO 3176 - SPECIAL STUDY		12/23/2014	\$ 4,275.14
JVPURRT08267	2310	1ST CLASS POSTAGE		12/29/2014	\$ 0.53
JVPURRT08281	2310	INTER-OFFICE MAIL		12/29/2014	\$ 139.40
JVPURRT08284	2310	PACKAGING - MAIL		12/29/2014	\$ 128.44
JVPURRT08288	2310	PRESORT FLATS - MAIL		12/29/2014	\$ 17.22
JVIB 05082410AC	2410	NOVEMBER 2014 DATA PROCESSING		12/8/2014	\$ 1.96
JVIB 05082410AG	2410	NOVEMBER 2014 DATA PROCESSING		12/8/2014	\$ 173.27
JVIB 05082410E	2410	NOVEMBER 2014 DATA PROCESSING		12/8/2014	\$ 28.08
JVIB 05082410Q	2410	NOVEMBER 2014 DATA PROCESSING		12/8/2014	\$ 175.79
JVIB 05082410U	2410	NOVEMBER 2014 DATA PROCESSING		12/8/2014	\$ 75.06
JVIB 05082410Y	2410	NOVEMBER 2014 DATA PROCESSING		12/8/2014	\$ 175.85
JVIB 05082420J	2420	NOVEMBER 2014 ISD OTHER IT SERVICES		12/8/2014	\$ 58.44
<b>TOTAL</b>					<b>\$ 7,836.92</b>



## MONTHLY RECONCILIATION OF PAYMENTS

## MONTH OF DECEMBER 2014 CASH RECEIPTS

DEPOSIT DOCUMENT ID	ACCOUNT	DESCRIPTION	DEPOSIT DATE	AMOUNT
		NONE		
<b>TOTAL</b>				<b>\$ -</b>

## MONTH OF DECEMBER 2014 INTERNAL TRANSFERS RECEIVED

TRANSFER DOCUMENT ID	ACCOUNT	NAME	TRANSFER DATE	AMOUNT
JV775RT08001	9545	INDIVIDUAL NOTICE FEE - LAFCO 3185/3186	12/19/2014	\$ 1,000.00
JV775RT08001	9555	LEGAL FEES - LAFCO 3185/3186	12/19/2014	\$ 1,150.00
JV775RT08001	9660	ENVIRONMENTAL FEES LAFCO 3185/3186	12/19/2014	\$ 750.00
JV775RT08001	9800	LAFCO FEES - LAFCO 3185/3186	12/19/2014	\$ 15,000.00
<b>TOTAL</b>				<b>\$ 17,900.00</b>



REBECCA LOWERY, Clerk to the Commission

1/12/2015  
DATE

RECONCILIATION APPROVED BY:



KATHLEEN ROLLINGS-McDONALD, Executive Officer

1/12/2015  
DATE

# 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)

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**DATE:** JANUARY 5, 2015  
**FROM:** MICHAEL TUERPE, Project Manager  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #4: Review and Accept Audit Report for Fiscal Year Ended June 30, 2014

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## **RECOMMENDATION:**

Staff recommends that the Commission receive and file the materials submitted by White Nelson Diehl Evans LLP related to the Commission's audit for Fiscal Year 2013-14.

## **BACKGROUND:**

The public accounting firm of White Nelson Diehl Evans LLP has conducted the annual audit for the period of July 1, 2013 through June 30, 2014 (copy attached to this staff report). The auditor has independently verified the financial statements prepared by LAFCO staff, outlined its professional responsibilities and findings, and disclosed its compliance with current *Government Auditing Standards*. During the audit process, the auditor did not identify any deficiencies in internal controls that it considered to be material weaknesses.

The financial statements consist of two parts – management's discussion and analysis, and the basic financial statements. The basic financial statements provide both short-term and long-term information about the Commission's overall financial status, include additional budgetary information, and include notes that explain some of the information presented.

Some of the more significant reasons for the changes in the revenues and expenses of the Commission's governmental activities are outlined as follows:

- The addition of a salaried position increased overall salaries and benefits.
- The majority of the costs related to the Fiscal Indicators project occurred.
- Revenues related to proposal activity increased by \$55,750 from the prior year, or 118%, due to an increase in the number of proposal received.
- Apportionment contributions decreased by \$38,179 during the period due to the Commission's determination to reduce overall costs.
- Overall Net Position Ending continues to show movement in a positive direction.

Starting with the FY 2014-15 audit, information regarding the Commission's net pension liability will be included in the Statement of Net Position per GASB 68. However, for the FY 2013-14 audit, the San Bernardino County Employees' Retirement Association's ("SBCERA") actuary has estimated the Commission's proportionate share of the net pension liability as of the June 30, 2013 measurement date to be approximately \$583,000, which is expected to be the opening net pension obligation upon implementation of GASB 68. This preliminary information can be found in Note 9 on page 25 of the financial statements.

The Finance and Administrative Committee has met with and reviewed the audit with the independent auditors. Neither LAFCO staff nor the Committee has issues or concerns with the financial statements or audit letters provided by the auditors. Therefore, an auditor representative was not requested to be present at the hearing. Should you have any questions, LAFCO staff and/or the Committee would be glad to answer them prior to or at the hearing.

MT/

Attachment

WHITE NELSON DIEHL EVANS LLP  
Certified Public Accountants & Consultants

To the Commission Members of the  
Local Agency Formation Commission  
for San Bernardino County

RECEIVED  
JAN 05 2015

LAFCO  
San Bernardino County

We have audited the financial statements of the governmental activities and the general fund of the Local Agency Formation Commission for San Bernardino County (the "Commission") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated July 11, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

Management's estimate regarding the annual required contribution to the retirement plans since these estimates are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the annual required contribution in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the retirement plans in Note 9 to the financial statements, since there are significant estimates involved in these disclosures.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of passed adjustments are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 18, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Commission Members and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*White Nelson Dick Evans LLP*

Irvine, California  
December 18, 2014

WHITE NELSON DIEHL EVANS LLP  
Certified Public Accountants & Consultants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

RECEIVED  
JAN 05 2015

The Commission Members  
Local Agency Formation Commission  
for San Bernardino County  
San Bernardino, California

LAFCO  
San Bernardino County

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Local Agency Formation Commission for San Bernardino County (the "Commission"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 18, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*White Nelson Diehl Evans LLP*

Irvine, California  
December 18, 2014



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

**FINANCIAL STATEMENTS**

**WITH REPORT ON AUDIT  
BY INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED JUNE 30, 2014**

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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For the year ended June 30, 2014

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## INDEPENDENT AUDITORS' REPORT

To the Members of the Commission  
Local Agency Formation Commission  
for San Bernardino County  
San Bernardino, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and General Fund of the Local Agency Formation Commission for San Bernardino County (the Commission) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these basic financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Commission, as of June 30, 2014, and the respective changes in financial position thereof, and the budgetary comparison of the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2014, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.



Irvine, California  
December 18, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Local Agency Formation Commission for San Bernardino County (Commission) provides an overview of the Commission's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the financial statements as outlined in the table of contents.

### Using the Accompanying Financial Statements

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the Commission as a whole and present a longer view of the Commission's finances. Also included in the accompanying report are fund financial statements. For governmental activities, the fund financial statements tell how the services were financed in the short-term as well as what remains for future spending.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

The annual report consists of two parts - management's discussion and analysis (this section), and the basic financial statements. The basic financial statements provide both long-term and short-term information about the Commission's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The basic financial statements also include additional budgetary information.

### Reporting the Commission as a Whole – Net Position

The accompanying Government-wide financial statements include two statements that present financial data for the Commission as a whole. An important question to be asked about the Commission's finances is, "Is the Commission as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Commission as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows.

The statements report the Commission's net position and changes in them. You can think of the Commission's net position – the difference between assets and liabilities - as one way to measure the Commission's financial health or financial position. Over time, increases and decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other factors, such as changes in the Commission's revenues, to assess the overall health of the Commission.

The following table provides the Statement of Net Position for the past two fiscal years:

**TABLE 1**  
**NET POSITION – GOVERNMENTAL ACTIVITIES**

	2013-14	2012-13	Difference
<b>Assets:</b>			
Cash and investments	\$ 729,919	\$ 621,605	\$ 108,314
Capital assets, net of depreciation	4,681	5,851	(1,170)
Prepaid expenses	1,567	0	1,567
Due from other governments	4,311	1,794	2,517
<b>Total Assets</b>	<b>740,478</b>	<b>629,250</b>	<b>111,228</b>
<b>Liabilities:</b>			
Accounts payable	7,129	5,052	2,077
Salaries and benefits payable	27,225	14,019	13,206
Unearned revenue	57,646	17,107	40,539
Compensated absences	73,012	68,772	4,240
<b>Total Liabilities</b>	<b>165,012</b>	<b>104,950</b>	<b>60,062</b>
<b>Net Position:</b>			
Invested in capital assets	4,681	5,851	(1,170)
Unrestricted	570,785	518,449	52,336
<b>Total Net Position</b>	<b>\$ 575,466</b>	<b>\$ 524,300</b>	<b>\$ 51,166</b>

The following table provides the Statement of Activities for the past two fiscal years:

**TABLE 2**  
**CHANGE IN NET POSITION – GOVERNMENTAL ACTIVITIES**

	2013-14	2012-13	Difference
<b>Revenues</b>			
Charges for services	\$ 102,816	\$ 47,066	\$ 55,750
Operating contributions	864,821	903,000	(38,179)
Interest	3,066	4,009	(943)
<b>Total Revenues</b>	<b>970,703</b>	<b>954,075</b>	<b>16,628</b>
<b>Expenses</b>	<b>919,537</b>	<b>805,835</b>	<b>113,702</b>
<b>Change in Net Position</b>	<b>51,166</b>	<b>148,240</b>	<b>(97,074)</b>
Net Position Beginning	524,300	376,060	148,240
<b>Net Position Ending</b>	<b>\$ 575,466</b>	<b>\$ 524,300</b>	<b>\$ 51,166</b>

### Explanation of Change in Net Position

The tables presented above show an overall increase in the receipt of revenues, as well as increase in expenditures for both personnel and operations. Some of the more significant reasons for the changes in the revenues and expenses of the Commission's governmental activities are outlined as follows:

- Table 2 – The addition of a salaried position increased overall salaries and benefits.
- Table 2 – The majority of the costs related the Fiscal Indicators project occurred.
- Table 2 -- Revenues related to proposal activity were increased by \$55,750 from the prior year, or 118%, due to an increase in the number of proposal received.
- Table 2 - Apportionment contributions decreased by \$38,179 during the period due to the Commission's determination to reduce overall costs.
- Table 2 – Overall Net Position Ending continues to show movement in a positive direction.

### Reporting the Commission's Fund Activity

The fund financial statements provide detailed information about the Commission's governmental fund as it operates under a single-program government fund. All of the Commission's basic services are reported in its General Fund. The fund is reported using the current financial resources measurement focus and the modified accrual basis of accounting. We describe the relationship or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) in the reconciliation following the fund financial statements.

The following table provides a summary of the Fund Balance for the past two fiscal years. The Fund Balance total increased from \$587,221 in FY 2012-13 to \$643,797 in FY 2013-14.

**TABLE 3  
FUND BALANCE**

	<b>2013-14</b>	<b>2012-13</b>
<b>Nonspendable</b>	\$ 1,567	\$ 0
<b>Committed:</b>		
<b>COWCAP Reserve</b>	46,780	\$ 46,780
<b>Compensated Absences Reserve</b>	66,620	66,620
<b>Assigned:</b>		
<b>Ongoing approved projects</b>	16,510	7,578
<b>Contingency</b>	0	84,730
<b>Litigation Reserve</b>	250,000	200,000
<b>Unassigned</b>	262,320	181,513
<b>Total</b>	<b>\$ 643,797</b>	<b>\$ 587,221</b>

Per GASB 54, funds designated as Contingencies are now classified as Unassigned. For FY 2013-14, funds classified as Unassigned include \$99,872 designated for Contingencies.

## Long-Term Liabilities

The following table provides a summary of the Long Term Liabilities for the past two fiscal years:

**TABLE 4  
LONG-TERM LIABILITIES**

	<b>2013-14</b>	<b>2012-13</b>	<b>Difference</b>
<b>Compensated Absences</b>	\$ 73,012	\$ 68,772	\$ 4,240

Compensated Absences is comprised of the year-end balances for administrative, holiday, vacation, and sick leaves. For sick-leave calculations, LAFCO's Benefits Plan Section 108 (E) – Retirement Medical Trust – states that those employees with more than five years of service shall receive 75% of their accumulated sick leave, up to a max of 1,400 hours, paid into the Trust at their current rate of pay upon leaving the employ of the Commission. The calculation within the financial statements of compensated absences accommodates this Benefit Plan determination. During Fiscal Year 2013-14 compensated absences increased by \$4,240, calculated as follows:

- Additions of \$60,316 comprised of natural balance accruals for five employees.
- Deletions of \$56,076 comprised of leave taken during the fiscal year for four employees.

### ***Contacting the Commission's Financial Management:***

This financial report is designed to provide our citizen's, taxpayers, customers, and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Executive Officer at 215 North D Street, Suite 204, San Bernardino, CA 92415-0490.



LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

STATEMENT OF NET POSITION

June 30, 2014

	<u>Governmental Activities</u>
ASSETS:	
Cash and investments	\$ 729,919
Prepaid expenses	1,567
Due from other governments	4,311
Capital assets, net of accumulated depreciation	<u>4,681</u>
 TOTAL ASSETS	 <u>740,478</u>
LIABILITIES:	
Accounts payable	7,129
Other accrued liabilities	27,225
Unearned revenues	57,646
Compensated absences:	
Due within one year	22,149
Due in more than one year	<u>50,863</u>
 TOTAL LIABILITIES	 <u>165,012</u>
NET POSITION:	
Net investment in capital assets	4,681
Unrestricted	<u>570,785</u>
 TOTAL NET POSITION	 <u><u>\$ 575,466</u></u>

See independent auditors' report and notes to basic financial statements.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Functions/programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
General government	\$ 919,537	\$ 102,816	\$ 864,821	\$ -	\$ 48,100
Total governmental activities	<u>\$ 919,537</u>	<u>\$ 102,816</u>	<u>\$ 864,821</u>	<u>\$ -</u>	48,100
General revenues:					
Investment income					<u>3,066</u>
Change in net position					51,166
Net Position - Beginning of Year					<u>524,300</u>
Net Position - End of Year					<u>\$ 575,466</u>

See independent auditors' report and notes to basic financial statements.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2014

	General Fund
<hr/>	
ASSETS	
Cash and investments	\$ 729,919
Prepaid expenses	1,567
Due from other governments	4,311
	<hr/>
TOTAL ASSETS	<u>\$ 735,797</u>
 LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable	\$ 7,129
Salaries and benefits payable	27,225
Unearned revenues	57,646
	<hr/>
TOTAL LIABILITIES	<u>92,000</u>
FUND BALANCE:	
Nonspendable	1,567
Committed for:	
Compensated absences	66,620
COWCAP reserve	46,780
Assigned for:	
Litigation reserve	250,000
Ongoing projects	16,510
Unassigned	262,320
	<hr/>
TOTAL FUND BALANCE	<u>643,797</u>
	 <u>\$ 735,797</u>

See independent auditors' report and notes to basic financial statements.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION

June 30, 2014

Fund balance for the governmental fund		\$ 643,797
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets and accumulated depreciation, have not been included as financial resources in governmental fund activity:		
Capital assets	\$ 8,192	
Accumulated depreciation	<u>(3,511)</u>	
		4,681
Accrued compensated absences that have not been included in the governmental fund activity.		<u>(73,012)</u>
Net position of governmental activities		<u><u>\$ 575,466</u></u>

See independent auditors' report and notes to basic financial statements.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND

For the year ended June 30, 2014

	<u>General Fund</u>
REVENUES:	
Intergovernmental	\$ 864,821
Charges for services	102,816
Investment income	<u>3,066</u>
 TOTAL REVENUES	 970,703
 EXPENDITURES:	
Current:	
General government	<u>914,127</u>
 NET CHANGE IN FUND BALANCE	 56,576
 FUND BALANCE - BEGINNING OF YEAR	 <u>587,221</u>
 FUND BALANCE - END OF YEAR	 <u><u>\$ 643,797</u></u>

See independent auditors' report and notes to basic financial statements.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF  
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
TO THE STATEMENT OF ACTIVITIES

For the year ended June 30, 2014

Net change in fund balance - total governmental fund		\$ 56,576
Amounts reported for governmental activities in the Statement of Activities are different because:		
The governmental fund reports capital outlay as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period:		
Capital outlay	\$ -	
Depreciation expense	<u>(1,170)</u>	(1,170)
Accrued compensated absences expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental fund.		
		<u>(4,240)</u>
Change in net position of governmental activities		<u><u>\$ 51,166</u></u>

See independent auditors' report and notes to basic financial statements.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

BUDGETARY COMPARISON STATEMENT  
GENERAL FUND

For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Fund balance, July 1	\$ 587,221	\$ 587,221	\$ 587,221	\$ -
Resources (inflows):				
Intergovernmental	864,821	864,821	864,821	-
Charges for services	33,975	33,975	102,816	68,841
Investment income	3,750	3,750	3,066	(684)
Amounts Available for Appropriation	902,546	902,546	970,703	68,157
Charges to appropriations (outflows):				
General government:				
Salaries and benefits	667,844	667,844	621,622	46,222
Services and supplies	319,684	364,071	292,505	71,566
Total charges to appropriations (outflows)	987,528	1,031,915	914,127	117,788
Excess of resources over (under) charges to appropriations	(84,982)	(129,369)	56,576	185,945
Fund balance, June 30	\$ 502,239	\$ 457,852	\$ 643,797	\$ 185,945

See independent auditors' report and notes to basic financial statements.

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

## NOTES TO BASIC FINANCIAL STATEMENTS

June 30, 2014

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accounting policies of the Local Agency Formation Commission for San Bernardino County (the Commission) conform to generally accepted accounting principles as applicable to governments. The following is a summary of the significant policies.

#### a. Reporting Entity:

Following the end of World War II, California entered a new era of demographic growth and diversity, and economic development. With this growth came the need for housing, jobs and public services. To provide for these services, California experienced a wave of newly formed cities and special districts, but with little forethought as to how the new agencies should plan for services. The lack of coordination and adequate planning for future governance led to a multitude of overlapping, inefficient jurisdictional and service boundaries.

In 1963, the State Legislature created Local Agency Formation Commissions (Commissions) to help direct and coordinate California's growth in a logical, efficient, and orderly manner. Each county within California is required to have a Commission. The Commissions are charged with the responsibility of making difficult decisions on proposals for new cities and special districts, spheres of influence, consolidations, and annexations.

The Commission's governing board consists of seven appointed board members. Two members are selected by the Board of Supervisors of the County of San Bernardino from their own membership, two are selected by the cities in the County, two are selected from special districts by the independent special district selection committee and one member is selected to represent the general public, who is appointed by the other members of the Commission.

#### b. Government-wide Financial Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Commission.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges for services that are restricted to meeting the operational or capital requirements of particular function or segment. Investment income and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for the governmental fund. The Commission operates under a single-program governmental fund.

See independent auditors' report.



LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are not recognized until paid.

Intergovernmental revenues, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Amounts reported as program revenues include charges for services and operating contributions from members.

d. New Accounting Pronouncements:

**Current Year Standards:**

The following statements from the Governmental Accounting Standards Board (GASB) became effective during the current year:

- GASB 66 - *“Technical Corrections, an amendment of GASB Statement No. 10 and Statement No. 62”*, required to be implemented in the current fiscal year did not impact the Commission.
- GASB 70 - *“Accounting and Financial Reporting for Nonexchange Financial Guarantees”*, required to be implemented in the current fiscal year did not impact the Commission.

See independent auditors’ report.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

d. New Accounting Pronouncements (Continued):

**Pending Accounting Standards:**

GASB has issued the following statements which may impact the Commission's financial reporting requirements in the future:

- GASB 68 - "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", effective for the fiscal years beginning after June 15, 2014.
- GASB 69 - "*Government Combinations and Disposals of Government Operations*", effective for periods beginning after December 15, 2013.
- GASB 71 - "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*", effective for the periods beginning after June 15, 2014.

e. Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Commission does not have any deferred outflows of resources to report.

In addition to liabilities, the statement of net position and the governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The Commission does not have any deferred inflows of resources to report.

f. Cash and Cash Equivalents:

Cash and cash equivalents are defined as cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash and cash equivalents include the cash balances of substantially all funds, which are pooled and invested by the County Treasurer to increase interest earnings through investment activities.

See independent auditors' report.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

f. Cash and Cash Equivalents (Continued):

Investment activities are governed by the California Government Code Sections 53601, 53635, and 53638 and the County's Investment Policy.

Interest income, and realized gains and losses earned on pooled investments are deposited quarterly to the Commission's accounts based upon the Commission's average daily deposit balances during the quarter. Unrealized gains and losses of the pooled investments are distributed to the Commission annually. Cash and cash equivalents are shown at fair value.

g. Capital Assets:

Capital assets are reported as governmental activities in the government-wide financial statements. Capital assets are defined by the Commission as assets with an initial, individual cost of more than \$5,000 and have an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Equipment of the Commission is depreciated using the straight-line method over a 5 to 7 year estimated useful life.

The cost of normal maintenance and repairs that does not add to the value of the asset or materially extend asset life is not capitalized.

h. Employee Compensated Absences:

Liabilities for vacation, holidays, sick pay and compensatory time are accrued when incurred in the government-wide financial statements. Upon retirement or termination, an employee is compensated for 100% of unused accrued vacation and holiday time. Those with more than five years of LAFCO service receive 75% of their accumulated sick leave up to a maximum of fourteen hundred (1,400) hours. A liability for accrued leave is reported in the governmental fund financial statements only if it has matured. A matured liability may result from employees who terminate prior to year-end and are paid for their leave subsequent to year-end.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

i. Fund Balance:

Committed fund balance includes amounts that can be used only for the specific purposes determined by a formal action of the Commission's highest level of decision-making authority. The governing board is the highest level of decision-making authority that can commit fund balances. Once adopted, the limitation imposed by the commitment remains in place until a similar action is taken to remove or revise the limitation.

Assigned fund balance includes amounts to be used by the Commission for specific purposes but do not meet the criteria to be classified as restricted or committed.

Unassigned fund balance includes the residual amounts that have not been committed or assigned to specific purposes.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available, the Commission's policy is to apply restricted fund balance first.

When an expenditure is incurred for purposes for which committed, assigned, or unassigned fund balances are available, the Commission's policy is to apply committed fund balance first, then assigned fund balance, and finally unassigned fund balance.

j. Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

General Budget Policies:

In accordance with provisions of Section 56381 of the Government Code of the State of California, commonly known as the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH), the Commission shall adopt a proposed budget by May 1 and a final budget by June 15 of each fiscal year.

See independent auditors' report.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED):

General Budget Policies (Continued):

Budgets are prepared on the modified accrual basis of accounting. After adoption of a final budget, the County of San Bernardino Auditor shall apportion one-third of net operating expenses of the Commission to each of the following: the county, cities, and independent special districts. The legal level of budgetary control is the fund level.

Any deficiency of budgeted revenues and other financing sources over expenditures and other financing uses is financed by beginning available fund balance as provided for in the County Budget Act.

3. CASH AND INVESTMENTS:

Cash and Investments:

Cash and investments as of June 30, 2014, consist of the following:

Petty cash	\$ 250
Investment in County of San Bernardino Investment Pool	<u>729,669</u>
Total Cash and Investments	<u>\$ 729,919</u>

Investments Authorized by the Commission's Investment Policy:

The Commission's investment policy authorizes investments only in the County of San Bernardino Investment Pool.

Interest Rate Risk:

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of the fair value to changes in market interest rates.

As of June 30, 2014, the Commission's cash was voluntarily invested in the County of San Bernardino Investment Pool, and therefore was not exposed to any interest rate risk as described above.

See independent auditors' report.

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

## NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)

June 30, 2014

### 3. CASH AND INVESTMENTS (CONTINUED):

#### Interest Rate Risk (Continued):

The County of San Bernardino Investment Pool is a pooled investment fund program governed by the San Bernardino County Board of Supervisors, and is administered by the County Treasurer. Investments in the pool are highly liquid as deposits and withdrawal can be made at any time without penalty. The Commission's fair value of its share in the pool is the same value of the pool shares, which amounted to \$729,669. Information on the pool's use of derivative securities in its investment portfolio and the Commission's exposure to credit, market, or legal risk is not available.

#### Credit Risk:

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The money pooled with the County of San Bernardino Investment Pool is not subject to a credit rating.

#### Custodial Credit Risk:

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure Commission deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools (such as the money invested by the Commission in the County of San Bernardino Investment Pool).

See independent auditors' report.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

4. CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance at July 1, 2013	Additions	Deletions	Balance at June 30, 2014
Capital assets:				
Office equipment	\$ 8,192	\$ -	\$ -	\$ 8,192
Less accumulated depreciation for:				
Office equipment	(2,341)	(1,170)	-	(3,511)
Total capital assets, net	<u>\$ 5,851</u>	<u>\$ (1,170)</u>	<u>\$ -</u>	<u>\$ 4,681</u>

5. UNEARNED REVENUES:

At June 30, 2014, the Commission deferred recognition of \$57,646 from fee revenues and deposits that had been received but not yet earned.

6. COMPENSATED ABSENCES:

Changes in unpaid compensated absences at June 30, 2014, were as follows:

Accrued compensated absences at July 1, 2013	\$ 68,772
Compensated absences earned	60,316
Compensated absences used	<u>(56,076)</u>
Accrued compensated absences at June 30, 2014	<u>\$ 73,012</u>

There is no fixed payment schedule for earned but unpaid compensated absences. Accrued compensated absences expected to be paid within one year is \$22,149 at June 30, 2014.

See independent auditors' report.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

7. INSURANCE:

The Commission is a member of the Special District Risk Management Authority, an intergovernmental risk sharing joint powers authority. The schedule of insurance coverage is as follows:

Coverage		Limit of Insurance
Personal Injury and Property Damage Liability- General	\$ 2,500,000	Per occurrence/aggregate where applicable. \$500 deductible per occurrence
Personal Injury and Property Damage Liability-Auto	2,500,000	Per accident. \$1,000 deductible per occurrence
Public Officials and Employees Errors and Omissions Liability	2,500,000	Per wrongful act/annual member aggregate
Employment Practices Liability	2,500,000	Per wrongful employment practice/ aggregate limits per member
Employee Benefits Liability	2,500,000	Per wrongful act/annual member aggregate
Employee Dishonesty Coverage	400,000	Per loss
Public Officials Personal Liability	500,000	Per occurrence/annual aggregate Board Member
Property Coverage	1,000,000,000	Per occurrence, \$2,000 deductible per occurrence
Workers' Compensation	Statutory	Per occurrence
Employers' Liability	5,000,000	Per occurrence
Boiler and Machinery	100,000,000	Per occurrence, \$1,000 deductible per occurrence
Uninsured/Underinsured Motorists	1,000,000	Per occurrence

The Commission is self-insured for unemployment insurance.

See independent auditors' report.



LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

8. OPERATING LEASE:

The Commission entered into non-cancelable operating lease agreements for the rental of office space and office equipment, expiring in various years through 2017. Future minimum lease payments under these operating leases are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2015	\$ 53,708
2016	52,241
2017	<u>53,808</u>
Total	<u>\$ 159,757</u>

Total rent expense for the year ended June 30, 2014 amounted to \$52,202.

9. RETIREMENT PLAN:

Benefit Plan Groups:

For the purpose of this retirement plan and the salary savings plans, as described in Note 10, employees shall be divided into the following groups:

- a. Group A Executive Officer
- b. Group B All Commission Employees not in Groups A or C
- c. Group C Deputy Clerk to the Commission and LAFCO Secretary

Plan Description:

The San Bernardino County Employees' Retirement Association (SBCERA) is a cost-sharing multiple-employer defined benefit pension plan (Plan) operating under the California County Employees Retirement Act of 1937 (1937 Act). The Plan provides retirement, death, and disability benefits to members. Although legally established as a single employer plan for the County of San Bernardino, the Commission was transitioned to a non-County special district status within the SBCERA.

See independent auditors' report.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

9. RETIREMENT PLAN (CONTINUED):

Plan Description (Continued):

The Commission and others covered under the Plan are collectively referred to as the "Participating Members". The Plan is governed by the San Bernardino Board of Retirement under the 1937 Act. The Board acts as a fiduciary agent for the accounting and control of member and employee contributions and investment income. Employees become eligible for membership on their first day of regular employment and become fully vested after 5 years. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W. Hospitality Lane, 3rd Floor, San Bernardino, California 92415-0014.

The California Public Employees' Pension Reform Act (PEPRA) was effective as of January 1, 2013, and caused changes in the plans available to future employees of the Commission. Under PEPRA, employees hired after January 1, 2013 will join the 2.5% at 67 plan. As of June 30, 2014, there were no active members of the 2.5% at 67 plan.

Funding Policy:

Participating members are required by statute (Sections 31621.6 and 31639.25 of the California Government Code) to contribute a percentage of covered salary based on certain actuarial assumptions and their age at entry to the Plan. Employee contribution rates vary according to age and classification (general or safety). Employees are required to contribute 9.43% to 12.67% of their annual covered salary, of which the Commission pays a portion. The Commission has agreed to contribute on behalf of each employee in employee Group B, \$148 per bi-weekly pay period. As of June 30, 2014, there were no covered employees under Groups A or C or under the 2.5% at 67 plan. All non-County special district employers are required to contribute 27.69% of current year covered payroll. Employee contribution rates are established and may be amended pursuant to Articles 6 and 6.8 of the 1937 Act. Employer rates are determined pursuant to Sections 31453 of the 1937 Act.

Contributions:

For fiscal year 2013-2014, the Commission's annual pension cost of \$85,828 for SBCERA was equal to the Commission's required and actual contributions. There have been no contributions to the 2.5% at 67 plan since there are no active members. The required contribution was determined as part of the June 30, 2012 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected annual salary increase that vary by duration of service and (c) cost-of-living adjustments are contingent upon CPI increases with a 2% maximum. Both (a) and (b) included an inflation component of 3.50%. The Commission made contributions for the employees' share of contributions during the year totaling \$17,682.

See independent auditors' report.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

9. RETIREMENT PLAN (CONTINUED):

Contributions (Continued):

The Asset Valuation Method of SBCERA employs market value of assets less unrecognized market value gains and losses from each of the last five years. Market value gains and losses are equal to the differences between the actual market return and the expected return on the market value, and are recognized over a five-year period. The actuarial value of assets is reduced by the value of the non-valuation reserves.

SBCERA's unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of future active member payroll (including payroll for new members) assuming a constant number of active members. The June 30, 2002, UAAL is being recognized over a 20-year declining period effective June 30, 2002. Any changes in UAAL after June 30, 2002, are amortized over a 20-year closed period effective with each valuation. Effective June 30, 2011, any changes in UAAL due to actuarial gains or losses or due to changes in actuarial assumptions or methods are amortized over a 20-year closed period effective with each valuation. Any change in UAAL that arises due to plan amendments is amortized over its own declining 15-year period (with the exception of a change due to retirement incentives, which is amortized over a declining period of 5 years).

The Commission's contributions to the Plan for the past three years, which were equal to the required contribution each year, were as follows:

Fiscal Year	General Risk Pool	
	Tier 1 2% at 50	Tier 2 2.5% at 67
June 30, 2012	\$ 73,575	\$ -
June 30, 2013	86,130	-
June 30, 2014	85,828	-

Net Pension Liability:

With the adoption of GASB 68, the Commission will be required to include its proportionate share of the net pension liability, deferred outflows and inflows of resources and pension expense in the financial statements for fiscal years beginning after June 15, 2014. Upon implementation, the Commission will use a measurement date and actuarial valuation date of one-year prior to the reporting date, as allowed by GASB 68. SBCERA's actuary has estimated the Commission's proportionate share of the net pension liability as of the June 30, 2013 measurement date to be approximately \$583,000, which is expected to be the opening net pension obligation upon implementation of GASB 68.

See independent auditors' report.

LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

NOTES TO BASIC FINANCIAL STATEMENTS  
(CONTINUED)

June 30, 2014

10. SALARY SAVINGS PLANS:

401(k) Plan:

Bi-weekly contributions of Commission employees to the County's 401(k) Defined Contribution Plan will be matched by a Commission contribution on the basis of two times the employee's contribution. The bi-weekly contributions of employees in Groups A and B of up to four percent of bi-weekly base salary will be matched by a Commission contribution of two times the employee's contribution, not to exceed eight percent of an employee's bi-weekly base salary.

The bi-weekly contributions of employees in Group C to the County's 401(k) Defined Contribution Plan of up to three percent of bi-weekly base salary will be matched by a Commission contribution of two times the employee's contribution. The Commission's contribution shall not exceed six percent of an employee's bi-weekly base salary.

The Commission contributed \$23,213 to this plan for the fiscal year ended June 30, 2014.

457 Deferred Compensation Plan:

Bi-weekly contributions of Commission Group A employees to the County's Section 457 Deferred Compensation Plan up to one percent (1%) of an employee's bi-weekly base salary will be matched by a Commission contribution on the basis of one (1) times the employee's contribution. The Commission contribution shall not exceed one percent of the employee's bi-weekly salary. The contribution shall be deposited in the County's 401(a) Plan.

Bi-weekly contributions of Commission Group B and C employees to the County's Section 457 Deferred Compensation Plan up to one percent (1%) of an employee's bi-weekly base salary will be matched by a Commission contribution of one-half (1/2) times the employee's contribution. The Commission's contribution shall not exceed one-half percent (1/2%) of the employee's bi-weekly salary. The contribution shall be deposited in the County's 401(a) Plan.

The Commission contributed \$1,468 to this plan for the fiscal year ended June 30, 2014.

11. SUBSEQUENT EVENTS:

Events occurring after June 30, 2014 have been evaluated for possible adjustments to the financial statements or disclosure as of December 18, 2014, which is the date these financial statements were available to be issued.

See independent auditors' report.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

The Commission Members  
Local Agency Formation Commission  
for San Bernardino County  
San Bernardino, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Local Agency Formation Commission for San Bernardino County (the "Commission"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated December 18, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*White Nelson Dick Evans LLP*

Irvine, California  
December 18, 2014

To the Commission Members of the  
Local Agency Formation Commission  
for San Bernardino County

We have audited the financial statements of the governmental activities and the general fund of the Local Agency Formation Commission for San Bernardino County (the "Commission") for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter dated July 11, 2014. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Commission are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2014. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Commission's financial statements were:

Management's estimate regarding the annual required contribution to the retirement plans since these estimates are based on actuarial valuations. We evaluated the key factors and assumptions used to develop the annual required contribution in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

The disclosure of the retirement plans in Note 9 to the financial statements, since there are significant estimates involved in these disclosures.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of passed adjustments are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 18, 2014.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.



Other Matters

We applied certain limited procedures to management's discussion and analysis, which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Restriction on Use

This information is intended solely for the use of the Commission Members and management of the Commission and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "White Nelson Dick Evans LLP".

Irvine, California  
December 18, 2014

# 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)

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**DATE:** JANUARY 12, 2015  
**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** AGENDA ITEM #5 – Consideration of Fee Reduction Requested by Crest Forest Fire Protection District for its Sphere of Influence Amendment Application (LAFCO 3185) and Reorganization Proposal (LAFCO 3186)

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## **RECOMMENDATION:**

Staff recommends that the Commission approve the request from the Crest Forest Fire Protection District for reduction in application fees/deposits for LAFCOs 3185 and 3186 totaling \$17,900. The following is a breakdown of the fees/deposits:

a. LAFCO 3185 Sphere of Influence Amendment Proposal	\$5,000
b. LAFCO 3186 Reorganization Proposal (flat fee)	\$10,000
c. Legal Counsel Deposit	\$1,150
d. Environmental Review Deposit	\$ 750
e. Deposit for Display Ad in lieu of Individual Notice	\$1,000
<b>TOTAL</b>	<b>\$17,900</b>

## **BACKGROUND:**

On November 18, 2014, the Crest Forest Fire Protection District (hereinafter the "CFFPD" or "District") submitted two concurrent proposals for a sphere of influence amendment (expansion) for the San Bernardino County Fire Protection District (LAFCO 3185) and a reorganization that includes annexations to the San Bernardino County Fire Protection District, its Mountain and PM-1 Service Zones, dissolution of the Crest Forest Fire Protection District and its Service Zone PM-A, and formation of Service Zone FP-7 and PM-4 (LAFCO 3186).

Included in the District's application was a letter requesting a reduction filing fees (see attached letter from Robert Goss, Vice President, CFFPD Board of Directors). In its letter, the District did not specifically identify which fees it is requesting to be reduced or waived. However, in working with LAFCO staff, it was identified that it would be acceptable to reduce the reorganization filing fee to a flat fee of \$10,000.

Based on the Commission's adopted fee schedule, the total filing fee for the sphere change and reorganization would be \$26,340. The breakdown below shows all the required fees/deposits for both the sphere of influence amendment and the reorganization proposals:

**LAFCO Filing Fees**

a. Sphere of Influence Amendment (LAFCO 3185)	\$5,000
b. Reorganization Proposal (LAFCO 3186)	\$7,500
Additional Fee (\$1 per acre over 275 ac.)	\$10,940

**Required Deposits**

c. Legal Counsel	\$1,150
d. Environmental Review	\$750
e. Display Ad in lieu of Individual Notice	\$1,000
<b>TOTAL</b>	<b>\$26,340</b>

Based on the flat fee of \$10,000 as agreed upon for the reorganization proposal, the following is the breakdown of the total fees/deposits the District paid at the time the proposals were submitted:

• Sphere of Influence Amendment (LAFCO 3185)	5,000
• Reorganization Proposal (LAFCO 3186)	\$10,000
• Legal Counsel Deposit	\$1,150
• Environmental Review Deposit	\$750
• Deposit for Display Ad in lieu of Individual Notice	\$1,000
<b>TOTAL</b>	<b>\$17,900</b>

Because these proposals have been initiated by the District to dissolve itself and for the San Bernardino County Fire Protection District and its Mountain Service Zone to take over fire services within the Crest Forest community because the District cannot continue to provide due to irreversible financial hardship, LAFCO staff fully supports the request for reduction in filing fees/deposits presented above.

The staff will be happy to answer any questions of the Commission prior to or at the hearing.

KRM/sm

Attachment

1. Letter Dated November 18, 2014 from the Crest Forest Fire Protection District
2. Map of the Sphere of Influence Amendment (LAFCO 3185) and Reorganization Proposal (LAFCO 3186)

**Letter Dated November 18, 2014 from the  
Crest Forest Fire Protection District**

**Attachment 1**



## Crest Forest Fire Protection District

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November 18, 2014

Kathleen Rollings-McDonald, Executive Officer  
LAFCO  
215 North "D" Street, Suite 204  
San Bernardino, CA 92415

RE: Request a reduction of fees

Dear Kathleen Rollings-McDonald;

The Crest Forest Fire Protect District contracted services with San Bernardino County Fire, July 2013, and continues to struggle in the economic recovery. The Board of Directors, recognizing it was exhausting all reserve funds, unanimously decided to begin the annexation process to San Bernardino County Fire.

The District is hard pressed to find additional revenue sources and respectfully request LAFCO's consideration in a reduction of fees in processing its annexation application.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert Goss".

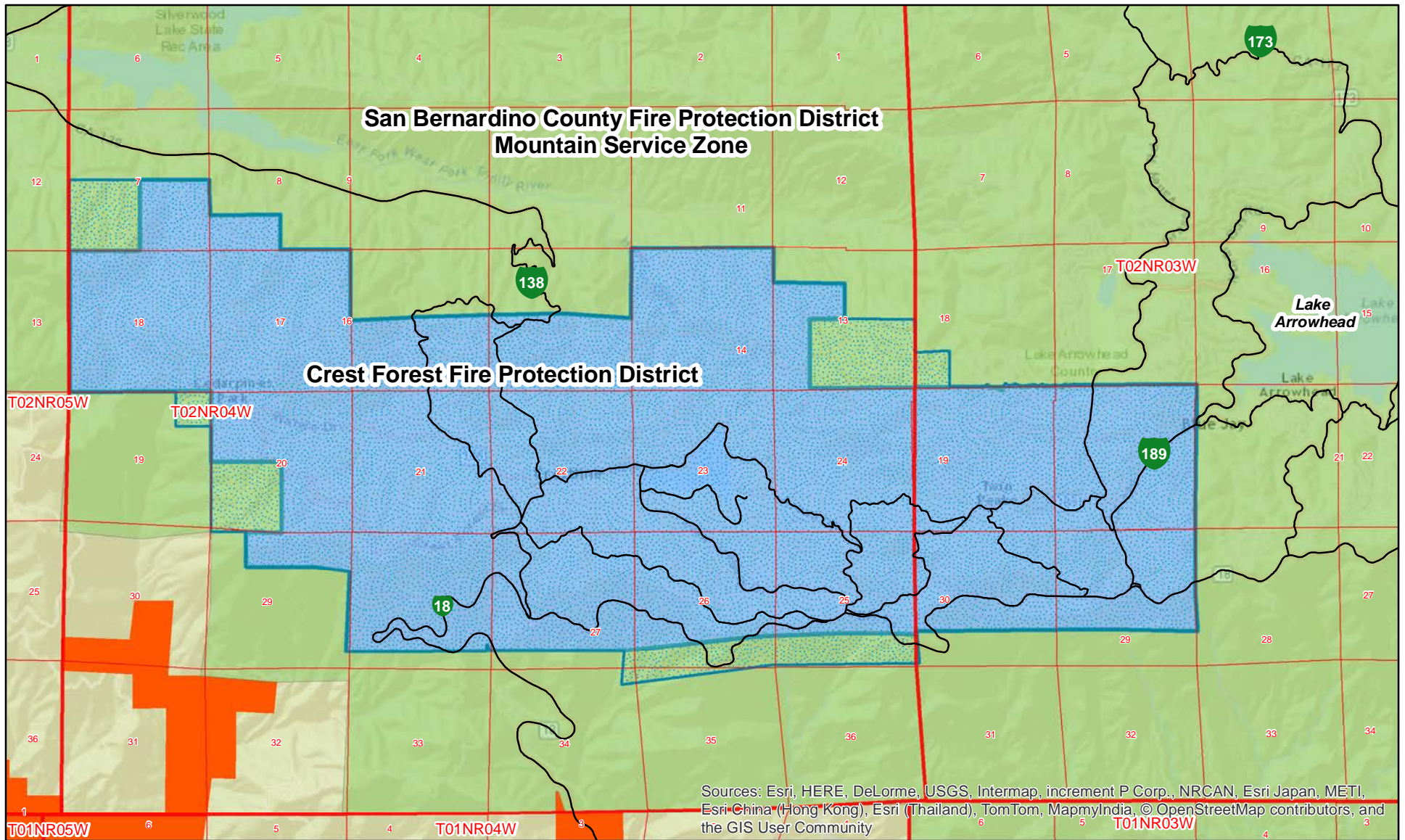
Robert Goss, Vice President  
Crest Forest Fire Board of Directors

RG:pf

**Map of the Sphere of Influence  
Amendment(LAFCO 3185) and  
Reorganization Proposal (LAFCO 3186)**

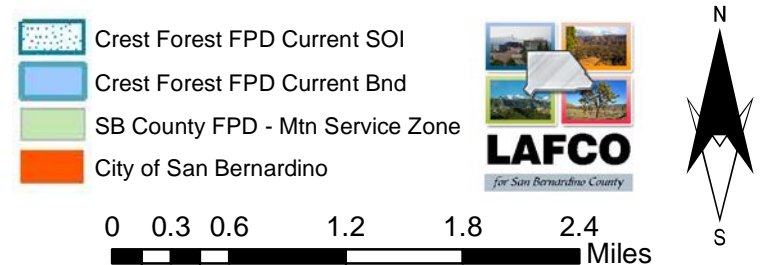
**Attachment 2**





**LAFCO 3185 - Sphere of Influence Expansion for the San Bernardino County Fire Protection District (Crest Forest community)**

**LAFCO 3186 - Reorganization to include Annexations to the San Bernardino County Fire Protection District, its Mountain and PM-1 Service Zones, Dissolution of the Crest Forest Fire Protection District and its Service Zone PM-A, Formation of Service Zone FP-7 and PM-4**



# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

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---

**DATE:** JANUARY 13, 2015  
**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** AGENDA ITEM #7 -- LAFCO 3181 – REORGANIZATION TO INCLUDE ANNEXATIONS TO THE BIGHORN-DESERT VIEW WATER AGENCY AND DISSOLUTION OF COUNTY SERVICE AREA 70 ZONE W-1 AND FORMATION OF AN IMPROVEMENT DISTRICT OF BIGHORN-DESERT VIEW WATER AGENCY

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## **RECOMMENDATION:**

Staff recommends that the Commission take the following actions:

1. Modify LAFCO 3181 - Reorganization to include Annexations to the Bighorn-Desert View Water Agency and Dissolution of County Service Area 70 Zone W-1 ("CSA 70 Zone W-1") to include the formation of an improvement District of the Bighorn-Desert View Water Agency reflecting the boundaries of CSA 70 Zone W-1;
2. Certify that LAFCO 3181, as modified, is statutorily exempt from environmental review and direct the Executive Officer to file a Notice of Exemption within five (5) days;
3. Approve LAFCO 3181, as modified, with the following conditions:
  - a. Standard conditions for a change of organization;
  - b. The effective date of this reorganization shall be July 1, 2015;
  - c. The service area/territory of the dissolved CSA 70 Zone W-1, on the effective date of this reorganization, shall be formed as an improvement district of the Successor District ("Improvement District") and shall be required to maintain separate accounts for the purposes of keeping the existing assets and liabilities, including, but not limited to, capital funds, assessments and debt obligations of the dissolved CSA 70 Zone W-1 isolated and segregated;



- d. Upon the effective date of the reorganization, the Bighorn-Desert View Water Agency, as Successor District to CSA 70 Zone W-1, shall succeed to all rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the dissolved CSA 70 Zone W-1. It is anticipated that the transition period shall be from the date of completion of the protest process until the effective date of the reorganization assigned (July 1, 2015) allowing for the smooth transition of operations;
- e. Upon the effective date of the reorganization, the Improvement District shall receive all reserve fund balances from the dissolved CSA 70 Zone W-1 specifically identified in the Fiscal Year 2014-15 Adopted Reserve Program (Capital Replacement \$358,764 and Capital Expansion \$319,263; total \$678,027) to be held for the benefit of the ratepayers and property owners within the dissolved district. Transactions utilizing these funds shall be accounted for and described in the annual audit/comprehensive financial reports recognizing the improvement district. All other cash on hand or reserve funds shall transfer to the Successor District for use in providing the service to the area of the dissolved CSA 70 Zone W-1;
- f. Upon the effective date of the reorganization, the Successor District shall accept all system facilities transferred from the dissolved CSA 70 Zone W-1 in "as is" condition without any payment or repair obligation from the assets of CSA 70 (pursuant to Government Code Section 56886(h)). All system facilities and incidental liabilities, such as accounts payables, contract obligations and customer deposits shall be transferred to the Successor District. All assets including, but not limited to, water production equipment (pumps, storage tanks, etc.), water transfer infrastructure, transmission lines and rights-of-way, rolling stock, tools, office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the dissolved CSA 70 Zone W-1 shall be transferred to the Successor District;
- g. The debt obligations of the dissolved CSA 70 Zone W-1 (including but not limited to bond debt and its share of Improvement District M of the Mojave Water Agency) shall remain with the ratepayers obligated to repay those debts through assignment to the Improvement District of the Successor District;
- h. The existing fees, taxes, assessments, and charges of CSA 70 Zone W-1 shall continue as the Improvement District's fee, taxes, assessment and charges for payment of the obligations for the duration of the debt obligation;
- i. Water rates for the CSA 70 Zone W-1 area shall transition to the previously established and authorized current rates of the Bighorn Desert View Water Agency. It is anticipated that the transition shall be phased to allow for transition in operating systems but shall be accomplished by the close of the

first fiscal year following the effective date of the reorganization;

- j. Upon the effective date of the reorganization, the Successor District shall succeed to all water and capacity rights of the dissolved CSA 70 Zone W-1, whether wholly or partially owned or held by the extinguishing district and shall succeed to the priorities of use or rights of use of water or capacity rights in any public improvements or facilities or any other property whether real or personal, to which the dissolved CSA 70 Zone W-1 is entitled to upon the effective date of this Reorganization. The successor district shall specifically succeed to all rights and interest held or claimed by the dissolved CSA 70 Zone W-1 under the Ames Judgment under Riverside Superior Court Case 211504;
- k. Upon the effective date of the reorganization, the Successor District shall specifically succeed to all rights and interests held or claimed by the dissolved CSA 70 Zone W-1 under all agreements and/or memoranda of understanding with the Department of the Interior, the Bureau of Land Management, the United States Geological Survey, the California Department of Fish and Game, the California Water Quality Control Board and the Regional Water Quality Control Board for the Lahontan Region, or any other public agency or private entity with which the dissolved CSA 70 Zone W-1 has an agreement or memoranda of understanding. The Successor District shall also assume all joint use flow agreements and maintenance agreements held by the dissolved CSA 70 Zone W-1 [(Government Code Section 56886(r)]. Amendments of existing agreements shall be completed prior to the effective date to address any changes in service [Government Code Section 56886(r)(v)];
- l. The appropriation limit of the dissolved CSA 70 Zone W-1 shall be added to the appropriation limit of the Successor District;
- m. Upon the effective date of this reorganization, the Successor District and its Improvement District shall succeed to all rights, duties, and obligations of the dissolved CSA 70 Zone W-1 with respect to the enforcement, performance or payment of any outstanding bonds, including revenue bonds, or other contracts and obligations of the dissolved CSA 70 Zone W-1. This reorganization shall not impair any rights of any bondholder or creditor of the dissolved CSA 70 Zone W-1; and,
- n. As of the date of approval of the reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the Board of Supervisors of San Bernardino County as the governing body of CSA 70 Zone W-1 shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5:
  - i. **No Increase in Compensation or benefits:** No increase in calculation for payment of benefits or compensation to CSA 70 shall be allowed.

Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2014-15.

- ii. **Bound by Current Budget:** Appropriating, encumbering, expending, or otherwise obligating any revenue of CSA 70 Zone W-1 beyond that provided in the current budget at the time of Commission approval unless agreed to by the Successor District.
4. Adoption of LAFCO Resolution No. 3194 outlining the Commission terms, conditions and determinations.

## **BACKGROUND**

In April of 2014 the Bighorn-Desert View Water Agency (hereafter identified as "Agency") submitted an application to annex the territory included within County Service Area 70 Zone W-1 (hereafter identified as CSA 70 Zone W-1), map of the area included as Attachment #1. This proposal contemplates the dissolution of CSA 70 Zone W-1 and the transfer of its assets, liabilities, reserves, and properties to the Agency for operating the domestic water delivery to the community identified as Goat Mountain in the larger Landers community. The Agency identified in its application (a complete copy of which is included as a part of Attachment #3) that the approval of the reorganization would provide for local control and governance participation, and the ability to respond to periodic problems or issue in a more timely manner. The Agency identifies that the successful completion of the application would provide for a lower and more stable water rate based on the Agency's history of water service within its community.

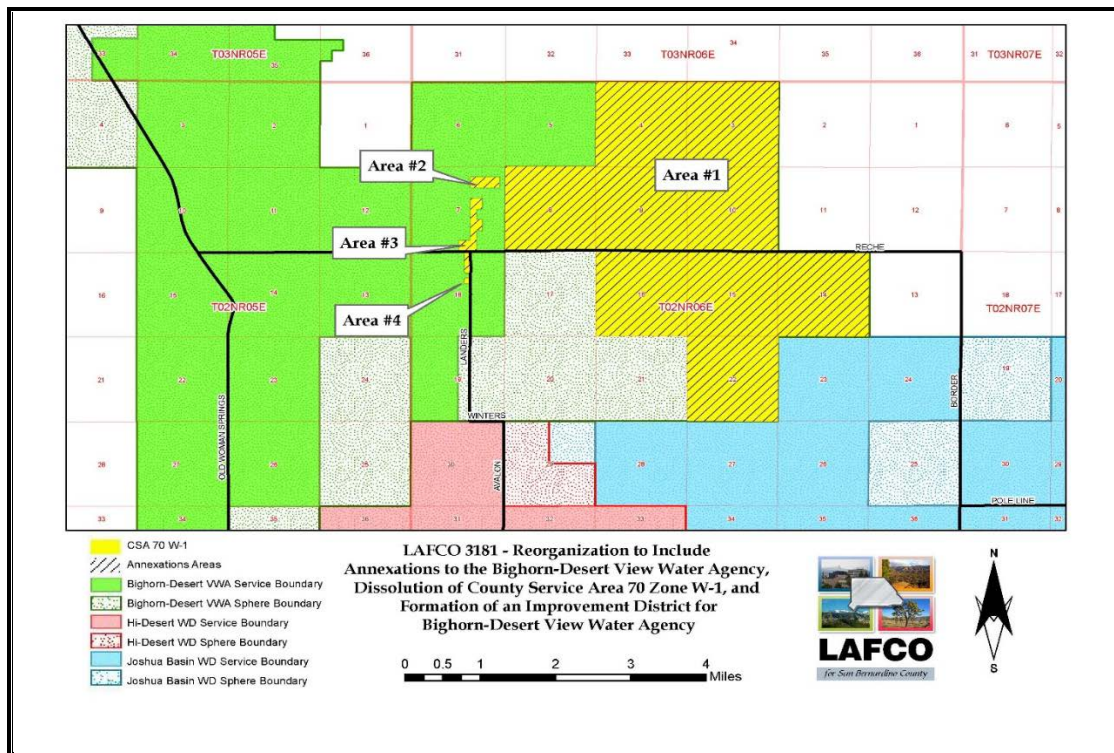
The Commission concluded its Service Review for the Homestead Valley community (Landers, Flamingo Heights, Goat Mountain and Johnson Valley) of the South Desert region in April 2012 through adoption of Resolution No. 3155 (copy included as a part of Attachment #2). As the Commission will recall, this determination was made after three hearings and the direction to staff to conduct a community meeting to review the options of including the CSA 70 Zone W-1 territory within the Agency's sphere of influence or the continued exclusion of the area from its sphere. In March 2012 the community meeting was conducted, a survey was provided, the Agency conducted its own survey and the results were presented to the Commission at the April 18, 2012 hearing. At that hearing the Commission determined that the sphere of influence should be expanded to include the whole of the W-1 system, that the "cross" area be included in the sphere, and on the west side, reduce the sphere of influence area by approximately 13,000 areas eliminating lands designated for resource conservation.

What followed was relative calm in the Landers/Goat Mountain communities until 2013 when the County Special Districts Department proposed water rate increases for the W-1 system. Without an advisory commission or body to review community concerns, the residents were provided a Prop 218 notice to protest the water rate increase proposed for FY 2013-14 and extending through FY 2015-16, at a minimum. This corresponded with changes proposed at

the County level for all County operated domestic water operations to guarantee financial coverage needs for reserves to address system repairs, replacement, and improvements. Residents and/or property owners in the Goat Mountain area were concerned with the impacts of this change, the costs to its fixed income residents and responded by putting together the Landers Community Task Force to research options. There were a number of options evaluated by the Task Force, one of which was the potential dissolution of CSA 70 Zone W-1 and the assumption of that service by the Agency through annexation, an option which for the past almost twenty years was unthinkable.

The Task Force reviewed the options for the community and system and met with LAFCO staff to review the process for change as well as conducting discussions with others. The Task Force ultimately filed a request with the Agency to proceed with annexation and in January 2014 the Agency adopted a resolution initiating the annexation request to LAFCO. In addition, the newly formed Morongo Basin Municipal Advisory Council (MAC) received a presentation on the proposal and responded with the adoption of Resolution No. MB-MAC-003 identifying its support for the reorganization.

The reorganization proposal as submitted is shown on the map below:



The submission of the application in April 2014 started the LAFCO process which includes the staff analysis of the application against the factors outlined in Government Code Section 56668, property tax transfer requirements pursuant to the Revenue and Taxation Code and an environmental determination under CEQA. Prior to circulating the proposal for review and comment, staff modified the application to include the formation of an improvement

district of the Agency to isolate CSA 70 Zone W-1 debt and the special tax revenues to repay it along with isolating the reserves saved by the Goat Mountain community.

In compiling the information for the Commission to evaluate the proposal, the County and its Special Districts Department were requested to identify their position on the proposal and if there were any anticipated negative effects on future retail water operations under the existing system of board-governed agencies. The response was received in August 2014 that it was neither in support nor opposition to the proposal. Earlier information had identified that possibly an additional response from the County Administrative Office would be forthcoming; however, none was provided. The Commission's environmental consultant evaluated the environmental effects of the proposal and determined that his recommendation would be for a statutory exemption as there was no change in the area in which service was to be provided therefore no significant effect upon the environment. The County adopted its resolution identifying that the share of the 1% general ad valorem property tax revenue generated by CSA 70 Zone W-1 would be transferred to the Agency upon successful completion of the proposal. So the stage is set for the Commission to evaluate the proposal.

The narrative which follows provides a discussion to evaluate the proposal against the mandatory criteria the Commission is required to review as set forth in Government Code Section 56000 et al. The narrative provides a more detailed discussion of the various specific aspects of the proposal and consequences of the change from this snapshot in time. As with all applications for jurisdictional change, the Commission's review will center on determinations related to the following:

1. **BOUNDARIES:** Do the boundaries presented for the reorganization represent a division which makes sense from a service delivery perspective for current and future growth? Are the boundaries definite, certain and easily recognizable? Do the boundaries promote efficient and effective service delivery?
2. **LAND USE:** Will approval of the proposal affect the land use authority or the decisions upon land use options?
3. **FINANCIAL AND SERVICE CONSIDERATIONS:** Does the reorganization represent the best available service option for the affected communities? Does it provide for a more efficient, effective and accountable form of government? Can the annexing or successor district continue to provide the level of services which existed prior to the change? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?
4. **ENVIRONMENTAL:** Will the proposed reorganization have an adverse environmental effect that cannot be mitigated to a level of non-significance? If it does, can those adverse effects be overridden by other benefits?

As with most considerations presented to the Commission, the final determination of success or failure rests with the landowners and registered voters of the area. LAFCO 3181 will

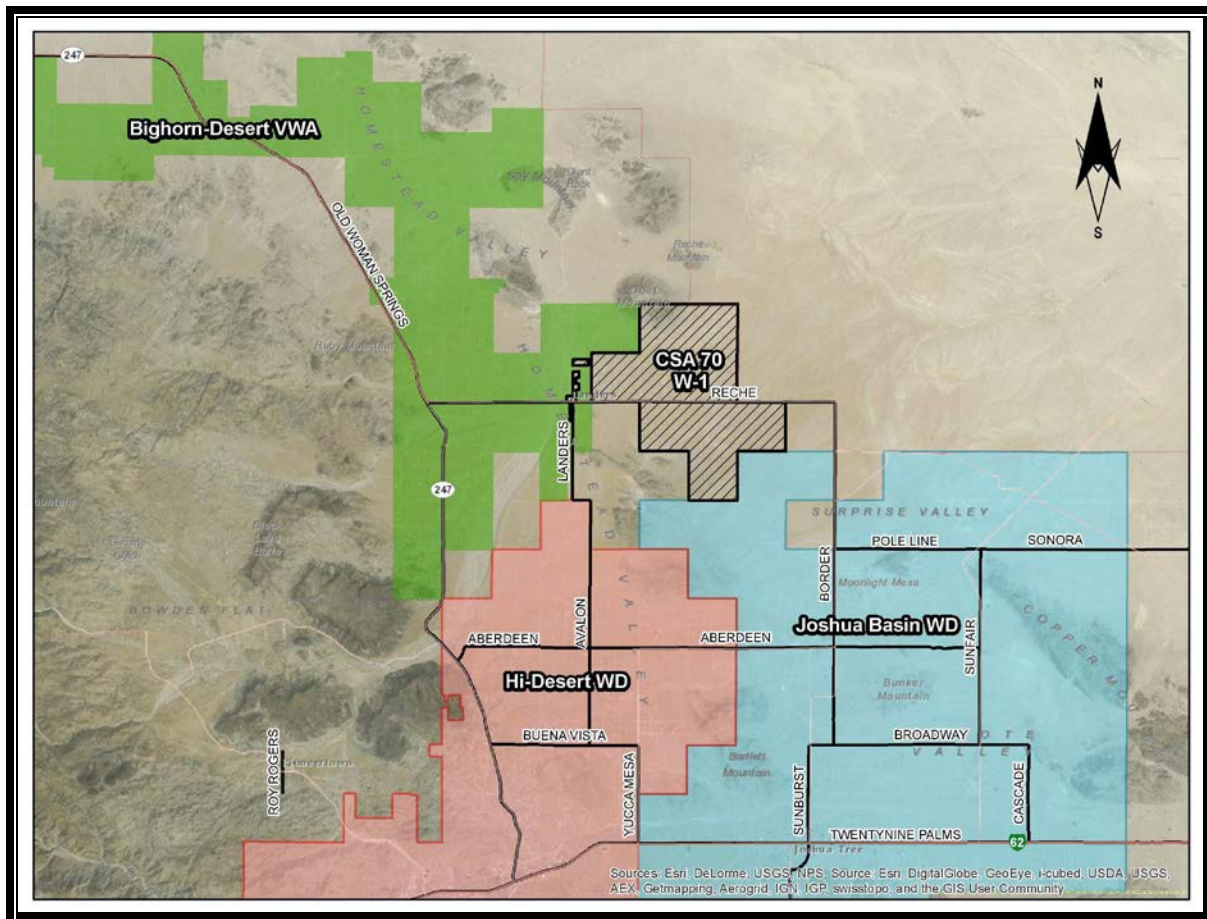


provide an opportunity for the landowners and voters to determine their future should the Commission chose to approve the application as modified by the staff.

## **BOUNDARY DISCUSSION:**

The proposal as submitted by the Agency anticipates the inclusion of the entirety of the CSA 70 Zone W-1 system into its jurisdiction. Of note, the three island areas (Areas 2, 3 and 4) are currently provided service by the Agency through an out-of-agency agreement with CSA 70 Zone W-1.

The map which follows provides the topographic relief for the area which represents a clear and efficient service delivery boundary.



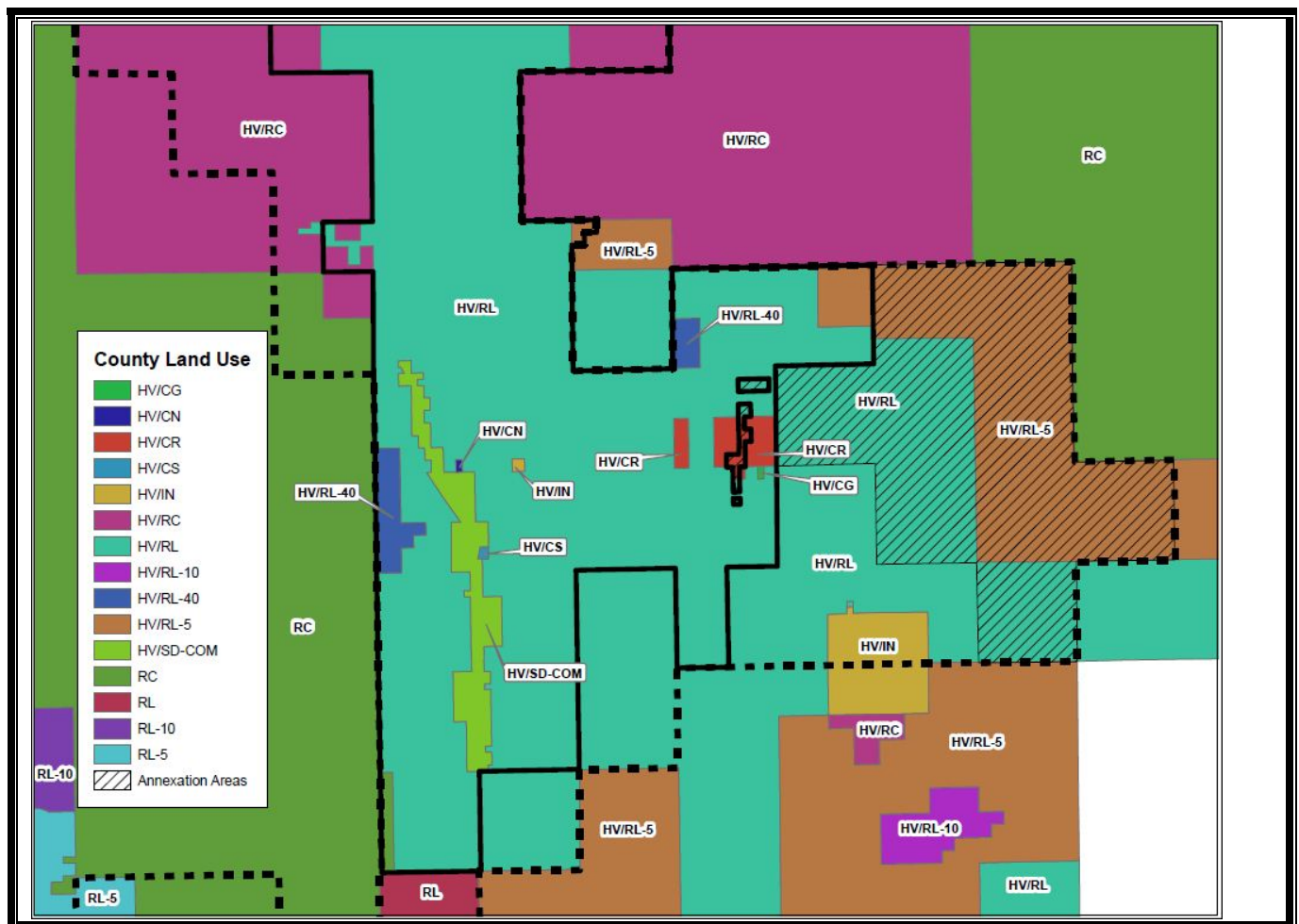
The proposal provides for the Homestead community to be served by a single retail water entity. In addition, staff is recommending the modification to the proposal to include the formation of an improvement district which will provide for the isolation and segregation of revenues received from and debts incurred by the former CSA 70 Zone W-1. It is the staff's position that LAFCO 3181 provides for a definite and certain boundary as required by LAFCO law.

LAFCO staff is recommending the inclusion of a specific condition related to boundaries outlined as follows:

1. The service area/territory of the dissolved CSA 70 Zone W-1, on the effective date of the reorganization, shall be formed as an improvement district of the Successor District and shall be required to maintain separate accounts for the purpose of keeping the existing assets and liabilities, including but not limited to, capital funds, assessments and debt obligations of the dissolved CSA 70 Zone W-1 isolated and segregated.

## **LAND USE:**

The review and approval of LAFCO 3181 will have no direct effect on the land use designations assigned by the County. It will, however, assist in implementing the goals as established by the County General Plan Update which are to require the delivery of a safe and sustainable retail water service. The following figure is an excerpt of the map presented in the service review and identifies the existing land uses within the reorganization area:



As the figure above illustrates, Area 1 of the reorganization is designated for residential use; Areas 2 is designated for residential use, Area 3 is designated residential and commercial use, and Area 4 is designated for residential use.

The Southern California Associated Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5 and approval of LAFCO 3181 will have no direct impact on those determinations. However, of note, the Sustainable Community Strategy includes as a determination the need to assure the ongoing availability of a reliable water supply and approval of LAFCO 3181 will support that determination.

## **SERVICE CONSIDERATIONS AND FINANCIAL EFFECTS:**

The questions related to the service considerations and financial effects of LAFCO 3181 are the heart of the issue for Commission consideration. In the staff view, and that of LAFCO law, it is the responsibility of the Commission to determine whether or not the proposal will provide for an efficient and effective delivery of retail water service, and will that delivery system be sustainable, meaning can it continue to provide for the level of service contemplated. So the task for the Commission is to evaluate the information which has been provided for the operations and answer the questions of:

Does the change represent the best available service option for the community?  
Does it provide for a more efficient, effective and accountable form of government?  
Can the successor entity continue to provide the level of services which were previously provided by CSA 70 Zone W-1? Would the approval of the reorganization impair the ability of any other agency to continue providing its range and level of services?

In preparing the analysis, requesting information, and discussing questions related to this reorganization proposal, staff encountered an avalanche of statements submitted regarding the current operations of both agencies. Staff's response has been to maintain the focus on the evaluation of the transfer of the operations from one agency to another as each agency has the statutory authority to operate their system in accordance with the direction of their governing body and each has operated in that manner. The service review conducted for these districts in 2012 reviewed the operations of the both districts and no further evaluation of them is required to evaluate the current proposal. Excerpts from the Service Review/Sphere of Influence Update report are included as a part of Attachment #2. Therefore, no discussion in this report will relate to the appropriateness of capital improvement program decisions, choice of contractors, or timing of improvements, repairs or purchases.



**Financial Effects:**

The Bighorn-Desert View Water Agency submitted a Plan for Service along with a fiscal impact analysis identifying the expenditures and revenues for assuming the responsibility for providing service to the CSA 70 Zone W-1 territory. Of importance in this material is the determination made by the Agency to immediately include the CSA 70 Zone W-1 system in its current established water rate structure. This will reduce the existing rates paid by CSA 70 Zone W-1 water recipients. The Agency supplemented the Plan for Service information with the preparation of a five-year projection for the agency as a whole with the merged operations.

In addition, LAFCO staff requested information from the County Special Districts Department on the expenditures and revenues for CSA 70 Zone W-1 and the position of the County on the proposal. The County has responded to the information requests but has taken no direct position on the proposal; stating that they would leave that determination up to the staff's analysis for the Commission. One specific question asked was whether or not there would be an impact to the ongoing operations of the County Special Districts Department Water and Sanitation Division. No written response was provided so the staff has taken that to mean no impact is anticipated. As the Commission will recall, in the Baldwin Lake Fire reorganization this was the significant determination requiring environmental assessment and discussion.

To begin this review, it is important to understand the financial position of each of the agencies. Staff has taken information from the audits prepared for these agencies to compile charts of the activities for the last five years of operation. Those are shown below:

COUNTY SERVICE AREA 70 ZONE W-1						
STATEMENT OF CASH FLOWS FROM AUDITS						
Account Name	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from Customers	\$260,892	\$342,566	\$340,788	\$327,754	\$350,247	\$399,325
Payments to suppliers	-\$108,323	-\$154,828	-\$157,706	-\$144,942	-\$150,472	-\$22,759
Payments to employees	-\$275,443	-\$265,552	-\$283,447	-\$290,197	-\$229,889	-\$132,571
Total Operating	-\$122,874	-\$77,814	-\$100,365	-\$107,385	-\$30,114	\$243,995
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>						
Property Taxes	\$108,271	\$104,085	\$123,271	\$123,077	\$125,973	\$115,521
Special Assessments	\$78,435	\$74,140	\$74,038	\$73,480	\$93,558	\$83,951
State Assistance	\$2,301	\$2,205	\$3,101	\$0	\$0	\$0
Penalites	\$8,175	\$8,947	\$14,690	\$8,123	\$6,767	\$8,921
Other taxes	\$10,029	\$1,343	\$1,273	\$297	\$282	\$263
Other nonoperating revenues	\$11,968	\$7,879	\$6,479	\$234	\$2,985	\$12,335
Intergovernmental	\$22,000	-\$9,992	\$0			
Total Non Operating	\$241,179	\$188,607	\$222,852	\$205,211	\$229,565	\$220,991
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Principal paid on bonds	-\$55,000	-\$55,000	-\$60,000	-\$65,000	-\$65,000	-\$70,000
Interest paid on bonds	-\$38,750	-\$36,000	-\$33,250	-\$30,250	-\$27,000	-\$23,750
Acquisition of Capital Asset			-\$37,421		-\$439	-\$400,712
Net Cash Used for financing	-\$93,750	-\$91,000	-\$130,671	-\$95,250	-\$92,439	-\$494,462
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>						
Investment earnings	\$40,745	\$14,925	\$10,587	\$5,753	\$13,002	\$6,981
Gain on Sale of Asset			\$1,304			
Net Cash provided			\$11,891			
<b>Net Increase (decrease) in Cash</b>						
	\$65,300	\$34,718	\$3,707	\$8,329	\$120,014	-\$22,495
<b>Cash and Cash Equivalents</b>						
Beginning fo the Year	\$973,682	\$1,038,982	\$1,073,700	\$1,077,407	\$1,085,736	\$1,205,750
End of the Year	\$1,038,982	\$1,073,700	\$1,077,407	\$1,085,736	\$1,205,750	\$1,183,255

Two issues need to be addressed when reviewing the financial data for CSA 70 Zone W-1. First, is that CSA 70 Zone W-1 receives approximately \$23,000 in ad valorem property taxes annually; while the amount shown in the Audit for FY 2013-14 is \$115,521 (copy included as a part of Attachment #4). The difference is that the accounting for stand-by charges, delinquent user charges, interest on penalties and interest earnings are all shown in the property tax category. This was identified as a transparency issue in the service review conducted in 2012 and the response from the Special Districts Department was that it would look into methods to deposit the revenues in appropriate accounts to provide for a clearer understanding (page 88 of 2012 report). This has not occurred and at this time it is unclear how much revenue is received from the District's stand-by charges. Second, the information in the audit identifies payments for employees, but the Commission will recall that CSA 70 Zone W-1 has no employees it pays for a share of the Water and Sanitation Division as well

as Special District administration through an annual transfer. The cost for types of employees funded, the number of Full-time Equivalents (FTEs) needed to operate the system are not identified in the audit or budget materials.

The materials identify that in five out of the last six years expenses for operating the system exceeded revenues from operations, requiring non-operating revenues to balance. In addition, no grant revenues for system improvements are shown for this operation.

BIGHORN-DESERT VIEW WATER AGENCY STATEMENT OF CASH FLOWS FROM AUDITS						
Account Name	FY 2008-09	FY 2009-10	FY 2010-11	FY 2011-12	FY 2012-13	FY 2013-14
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>						
Receipts from Customers	\$959,708	\$1,137,079	\$1,059,597	\$1,048,694	\$1,198,494	\$1,102,151
Payments to suppliers	-\$427,035	-\$360,292	-\$343,707	-\$394,179	-\$681,748	-\$710,581
Payments to employees	-\$512,938	-\$530,380	-\$597,097	-\$503,633	-\$388,004	-\$422,177
Other Miscellaneous Revenues			\$9,036	-\$5,352	-\$5,187	-\$1,734
Total Operating	\$19,735	\$246,407	\$127,829	\$145,530	\$123,555	-\$32,341
<b>CASH FLOWS FROM NON CAPITAL FINANCING ACTIVITIES:</b>						
Property Taxes	\$113,960	\$113,732	\$95,783	\$98,568	\$99,207	\$99,712
Total Non Operating	\$113,960	\$113,732	\$95,783	\$98,568	\$99,207	\$99,712
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>						
Property Tax - Long Term Debt	\$142,572	\$123,379	\$127,981	\$196,618	\$181,440	\$182,014
Other Revenue - Long Term Debt	\$47,744	\$50,345	\$50,206	\$50,006	\$49,967	\$49,843
Principal paid on bonds	-\$85,000	-\$90,000	-\$95,000	-\$102,000	-\$105,000	-\$110,000
Interest paid on bonds	-\$71,186	-\$58,699	-\$54,199	-\$49,369	-\$45,024	-\$39,180
Principal Paid on Capital Lease	-\$14,087	-\$14,087	-\$2,346	\$0	\$0	\$0
Acquisition of Capital Asset	-\$201,835	-\$343,605	-\$425,284	-\$278,408	-\$444,837	-\$17,221
Mojave Pipeline Support	-\$73,198	-\$73,254	-\$73,097	-\$73,181	\$0	
Other Income	\$233	-\$4,099	\$0	\$0		\$318,171
Grant Revenue Received	\$42,855	\$360,552	\$302,396	\$128,217		
<b>Net Cash</b>	<b>-\$211,902</b>	<b>-\$49,468</b>	<b>-\$169,343</b>	<b>-\$128,117</b>	<b>-\$363,454</b>	<b>\$383,627</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>						
Investment earnings	\$9,537	\$4,234	\$3,549	\$4,281	\$3,142	\$6,227
<b>Net Increase (decrease) in Cash</b>	<b>-\$68,670</b>	<b>\$314,905</b>	<b>\$57,818</b>	<b>\$120,262</b>	<b>-\$137,550</b>	<b>\$457,225</b>
<b>Cash and Cash Equivalents</b>						
Beginning fo the Year	\$458,166	\$389,496	\$704,401	\$762,219	\$882,481	\$744,931
End of the Year	\$389,496	\$704,401	\$762,219	\$882,481	\$744,931	\$1,202,156

The information taken from the Agency's audits shows that for the past five out of six years operating revenues have exceeded expenses. In addition, the Agency has undertaken the acquisition of significant capital assets while still growing its cash balance. The audit

materials identify that the agency has been able to receive grant approval in five straight years for projects, totaling \$845,097 in grant revenue.

During the service review several items of concern were identified but the in reference to financial operations of the Agency was the lack of an appropriation limit. Subsequent to the service review, the Agency has taken the steps necessary to develop its appropriation limit and has annually taken the steps required to update.

Supplemental material submitted by the Agency identifies its projection for the first five-years following completion of the reorganization which will merge the operations of the two systems (a full copy of the supplemental data is included as a part of Attachment #3). This projection includes the reduction in water rates to those currently authorized by the Agency, anticipates an incremental increase in operation staff to manage the combined systems which benefits both systems and economies of scale for overhead and day-to-day operations. The materials show that operating revenues are projected to cover expenses; that debt service will be covered by revenues generated for that activity (the improvement district will assume payment responsibility), and that replacement reserves for each system will remain segregated. The following summary table has been taken from those materials:

SUMMARY						
	Current FY Combined Base Projection	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
		Year 1	Year 2	Year 3	Year 4	Year 5
<b>TOTAL REVENUE</b>	<b>\$1,912,886</b>	<b>\$1,912,886</b>	<b>\$1,989,159</b>	<b>\$2,026,393</b>	<b>\$2,064,613</b>	<b>\$1,834,949</b>
<b>OPERATING REVENUE</b>	<b>\$1,397,959</b>	<b>\$1,397,959</b>	<b>\$1,473,000</b>	<b>\$1,508,989</b>	<b>\$1,545,953</b>	<b>\$1,583,920</b>
ADMINISTRATION EXPENSE	\$714,121	\$744,165	\$757,479	\$785,963	\$806,404	\$838,216
OPERATION EXPENSE	\$610,514	\$633,782	\$657,971	\$683,116	\$709,257	\$736,436
NET Operating Revenue Projection	\$73,324	\$20,011	\$57,551	\$39,910	\$30,292	\$9,268
<b>NON-OPERATING REVENUE</b>	<b>\$514,927</b>	<b>\$514,927</b>	<b>\$516,159</b>	<b>\$517,403</b>	<b>\$518,660</b>	<b>\$251,029</b>
DEBT EXPENSE BDVWA	\$223,200	\$220,972	\$221,822	\$220,372	\$221,622	\$35,149
DEBT EXPENSE W-1	\$101,887	\$101,887	\$101,887	\$101,887	\$101,887	\$0
NET Non-Operating Revenue Projection	\$189,840	\$192,068	\$192,450	\$195,144	\$195,151	\$215,880
<b>ANNUAL PROJECTED NET REVENUE</b>	<b>\$263,164</b>	<b>\$212,079</b>	<b>\$250,001</b>	<b>\$235,055</b>	<b>\$225,443</b>	<b>\$225,149</b>
Total Operating and Non-Operating Revenue	\$1,912,886	\$1,912,886	\$1,989,159	\$2,026,393	\$2,064,613	\$1,834,949
Total Operating and Non-Operating Expense	1,649,722	1,700,807	1,739,158	1,791,338	1,839,170	1,609,801
Revenue after Expense	263,164	212,079	250,001	235,055	225,443	225,149
Percentage Net Revenue after Expenses	13.8%	11.1%	12.6%	11.6%	10.9%	12.3%
<b>RESERVE BALANCE</b>						
BDVWA	\$1,363,164	\$150,576	\$177,501	\$166,889	\$160,065	\$159,856
W-1 (FAS dated 1/8/2015)						
Replacement Reserve	\$261,136	\$61,503	\$72,500	\$68,166	\$65,378	\$65,293
Expansion Reserve	\$329,252					
BDVWA plus W-1(Combined Agency Contributions)		\$212,079	\$250,001	\$235,055	\$225,443	\$225,149
<b>TOTAL PROJECTED RESERVE BALANCE *</b>	<b>\$1,953,552</b>	<b>\$2,165,631</b>	<b>\$2,415,632</b>	<b>\$2,650,687</b>	<b>\$2,876,130</b>	<b>\$3,101,279</b>
* Reserve account used to fund annual projects which include new capital improvements, repair/replacement of existing infrastructure (eg. Pumps, Pressure Reducing Valves, chlorinators) and equipment replacement (eg. Service trucks).						

The supplemental materials submitted by the Agency identify that the existing reserve balances of CSA 70 Zone W-1 as being \$261,136 for the capital replacement reserve and \$329,252 for its Expansion Reserve. However, LAFCO staff has identified the reserve balance as of January 8, 2015 for these accounts as: \$261,136 for the Capital Replacement Reserve and \$329,252. The Adopted Budget for the County Special District Department identifies that these accounts are to be: \$358,764 and \$319,263 respectively. Since the audits received for CSA 70 Zone W-1 do not identify these reserve accounts there is no independent determination of their value. Therefore, LAFCO staff will be addressing further action related to their transfer based upon the adopted budget for the Special Districts Department for an isolation of reserve revenues totaling \$678,027.

It is the position of LAFCO staff that the approval of this reorganization will provide for an efficient delivery of retail water service within the combined area representing the Landers community. As required by Commission policy and State law, the Plan for Service and the

supplemental data provided by the Agency show that the delivery of service will maintain and/or exceed current service levels provided by the County to the territory of CSA 70 Zone W-1.

Given the staff's support for the reorganization, the Commission will need to address the terms and conditions that are required to effectuate the change. Specifically, the terms and conditions will address the transition of service, transfer of obligations, discussion of water rates and more. Since the reorganization proposes the dissolution CSA 70 Zone W-1, the approval process will need to address the transition of service. First, staff is recommending that the effective date be set as July 1, 2015. This will allow for a clean break in financial operations; will allow for a transition period for the Special Districts Department to transfer operation; and hopefully allow for the staff of CSA 70 Zone W-1 to acclimate the personnel of the Agency to the system. Next, as shown in the financial materials above, CSA 70 Zone W-1 has current debt for development of its system which is proposed to be transferred to the new improvement district of the Agency. Approval of this will need to be conditioned in a manner to protect the bond holders as required by State law. Also the terms and conditions will need to address the transfer of the assets of the district, contractual obligations, etc. CSA 70 Zone W-1 is a party to the Ames Judgment and those responsibilities will need to transfer to the Agency. All in all, a number of specific conditions are needed to accommodate the dissolution and assumption of service. The full range of conditions is outlined as follows:

- Upon the effective date of the reorganization, the Bighorn-Desert View Water Agency, as Successor District to CSA 70 Zone W-1, shall succeed to all rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the dissolved CSA 70 Zone W-1. It is anticipated that the transition period shall be from the date of completion of the protest process until the effective date of the reorganization assigned (July 1, 2015) allowing for the smooth transition of operations;
- Upon the effective date of the reorganization, the Improvement District shall receive all reserve fund balances from the dissolved CSA 70 Zone W-1 specifically identified in the Fiscal Year 2014-15 Adopted Reserve Program (Capital Replacement \$358,764 and Capital Expansion \$319,263; total \$678,027) to be held for the benefit of the ratepayers and property owners within the dissolved district. Transactions utilizing these funds shall be accounted for and described in the annual audit/comprehensive financial reports recognizing the improvement district. All other cash on hand or reserve funds shall transfer to the Successor District for use in providing the service to the area of the dissolved CSA 70 Zone W-1;
- Upon the effective date of the reorganization, the Successor District shall accept all system facilities transferred from the dissolved CSA 70 Zone W-1 in "as is" condition without any payment or repair obligation from the assets of CSA 70 (pursuant to Government Code Section 56886(h)). All system facilities and incidental liabilities, such as accounts payables, contract obligations and customer deposits shall be

transferred to the Successor District. All assets including, but not limited to, water production equipment (pumps, storage tanks, etc.), water transfer infrastructure, transmission lines and rights-of-way, rolling stock, tools, office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the dissolved CSA 70 Zone W-1 shall be transferred to the Successor District;

- The debt obligations of the dissolved CSA 70 Zone W-1 (including but not limited to bond debt and its share of Improvement District M of the Mojave Water Agency) shall remain with the ratepayers obligated to repay those debts through assignment to the Improvement District of the Successor District;
- The existing fees, taxes, assessments, and charges of the dissolved CSA 70 Zone W-1 shall continue as the Improvement District's fee, taxes, assessment and charges for payment of the obligations for the duration of the debt obligation;
- Water rates for the dissolved CSA 70 Zone W-1 area shall transition to the previously established and authorized current rates of the Bighorn Desert View Water Agency. It is anticipated that the transition shall be phased to allow for transition in operating systems but shall be accomplished by the close of the first fiscal year following the effective date of the reorganization;
- Upon the effective date of the reorganization, the Successor District shall succeed to all water and capacity rights of the dissolved CSA 70 Zone W-1, whether wholly or partially owned or held by the dissolved district, and shall succeed to the priorities of use or rights of use of water or capacity rights in any public improvements or facilities or any other property whether real or personal, to which the dissolved CSA 70 Zone W-1 is entitled to upon the effective date of this Reorganization. The Successor District shall specifically succeed to all rights and interest held or claimed by the dissolved CSA 70 Zone W-1 under the Ames Judgment under Riverside Superior Court Case 211504;
- Upon the effective date of the reorganization, the Successor District shall specifically succeed to all rights and interests held or claimed by the dissolved CSA 70 Zone W-1 under all agreements and/or memoranda of understanding with the Department of the Interior, the Bureau of Land Management, the United States Geological Survey, the California Department of Fish and Game, the California Water Quality Control Board and the Regional Water Quality Control Board for the Lahontan Region, or any other public agency or private entity with which the dissolved CSA 70 Zone W-1 has an agreement or memoranda of understanding. The Successor District shall also assume all joint use flow agreements and maintenance agreements held by the dissolved CSA 70 Zone W-1 [(Government Code Section 56886(r)]. Amendments of existing agreements shall be completed prior to the effective date to address any changes in service [Government Code Section 56886(r)(v)];

- The appropriation limit of the dissolved CSA 70 Zone W-1 shall be added to the appropriation limit of the Successor District;
- Upon the effective date of this reorganization, the Successor District and its Improvement District shall succeed to all rights, duties, and obligations of the dissolved CSA 70 Zone W-1 with respect to the enforcement, performance or payment of any outstanding bonds, including revenue bonds, or other contracts and obligations of the dissolved CSA 70 Zone W-1. This reorganization shall not impair any rights of any bondholder or creditor of the dissolved CSA 70 Zone W-1; and,

The final element that will need to be addressed is that during the transition period, State law specifies that the dissolving entity be limited in scope in its authority for expenditures and encumbering obligations. Therefore, staff is recommending that the following condition be included to address this issue which will limit the operation from the point in time that the Commission approves the reorganization (adoption of its resolution) through the effective date proposed to be July 1, 2015.

- As of the date of approval of the reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the Board of Supervisors of San Bernardino County as the governing body of CSA 70 Zone W-1 and its staff shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5:
  - **No Increase in Compensation or benefits:** No increase in calculation for payment of benefits or compensation to CSA 70 shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2014-15.
  - **Bound by Current Budget:** Appropriating, encumbering, expending, or otherwise obligating any revenue of CSA 70 Zone W-1 beyond that provided in the current budget at the time of Commission approval unless agreed to by the Successor District.

Staff would note that the condition includes the proviso that if an issue arises that requires expenditure of funds or the obligation for payment, if the Agency agrees to the encumbrance then the Special Districts Department could move forward to address the issue.

## **ENVIRONMENTAL CONSIDERATIONS**

The Commission is the lead agency for review of the potential environmental consequences of the reorganization evaluated in this report. LAFCO staff has provided the Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, with the application materials and responses provided by the County Special Districts Department. Mr. Dodson has reviewed this proposal and has indicated that it is his recommendation that the



reorganization is statutorily exempt from the California Environmental Quality Act (CEQA) (copy of letter included as Attachment #5). This determination is based on the fact that the reorganization will transfer the operations of the water system from one entity to another which will not result in any physical impacts on the environment. Therefore, this action is exempt as defined under Section 15061(b)(3) of the State CEQA Guidelines. It is recommended that the Commission adopt the Statutory Exemption for this proposal by taking the actions outlined in the recommendation section of this report.

## **DETERMINATIONS**

The following determinations are required to be provided by Commission policy and Government Code Section 56668 for any proposal considered:

1. The County Registrar of Voters Office has determined that the study area is legally inhabited with 319 registered voters as of January 5, 2015.
2. The study area is within the sphere of influence assigned the Bighorn-Desert View Water Agency by approval of LAFCO 3148 in 2012 as a part of the Service Review/ Sphere of Influence Update process for the Homestead Valley community of the South Desert Region.
3. The County Assessor's Office has determined that the total assessed valuation of land and improvements for the area is \$36,759,776 as of May 21, 2014. This figure is broken down as follows:

Area 1	\$35,848,657 (\$14,077,335 land; \$21,771,322 improvements)
Area 2	\$ 352,623 (\$110,251 land; \$242,372 improvements)
Area 3	\$ 448,496 (\$176,622 land; \$271,874 improvements)
Area 4	\$ 110,000 (\$25,000 land; \$85,000 improvements)

4. Legal advertisement of the Commission's consideration of the proposal has been provided through publication in *The Hi-Desert Star* a newspaper of general circulation in the area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notice.
5. In compliance with Commission policy and Government Code Section 56157, the Notice of Hearing for the hearing on this proposal was provided by publication in *The Hi-Desert Star* in a 1/8<sup>th</sup> page legal ad. In addition, as requested by the Agency, individual notice of the hearing was provided to registered voters and landowners within the area of LAFCO 3181. Comments from registered voters and landowners and any affected local agency in support or opposition will be reviewed and considered by the Commission in making its determination.

6. The proposed reorganization, including annexation and formation of an improvement district, of the Bighorn-Desert View Water Agency and the assumption of the functions and services previously provided by the dissolving CSA 70 Zone W-1 does not conflict with the established County General Plan or its adopted Homestead Valley Community Plan within this territory. The proposed reorganization has no direct impact on such land use designations.
7. The Southern California Associated Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5 and approval of LAFCO 3181 has no direct impact on these determinations. The Sustainable Community Strategy includes as a determination the need to assure the ongoing availability of a reliable water supply which approval of LAFCO 3181 will support.
8. The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated his recommendation that the review of this reorganization proposal is statutorily exempt from the California Environmental Quality Act (CEQA). This recommendation is based on the finding that that the proposal will not change the area in which the service is provided; therefore, no physical affect upon the environment can be seen. With that determination a General Rule Statutory Exemption as authorized under Section 15061(b)(3) of the State CEQA Guidelines is appropriate. A copy of Mr. Dodson's response is included for the Commission's review as Attachment #5 to this report.
9. The study area is presently served by the following public agencies:
  - County of San Bernardino
  - Mojave Desert Resource Conservation District
  - Mojave Water Agency and its Improvement Districts Zone 01 and M
  - Hi-Desert Memorial Healthcare District
  - San Bernardino County Fire Protection District and its South Desert Service Zone,
  - County Service Area 70 (unincorporated County-wide multi-function agency) and its Zones W-1, R-15, and TV-5

Zone W-1 of CSA 70 will be dissolved through successful completion of this reorganization and its services and functions transferred to Bighorn-Desert View Water Agency and an improvement district of the Agency to be formed. None of the other agencies will be directly affected by the completion of this proposal through an adjustment in their boundaries as they are regional in nature.
10. The Bighorn-Desert View Water Agency has submitted a Plan for Service including a Fiscal Impact Analysis for the assumption of the water service through dissolution of CSA 70 Zone W-1 which addresses the issues required in a plan for the provision of services as required by Government Code Section 56653. This Plan is included as a part of Attachment #3 to this report which indicates that the Bighorn-Desert View Water Agency can, at a minimum, maintain the level of service delivery currently

received by the area. In addition, the District has provided supplemental information providing budget projections for the first five years following annexation which is also included as a part of Attachment #3. The Plan for Service and supplemental information submitted by the District have been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The LAFCO staff has determined that such Plan for Service and the supplemental data submitted conform to those adopted standards and requirements.

11. The proposal complies with Commission policies and the determinations made within the Homestead Valley Community service review. The reorganization area can benefit from the assumption of water service through the Bighorn-Desert View Water Agency as evidenced by the Plan for Service and through the ability to directly participate in the governance of this service through voting for the Board of Directors.
12. This proposal will not affect the fair share allocation of the regional house needs as the entire area is unincorporated with the Regional Housing Needs Allocation (RHNA) numbers assigned to the County of San Bernardino.
13. With respect to environmental justice, the reorganization provides for the continuation of existing retail water services within the area and will not result in the unfair treatment of any person based upon race, culture or income.
14. The County of San Bernardino has successfully completed the process for the determination of the transfer of ad valorem property tax revenues upon successfully completion of this reorganization to the Bighorn-Desert View Water Agency. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.
15. The maps and legal descriptions, as revised, are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's office.

## **CONCLUSION**

Water service is a requirement to sustain the habitation of an area. Water service in the desert environs of the County needs the full participation of the agencies and residents to assure that a sufficient supply is available and that all viable conservation measures are utilized. Approval of LAFCO 3181 will provide the residents of the Goat Mountain community of the Landers area with a direct voice in governance of this critical service and it will provide for a local office where payments, service questions and complaints can be responded to. Local control in a democracy can be a messy proposition, but this form of government is designed to provide everyone a voice. The current provision of service has limited the voice of the community since there is no advisory body for CSA 70 Zone W-1.

In years past, CSA 70 Zone W-1 was a part of Bighorn-Desert View Water Agency, a duplication of service. Based upon local controversy in the 1990s the determination of the residents of CSDA 70 Zone W-1 with the support of the Board of Directors of Bighorn was to

detach the area. LAFCO staff reluctantly approved that proposal which would reduce controversy in the community but not embrace the policy and directives of State law and Commission policy to consolidate and unify community services. So, the Commission is now at a new crossroads to determine whether the consolidation of service under Bighorn-Desert View Water Agency should move forward for the registered voters to decide their governance. Staff believes that it is time for the service to be consolidated within the community and the question of local governance to be answered by the voters; therefore, recommends approval of LAFCO 3181 as modified.

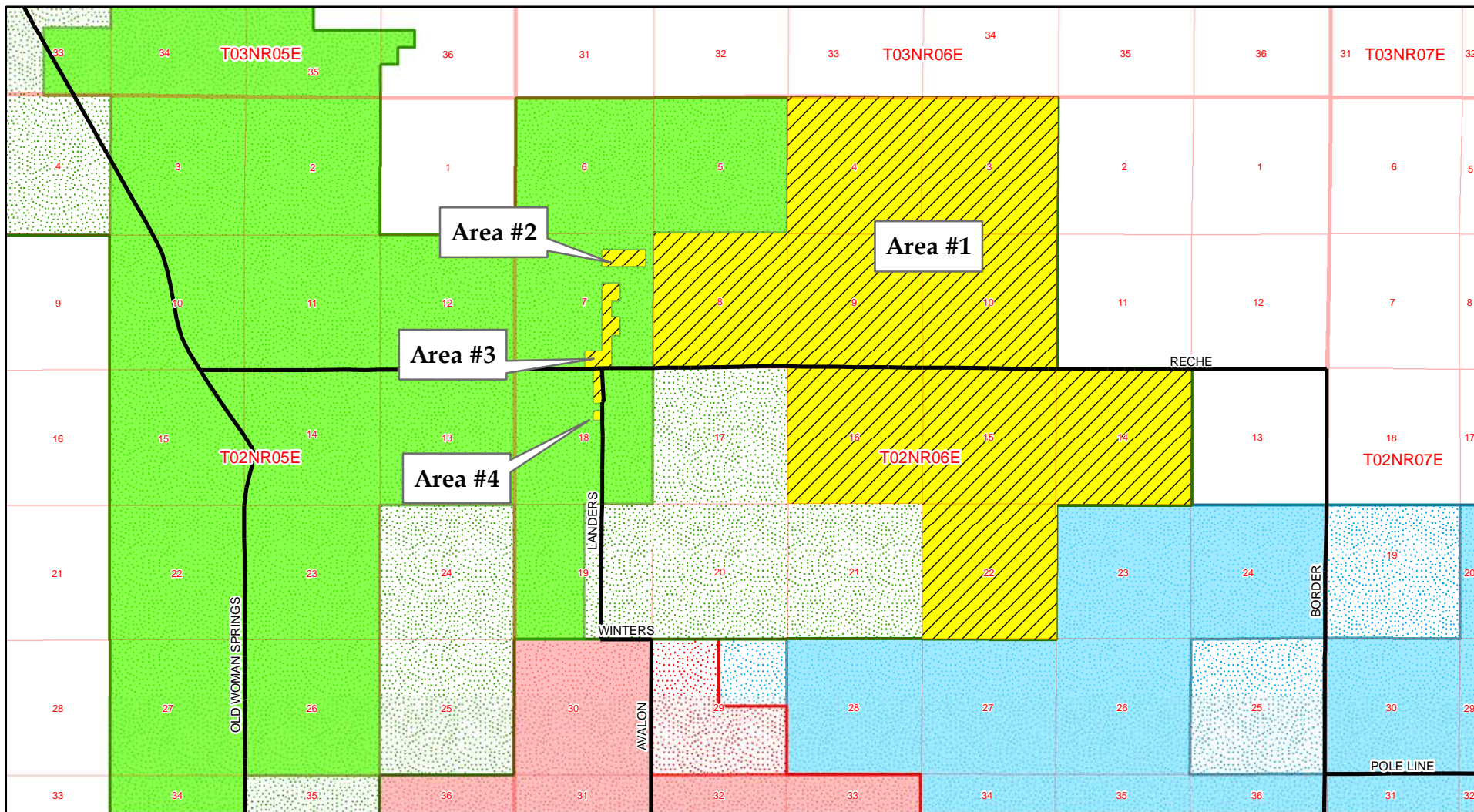
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

Attachments:

1. Map of LAFCO 3181
2. LAFCO Resolution No. 3155 for Service Review/Sphere of Influence Update for Bighorn-Desert View Water Agency and Excerpts from Staff Report Dated January 9, 2012
3. Bighorn-Desert View Water Agency Application:
  - a. Application and Plan for Providing Services and Fiscal Impact Analysis Submitted by Bighorn
  - b. Five-year Revenue and Expense Projections provided by District
  - c. Comprehensive Financial Report for June 30, 2014 and 2013 including Audits
  - d. Copy of Stipulated Judgment in Case Number 211504 (Riverside Superior Court)
4. County Department of Special Districts Response to Application submitted by Bighorn and Questions of LAFCO staff:
  - a. Email Response on Rate Study Question and Capital Improvement Program
  - b. August 27, 2014 Response to DRC Request for Information
  - c. County Adoption of Fees for Fiscal Year 2014-15 (Agenda Item of May 6, 2014)
  - d. Request for Information Response dated July 25, 2014
5. Letter from Tom Dodson of Tom Dodson and Associates, LAFCO Environmental Consultant, Recommending Adoption of Statutory Exemption for LAFCO 3181
6. Draft LAFCO Resolution No. 3194

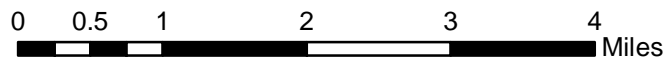
# **Map of LAFCO 3181**

**Attachment 1**



-  CSA 70 W-1
-  Annexations Areas
-  Bighorn-Desert VWA Service Boundary
-  Bighorn-Desert VWA Sphere Boundary
-  Hi-Desert WD Service Boundary
-  Hi-Desert WD Sphere Boundary
-  Joshua Basin WD Service Boundary
-  Joshua Basin WD Sphere Boundary

**LAFCO 3181 - Reorganization to Include  
Annexations to the Bighorn-Desert View Water Agency,  
Dissolution of County Service Area 70 Zone W-1, and  
Formation of an Improvement District for  
Bighorn-Desert View Water Agency**



**LAFCO Resolution No. 3155 for Service  
Review/Sphere of Influence Update for  
Bighorn-Desert View Water Agency and  
Excerpts from Staff Report Dated  
January 9, 2012**

**Attachment 2**

# **LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY**

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(909) 383-9900 • Fax (909) 383-9901  
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**PROPOSAL NO.: LAFCO 3148**

**HEARING DATE: April 18, 2012**

## **RESOLUTION NO. 3155**

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3148 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE BIGHORN-DESERT VIEW WATER AGENCY (sphere of influence reduction by approximately 11,882 acres, expansion by a total of approximately 8,140 acres, and affirmation of the balance of its existing sphere of influence, as shown on the attached map).**

**On motion of Commissioner Bagley, duly seconded by Commissioner Coleman, and carried, the Local Agency Formation Commission adopts the following resolution:**

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

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

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

**WHEREAS**, a public hearing by this Commission was called for January 18, 2012 at the time and place specified in the notice of public hearing, adoption of the resolution was continued to the February 15, 2012 hearing at which time the Commission directed staff to conduct a community meeting and schedule further discussion for consideration at the April 18, 2012 hearing; and,

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



## RESOLUTION NO. 3155

**WHEREAS**, at this hearing, this Commission certified that the sphere of influence update including sphere amendments is statutorily exempt from environmental review pursuant to the provisions of the California Environmental Quality Act (CEQA) and such exemption was adopted by this Commission on April 18, 2012. 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 Bighorn-Desert View Water Agency (hereafter shown as the "BDVWA" or the "Agency") shall be amended as shown on the map attached as Exhibit "A" to this resolution, defined as follows:

- (1) Reduce the Agency's existing sphere of influence to exclude Area 1 (containing approximately 11,882 acres);
- (2) Expand the Agency's sphere of influence to include Area 2, as modified by the Commission (containing approximately 8,054 acres);
- (3) Expand the Agency's sphere of influence to include Areas 3a, 3b, and 3c (containing a total of approximately 86 acres); and,
- (4) Affirm the balance of the Agency'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 January 9, 2012 and received and filed by the Commission on January 18, 2012, 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:**

The rural desert character of Homestead Valley is defined by its geographic location, the area's desert landscape and environment, and the predominance of very low-density residential development. Low-density residential development within the plan area is characterized by large lots, the varied placement of homes, and open spaces around the homes. The character of the community is further defined by the natural environment and by the limited commercial and industrial uses.

According to the *Homestead Valley Community Plan*, several issues set Homestead Valley apart from other desert communities, suggesting that different strategies for future growth may be appropriate. Among these are the preservation of community character, infrastructure, and commerce and services. As for preservation of community character, residents are concerned with the preservation of the natural environment and their community character amidst the pressures of growth in the plan area and surrounding desert communities. The preservation of the community's natural setting, small town atmosphere and rural character becomes important not only from an environmental perspective but from a cultural and economic point of view. The *Community Plan* further states that the Homestead Valley area will continue to experience growth as the desert region continues to develop. The rural nature and availability of vacant land will continue to attract development to the area. As the area develops it will be important to ensure that the rural features of the area are preserved and that adequate services and infrastructure are provided.

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### Land Ownership

Within the Agency's entire sphere, roughly 46% of the land is privately owned and the remainder, 54%, is public, which are devoted primarily to resource protection and recreational use.

#### **Land Ownership Breakdown (in Acres) Within Bighorn-Desert View Water Agency**

<b>Ownership Type</b>	<b>Boundary</b>	<b>Sphere (outside boundary)</b>	<b>Total Area</b>
Private	17,943	5,384	<b>23,327</b>
Public Lands – Federal (BLM), State, & others	9,380	18,498	<b>27,878</b>
<b>Total</b>	<b>27,323</b>	<b>23,882</b>	<b>51,205</b>

### Land Use

Within the study area, approximately 53 percent is designated RL (Rural Living, 2.5 acres minimum), RL-5, and RL-40, 45 percent is Resource Conservation, and the remainder of the land use designations comprises two percent (Special Development-Commercial, Neighborhood Commercial, Rural Commercial, General Commercial, Service Commercial, and Institutional). The commercial developments within the Agency are generally located along State Route 247 and Reche Road.

#### **General Plan Land Use Districts (In Acres) Within Bighorn-Desert View Water Agency**

<b>Land Use</b>	<b>Boundary</b>	<b>Sphere (outside boundary)</b>	<b>Total Area</b>
Homestead Valley Community Plan			
Resource Conservation (HV/RC)	3,310	5,058	8,368
Rural Living (HV/RL)	20,480	1,985	22,465
HV/RL-5	2,025		2,025
HV/RL-40	320		320
Special Development (HV/SD-COM)	658		658
Neighborhood Commercial (HV/CN)	5		5
Rural Commercial (HV/CR)	222	38	260
General Commercial (HV/CG)	5		5
Service Commercial (HV/CS)	8		8
Institutional (HV/IN)	10		10
County General Plan			
Resource Conservation (RC)	280	14,806	15,086
Rural Living (RL)		1,450	1,450
RL-5		545	545
<b>Total</b>	<b>27,323</b>	<b>23,882</b>	<b>51,205</b>

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### Population Projections

In 2000, the population within the Agency's boundaries was 2,297. Based on the 2010 Census, the current population for the area is 3,018. This represented an average annual growth rate of approximately 2.8 percent within the given period.

The *Community Plan* population forecast is not used in this report for the Agency. Instead, the projected growth for the Agency's boundaries was calculated 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, SCAG's 2008 RTP, and the use of average annual growth rate. By 2040, the population within the Agency's boundaries is estimated to reach 6,154. This represents a projected annual growth rate of approximately 2.4 percent between 2010 and 2040, which also represents a total population increase of 49 percent from 2010.

### **Population Projection 2010-2040 Within Bighorn-Desert View Water Agency**

<b>Census</b>		<b>Population Projection</b>					
<b>2000</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>
2,297 <sup>1</sup>	3,018 <sup>2</sup>	3,069 <sup>3</sup>	3,700 <sup>4</sup>	4,313	4,902	5,466	6,154 <sup>5</sup>

<sup>1</sup> 2000 population was derived from the 2000 Census block data for the Agency's boundary

<sup>2</sup> 2010 population data was derived from the 2010 Census block data for the Agency's boundary.

<sup>3</sup> 2015 growth rate projection was adjusted to reflect the rate for the County's unincorporated area 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> 2020-2035 growth rate projections were calculated based on the growth rate identified by SCAG's 2008 RTP for each of the TAZ's (Traffic Analysis Zones) that corresponded to each of the Census Tracts within the Agency's boundary. The growth rates for each of the TAZ's were then used to derive the projection of the population for each of the corresponding Census Tract numbers.

<sup>5</sup> 2040 projection was calculated using Average Annual Growth Rate based on the compounded rate between 2010-2035 since SCAG's projections only went to 2035

### Build-out

The table below provides the potential build-out within the Agency's boundaries. This build-out scenario takes into consideration the existing land use designations assigned for the area and the dwelling unit densities assigned for each residential land use (densities for all residential land uses were derived from the densities identified in the Homestead Valley Community Plan Potential Build-Out Table).

### **Land Use Maximum Build-Out Within Bighorn-Desert View Water Agency**

<b>Land Use</b>	<b>Acreage</b>	<b>Density (D.U. Per Acre)</b>	<b>Maximum Build-out</b>
Resource Conservation	3,590	0.025	90
Rural Living	20,480	0.2	4,096

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RL-5	2,025	0.4	810
RL-40	320	0.025	8
<b>Total Residential</b>	<b>26,415</b>		<b>5,004</b>

The population projections identified earlier indicates that the population within the Agency's boundaries will be 6,154 by 2040. Based on the maximum residential build-out within the Agency's boundaries, the projected maximum population is anticipated to reach 11,759 (at @ 2.35 persons per household based on the ratio identified in the Homestead Valley Community Plan Potential Build-Out table). Likewise, based on the projected population for 2040, it is anticipated that the number of households within the Agency's boundaries will be 2,619 with a maximum potential build-out to reach approximately 5,005. These imply that the study area will reach 52 percent of its potential household and population capacity by 2040.

### **Population and Household Projection Within Bighorn-Desert View Water Agency**

	<b>Projection 2040</b>	<b>Maximum Build-out</b>	<b>Ratio of 2040 Projection with Maximum Build-out</b>
Population	6,154	11,759	0.52
Households	2,619	5,004	0.52

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

### **Regional Water**

The Homestead community is located in the Colorado River Hydrologic Region, and is in the South Mojave Watershed as designated by the California Department of Water Resources (California Water Plan, Update 2009, Integrated Water Management, DWR, Bulletin 160-09, Vol. 3, Colorado River). The community is also within the boundaries of the Mojave Water Agency (MWA), a state water contractor.

### **State Water Project (SWP)**

As LAFCO has stated on many occasions, water is the lifeblood for communities in the desert regions due to its limited nature. The availability of water will ultimately determine whether or not a community will prosper in the desert environs of San Bernardino County. Therefore, the most significant regional issue for the Homestead community is present and future water supply. The *2007 State Water Project Delivery Reliability Report* indicates that SWP deliveries will be impacted by two significant factors. First, it is projected that climate change is altering hydrologic conditions in the State. Second, a ruling by the Federal Court in December 2007 imposed interim rules to protect delta smelt which significantly affects the SWP. Further, the *Report* shows, "...a continued eroding of SWP delivery reliability under the current method of moving water through the Delta" and that "annual SWP deliveries would decrease virtually every year in the future..." The *Report* assumes no changes in conveyance of water through the Delta or in the interim rules to protect delta smelt.

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The Department of Water Resources prepares biennial SWP water delivery reliability reports in order to provide the public with reliability estimates for both current and projected 20 year conditions. This is accomplished by modeling the effects of current hydrologic and SWP facility conditions and changes that are projected to occur. The table below summarizes the history of the current and future MWA contractual maximum annual amount from the SWP and the SWP reliability factors that have been and are being used for water supply planning purposes since 2005.

Year	MWA Table A <sup>(1)</sup> Annual Maximum	SWP Reliability Factor (long-term)	Average Annual SWP Yield (Acre-feet)
2005	75,800	77%	58,366
2007	75,800	66-69%	50,028 – 52,302
2009	75,800	61%	46,238
2010	82,800	61%	50,508
2015	85,800	61% <sup>(2)</sup>	52,338 <sup>(2)</sup>
2020	89,800	61% <sup>(2)</sup>	54,778 <sup>(2)</sup>

- (1) Table A refers to the section within the MWA contract with DWR which specifies the maximum annual amount of water that the MWA can receive from the State Water Project.
- (2) The 2009 Reliability Report estimated an average reliability of 60% for the SWP, but also modeled reliability for each Contractor, concluding that the average annual supply for MWA would be 61%. The 2009 Reliability Report estimate is the only known reliability variable at this time and is used for the purposes of this discussion and for water supply estimates in the MWA 2010 UWMP. Current court proceedings and efforts to address issues in the Delta (supply source for the SWP) may result in future changes to SWP supply reliability.

Source: Mojave Water Agency, 2010. Footnote (2) updated by LAFCO staff in 2011.

The 2007 Reliability Report concluded that contractors to the SWP could anticipate average reliability of 66-69% through the year 2027. The range was provided to account for variable impact associated with different conclusions about the potential effects of modeled climate change. The average assumes that in some years contractors are likely to be allocated less than the stated average and in some years contractors are likely to be allocated more than the stated average.

In 2009 the DWR provided an updated reliability report incorporating new biological opinions in place of the referenced interim rules promulgated by the Federal Court. The new biological opinions were significantly more restrictive than the interim rules and consequently the 2009 reliability analysis indicated a reduction in reliability to 61% for long-term (2029) conditions. MWA has subsequently acquired additional contractual amounts to SWP water, increasing the maximum annual amount from 75,800 acre-feet to 82,800 acre-feet in 2010, 85,800 acre-feet in 2015 and 89,800 acre-feet in 2020. Considering the DWR modeling results, the average annual yield to MWA would be 50,508 acre-feet in 2010 and 54,778 acre-feet in 2029.

Since preparation of the 2009 Reliability Report, the same Federal Court has found the new biological opinions to be unacceptable (and inappropriately restrictive to Delta water exports) and has ordered them to be redone. There is also a major effort underway to develop a habitat conservation plan to address the myriad of issues impacting water supply exports from the Delta. That effort, if accomplished in a manner consistent with the “co-equal goals” of ecosystem restoration and water supply reliability envisioned by the State Legislature’s 2009 Comprehensive Water Package, is anticipated to significantly increase reliability of the

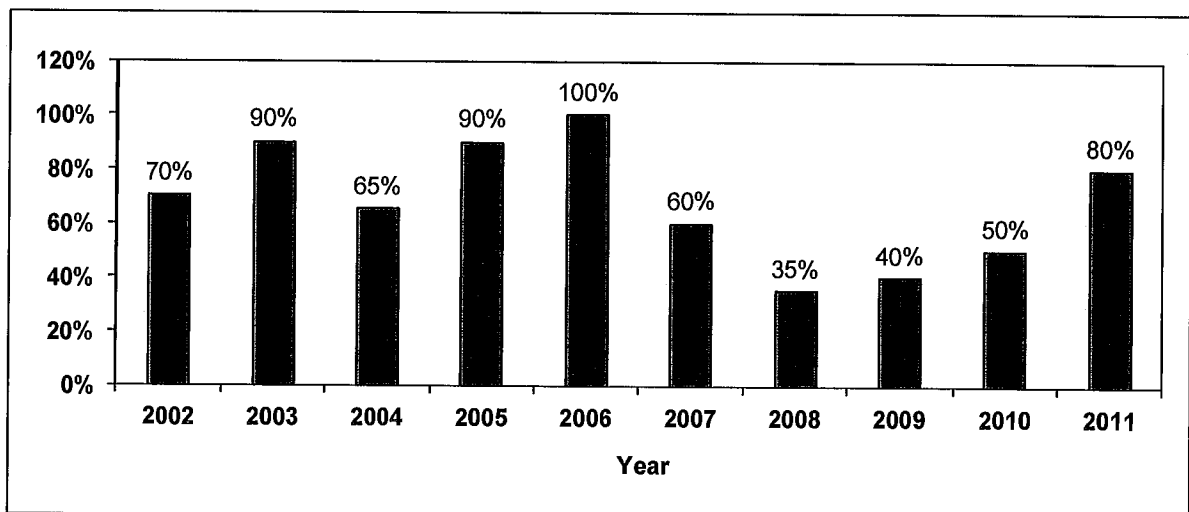
## RESOLUTION NO. 3155

SWP water supply. The eventual success and/or resulting increase to reliability are unknown at this time; however, the outcome will eventually be reflected in the biennial DWR reliability assessments.

MWA operates under the guidance of its Board adopted integrated regional water management plan and is also required by State law to submit an Urban Water Management Plan ("UWMP") to the State of California every 5 years ending in "0" and "5". The MWA UWMP compiles information on all known water supplies and demand on a sub-regional scale for the entire MWA. Future water supplies and demand (population growth) are also projected for at least the ensuing 20 years. MWA adopted its 2010 UWMP in June 2011 which incorporates the most recent reliability information provided by DWR (2009), indicating a reliability of 61% on average. Initial analysis indicates that given projected growth rates, the modeled decrease in reliability for the SWP by DWR, and the acquisition of additional SWP contractual amounts by MWA, there will be sufficient supply to meet anticipated increased demands through the required 20 year planning horizon (Mojave Water Agency, Final 2010 Urban Water Management Plan, Adopted June 2011. Also see Appendix F of the 2010 UWMP).

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase since 2000, which averages 68% over the 10 years summarized. For example, MWA is entitled to purchase up to 82,800 acre-feet of imported water per year. For 2011, the allocation percentage was 80% (State of California. Department of Water Resources. "State Water Project Allocation Increased to 80 Percent", Press Release. 20 April 2011); therefore, MWA could purchase up to 66,240 acre-feet. MWA mitigates for this variability in supply by utilizing the significant water storage capability within the agency ground water basins to take delivery of SWP water when it is available. Water available from the SWP in excess of local demand is delivered and stored in the ground water basins to be used to meet demand during those years when the amount of water available from the SWP is less than the annual demand.

**Department of Water Resources State Water Project  
Final Allocation Percentages Statewide (2002-2011)**



source: Department of Water Resources

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### Morongo Basin Pipeline (Mojave Water Agency Improvement District M)

In 1990, the southeastern portion of the MWA's territory voted in favor of forming Improvement District M and to incur bonded indebtedness of \$66.5 million to finance the construction costs of the Morongo Basin Pipeline. Construction on the approximately 71 mile Morongo Pipeline began in 1992 and was completed in 1995 and serves the areas of Johnson Valley, Joshua Tree, Landers, and Yucca Valley. The Pipeline delivers water from Hesperia to a five million gallon reservoir in Landers. From there, water is delivered to percolation ponds in the Yucca Valley area that act as natural filtration systems where water seeps back into the ground to recharge the aquifer.

The landowners of the improvement district are obligated to pay for 75% of the costs for construction of the Pipeline, and the participating agencies are obligated to pay the remaining 25%. The participating agencies each pay a share of the 25% as follows:

#### **Improvement District M - Participating Agency Share**

<b>Agency</b>	<b>Original Share</b>	<b>Current Share</b>
<b>Hi-Desert Water District</b>	59%	59%
<b>Joshua Basin Water District</b>	27%	27%
<b>Bighorn-Desert View Water Agency</b>	9%	9%
<b>CSA 70 Zone W-1 (Goat Mountain)</b>	4%	1%
<b>CSA 70 Zone W-4 (Pioneertown)</b>	1%	0%
<b>MWA</b>	0%	4%

Originally, County Service Area ("CSA") 70 Zone W-1 was obligated to pay 4% and CSA 70 W-4 to pay 1%. However, in 1995, MWA acquired 3% of the rights from CSA 70 W-1 and 1% from CSA W-4. According to County Special Districts Department staff, MWA was requested by the County Board of Supervisors to buy CSA 70 W-1 and W-4 shares due to lack of utilization of the water. The percentage share identified for each participating agency also reflects the percentage of water which they are entitled. The Board of Supervisors action relinquished its rights to purchase supplemental water from the Pipeline when they sold the W-1 and W-4 shares.

Improvement District M has entitlement of up to one seventh of MWA's original State Water Project water allotment of 50,800 acre-feet/year ("AFY"); this equates to 7,257 AFY (under maximum delivery conditions the Morongo Basin Pipeline could deliver 15,000 AFY; delivery of the difference between the Improvement District M contracts and 15,000 would be per MWA Ordinance 9 and the equitable policies concerning water allocation adopted by MWA as most recently amended by MWA). The BDVWA has a nine percent share of the Improvement District M entitlement, or 653 AFY. At the time the Morongo Basin Pipeline agreement was executed among the participants and MWA in 1990, MWA's SWP allotment was 50,800 AFY. Subsequently, MWA has acquired additional allotment, currently at 82,800 AFY. Discussion continues as to whether the BDVWA and others within Improvement District M are entitled to a proportionate share of MWA's SWP allotment above 50,800.

The chart below shows the amount of supplemental water sent through the Morongo Basin Pipeline (Improvement District M) from 1998 to September 2010. Subsequent data is not yet available. Currently, the Agency does not utilize State Water Project resources but utilization

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of the Morongo Basin Pipeline is planned in the future. However, the entitlement extends only until 2022, at which time all agencies participating in Improvement District M will have access to supplemental water in the same manner as all other municipal water customers.

### Mojave Water Agency Morongo Pipeline Deliveries

Year	Improvement District M Entitlement	BDVWA Share (9%)	SWP Allocation	BDVWA Share times SWP Allocation	Improvement District M Delivery
1998	7,257	653	100%	653	2,121
1999	7,257	653	100%	653	2,412
2000	7,257	653	90%	588	3,786
2001	7,257	653	39%	255	2,878
2002	7,257	653	70%	457	2,390
2003	7,257	653	90%	588	2,427
2004	7,257	653	65%	425	4,821
2005	7,257	653	90%	588	2,041
2006	7,257	653	100%	653	3,451
2007	7,257	653	60%	392	4,779
2008	7,257	653	35%	229	3,195
2009	7,257	653	40%	261	2,137
2010	7,257	653	50%	327	3,572
Total				6,068	40,010
source: Department of Water Resources, Mojave Water Agency units in acre-feet unless otherwise noted Year is reported from October through September					

Additionally, MWA has a four percent entitlement share of the Morongo Pipeline. MWA delivers water through the pipeline for storage in the Warren Basin (Yucca Valley area) for potential sale at a later date. The BDVWA could purchase the water when there is not sufficient water to deliver because of reductions to the State Water Project allocation. The chart below shows the MWA storage from 1998 through 2009.

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery	236	270	144	0	0	0	0	919	1,216	0	0	0
source: Mojave Water Agency units in acre-feet Data for 2009 is through September												

### Bulk Hauled Water

In remote areas of the south desert, the hauling of domestic water is the sole means for water acquisition. In a joint letter to 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." This statement is based on five potential public health risks for hauled water:



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1. The potential for contamination exists when water is transferred from tanker trucks to water storage tanks.
2. Storage tanks are often the source of bacterial contamination. The Agency states that it provides bacteriological monitoring to any bulk hauler that would desire to obtain such a service.
3. There is no assurance that licensed water haulers follow State guidelines at all times.
4. The future reliability of hauled water is susceptible to economic conditions.
5. There is generally a higher risk for contamination.

The letter further states that hauled water for domestic purposes should only be allowed to serve existing facilities due to a loss of quantity or quality and where an approved source cannot be acquired. A copy of this letter is on-file at the LAFCO staff office.

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.*

Adherence to these parameters will limit new development within the Johnson Valley area for the future as it has no current mechanism for providing an organized retail water system for water delivery. Further, a review of the Agency's water plans does not identify plans for a water system in the Johnson Valley even though Johnson Valley is within the boundaries of the Agency.

### Water Rates

Due to the limited size and type of outdoor landscaping that is prevalent throughout the South Desert, the average water usage is comparatively lower than other water agencies in San Bernardino County. A comparison of the residential water rates charged by the agencies within the Morongo Basin is identified in the chart below. As shown in the footnotes, some agencies receive a share of the one percent general levy property tax and/or assessments or additional charges.

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### Water Agency Rate Comparison (as of July 2011) (rates measured in units, or one hundred cubic feet)

Agency	Water Use Fee				Monthly Meter Charge (3/4" Meter)	Monthly Average Cost (10 units of water)
	Tier One	Tier Two	Tier Three	Tier Four		
Bighorn-Desert View Water Agency <sup>1</sup>	\$3.00	-	-	-	\$27.50	\$57.50
CSA 70 Zone F (Morongo Valley) <sup>1</sup>	\$4.51	\$5.02	\$5.73	-	\$57.25	\$102.35
CSA 70 Zone W-1 (Landers) <sup>1</sup>	\$3.87	\$4.31	\$5.54	-	\$23.87	\$62.57
CSA 70 Zone W-3 (Morongo Valley) <sup>1</sup>	\$3.21	\$3.57	\$3.65	-	\$40.84	\$72.94
CSA 70 Zone W-4 (Pioneertown)	\$5.86	\$7.31	\$9.88	\$10.87	\$31.05	\$89.65
Golden State Water Company (Morongo)	\$2.47	-	-	-	\$28.15	\$52.85
Hi-Desert Water District <sup>1,2</sup>	\$3.59	\$5.69	\$6.89	\$9.08	\$11.80 <sup>4</sup>	\$60.30
Joshua Basin Water District <sup>1,3</sup>	\$2.14	\$2.39	\$2.57	\$2.75	\$23.82	\$46.47
Twentynine Palms Water District <sup>3</sup>	\$2.33	-	-	-	\$11.00 <sup>5</sup>	\$34.30

<sup>1</sup> Receives a share of the one percent ad valorem general tax levy  
<sup>2</sup> District also charges monthly a pipeline surcharge and capital replacement charge  
<sup>3</sup> District also charges a standby charge  
<sup>4</sup> Charge is for 5/8" and 1" meter with 5/8" demand  
<sup>5</sup> Charge is for 5/8" meter

Note: Standby charges are not included or referenced in this chart as they are not related to active connections.

### **Bighorn-Desert View Water Agency**

For the remainder of this service review factor, cited materials include excerpts from the Agency's narrative response to the factors for a service review, 2007 Water Master Plan, 2010 Initial Study for Water Infrastructure Restoration Program, 2011 Reche Spreading Grounds Recharge Feasibility Report, and the Mojave Water Agency 2010 Urban Water Management Plan. Other materials have been referenced but not cited.

Currently, the BDVWA is the sole retail water provider within the community, actively providing retail water service via a pressurized system to the Landers and Flamingo Heights areas. Most of the customers are residential with lots varying from 2.5 to 5 acres. Outdoor landscaping is mostly zeroscape requiring little, if any, water. Not all areas in the community have direct access to a piped retail water service; therefore, it is understood that water service to those developed properties is provided through on-site wells or through hauling of domestic water. Specifically, the Johnson Valley area is within the Agency but does not have a pressurized water system. In this area, bulk water is either retrieved by customers from an Agency well or delivered by a bulk-water hauler. Although local groundwater is currently the sole source of its water supply, BDVWA holds capacity in the Morongo Pipeline and may purchase State Water Project water from Mojave Water Agency ("MWA"), who is a contractor with the California Department of Water Resources ("DWR"). Currently, BDVWA does not have the necessary infrastructure to utilize this supply.

### **Groundwater Basins**

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The BDVWA service area overlies three groundwater basins, historically identified by the DWR as the Ames Valley, the Means Valley, and the Johnson Valley basins. Private individuals and municipal water providers pump groundwater from the Ames Valley and the Johnson Valley basins. The Ames Valley Basin coincides with portions of the United State Geological Survey ("USGS") Morongo Groundwater Basin, including the Pioneertown, Pipes, Reche, Giant Rock and Emerson Sub Basins. Most of the pumping is from the Ames Valley Basin. County Service Area 70 Zone W-1 as well as the Hi-Desert Water District ("HDWD") also pump groundwater from the Ames Basin. Water pumped from the Johnson Valley Basin is pumped into a 10,000 gallon reservoir. Residents in that area receive water using a truck delivery service or via self-hauling.

- *Ames Valley Groundwater Basin*

The Department of Water Resource's Bulletin 118 (last updated February 2004) describes the Ames Valley Groundwater Basin as follows:

This groundwater basin underlies Ames Valley, Homestead Valley, and Pipes Wash in the south central San Bernardino County. The basin is bounded by nonwater-bearing rocks of the San Bernardino Mountains on the west, of Iron Ridge on the north, and of Hidalgo Mountain on the northeast (Rogers 1967). The Emerson, Copper Mountain, and West Calico faults form parts of the eastern and northern boundaries. The southern boundary and parts of the northern and eastern boundaries lie along surface drainage divides. The valley is drained northeastward by Pipes Wash to Emerson (dry) Lake. Average annual precipitation ranges from 4 to 12 inches.

Natural recharge of the basin is mainly from percolation of stream flow from the San Bernardino Mountains and precipitation to the valley floor (Mendez and Christensen 1997; Bookman-Edmonston Engineering 1994). Percolation of septic tank effluent from the town of Landers and surrounding communities also contributes to recharge of groundwater. Some subsurface inflow may come from Means Valley Groundwater Basin, and subsurface outflow probably crosses the Emerson fault into Deadman Valley Groundwater Basin (French 1978; Mendez and Christensen 1997).

- *Means Valley Groundwater Basin*

Bulletin 118 states the principal source of recharge to the basin is likely percolation of runoff from surrounding mountains, with a minor contribution from percolation of precipitation to the valley floor and subsurface flow across the Johnson Valley fault southwest of Means Lake. Groundwater may migrate through fractures in bedrock toward Emerson Lake as subsurface outflow. The following description of the Means Valley Groundwater Basin is taken from Bulletin 118:

This groundwater basin underlies Means Valley in southcentral San Bernardino County. The basin is bounded by nonwater-bearing rocks and a drainage divide on the north, by a drainage divide on the south, by the Johnson Valley fault on the west, and by the Homestead Valley fault on the east. Drainage is to Means (dry) Lake in the central part of the valley. Annual average precipitation ranges from about 4 to 8 inches.

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- *Johnson Valley Groundwater Basin*

The following description of the Johnson Valley Groundwater Basin is taken from Bulletin 118.

Upper Johnson Valley Subbasin underlies the Upper Johnson Valley in the southern Mojave Desert. The subbasin is bounded on the north by the Fry Mountains and on all other sides principally by other unnamed crystalline rocks. The western boundary follows the Johnson Valley fault, and surface drainage divides form parts of the southern and eastern boundaries. Upper Johnson Valley has internal surface drainage that converges to Melville (dry) Lake. Average annual precipitation ranges from 4 to 6 inches.

### Ames Valley Basin Water Agreement

Although not a full adjudication (Adjudication is defined in the *2005 California Water Plan* as the "Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision."), the court approved Ames Valley Basin Water Agreement is a 1991 Agreement between the Agency and HDWD. The agreement was initiated by BDWVA due to concerns about a proposed well called the Section 24 Well (the location of this well is the same as the proposed Ames-Means Recharge Project - a 160-acre government-owned parcel, APN 0629-211-01), sometimes called the Mainstream Well in the Ames Valley Basin and possible export of water from that well out of the basin. The Ames Valley Water Basin Agreement provides a partial solution to management of the Ames Valley Basin. The agreement sets forth a legal description of the Ames Valley Basin that does not conform to either the DWR or USGS descriptions and refers to the combined Ames Valley and Means Valley Basins. The basic terms of the agreement are as follows.

1. *Production from the Section 24 Well and any additional wells owned by HDWD, within the Ames Valley Water Basin would be limited to 800 acre-feet per year.*
2. *The production could be increased beyond 800 acre-feet per year depending on the needs of the property owners in the basin by an amount not to exceed one-half of an acre-foot per year per each new water meter installation by HDWD.*
3. *Water from the wells in the Ames Valley Basin would be used only within that basin.*
4. *Establish a monitoring program to mitigate potential environmental damage to the hydrologic resources of the basin caused by the Section 24 Well.*
5. *An environmental review is required if criteria set forth in the agreement with respect to water quality and groundwater level elevations are exceeded. The agreement was amended on two separate occasions. These amendments changed the manner in which a consultant was selected to implement the monitoring program. The terms of the judgment were the similar to those in the agreement. Portions of the agreement were revisited by the court at the request of HDWD who sought to expand the areas of use of water from the Section 24 Well. The court did not rule in favor of HDWD and the agreement remains.*

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At the time the Agreement was entered, the HDWD service area included areas within the Ames Valley Basin and the Warren Valley Basin. The agreement is currently in the process of being revised to include BDVWA, MWA, HDWD, County Service Area 70 Zone W-1 (Landers) and County Service Area 70 Zone W-4 (Pioneertown) to provide a monitoring and management plan for operation of the Basin with the Ames Valley Recharge Project. The revision will require the parties to enter into a Stipulation to Enter an Amended and Restated Judgment which shall then supersede the existing 1991 judgment. When approved, this agreement will replace the 1991 Stipulated Judgment and will be incorporated into the groundwater monitoring program ("GWMP") discussed in further detail below. A basin-wide GWMP will provide the necessary data for effective management into the future. Collectively, the agreement and GWMP will provide the institutional framework for the purchase, recharge, and recovery of imported SWP water through the Morongo Basin Pipeline Agreement.

### Current Supply and Demand

#### *Facilities and Connections*

BDVWA provides water service to customers in portions of Flamingo Heights, Landers, and Johnson Valley. The existing BDVWA infrastructure consists of eight wells, nine reservoirs located in seven active pressure zones, booster pumps, 14 pressure reducing valves, and 108 miles of pipelines.

As of June 2011, there are eight wells all of which are active. Well 4 is in inactive status with the Department of Public Health. Wells 2 and 4 share a single power supply limiting operation to one well at any given time. The same case exists with Wells 6 and 7. The wells produce on average about 500 gallons per minute totaling over 1.8 million cubic feet per day. This equates to roughly 500 acre-feet annually. Two of the wells in the northern portion of the Agency (Bighorn portion of the Agency) are for bulk service (via four separate hauling stations) and produce roughly 66,000 cubic feet, or roughly five percent of all water consumed.

BDVWA has more than 108 miles of pipe within its system. The majority of its pipeline is 6-inch (71%) and 8-inch (22%) mains. BDVWA also has minor amounts of 10-inch, 12-inch and 20-inch mains. All of the pipes are asbestos cement and polyvinyl chloride with the exception of the 20-inch pipe which is mortar lined and cement coated steel pipe. All three of these types of pipe meet American Water Works Association standards. In the past, records were not kept of length and date of installation of each type of pipe. Thus, the Agency is unable to define the exact age, although the system in general is approximately 30 years old. Most of the pipe however is thought to be asbestos cement.

Pressure reducing valves ("PRVs") are generally used to transfer water from one pressure zone to another. In areas of substantial elevation, PRVs are used to provide reasonable pressure in lower lying areas where pressure would otherwise be too high. BDVWA has fourteen PRVs that take water from a higher pressure zone and deliver it to a lower pressure zone. All of the valves are either 8-inch or 6-inch valves. Some of the pressure reducing valves are equipped with a bypass which allows smaller amounts of water to flow into the lower pressure zone during times of minimal use. PRV bypasses are also necessary to maintain pressure during repair of the primary reducing valve.

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The Agency's intertie with Hi-Desert Water District ("HDWD") is currently disconnected and isolated from cross-connection. According to the Agency, the pump was removed many years ago; however, with minimal effort a connection could be made whereby the Agency could receive water via gravity flow from HDWD. More work would be needed for the Agency to pump water into HDWD's system. The two agencies are actively seeking a new, permanent emergency intertie solution. In addition, the Agency has the ability to "high line" a connection between fire hydrants to create an emergency intertie with CSA 70 Zone W-1.

Many of the Agency's fire hydrants do not produce sufficient flow and pressure to meet the current fire flow standard of 1,000 gallons per minute with a residual pressure of 20 pounds per square inch. This fire flow standard is identified in the County Development Code.

### *Connections and Water Use*

Calendar Year	Customers (active meters)	Historic Annual Use		
		Recorded Water Sales (acre-feet)	Production per Customer (af/cust)	Production per Customer (ccf/ cust)
2000	1,533	488	0.32	139
2001	1,529	429	0.28	122
2002	1,532	527	0.34	150
2003	1,532	488	0.32	139
2004	1,522	519	0.34	149
2005	1,549	462	0.30	130
2006	1,584	508	0.32	140
2007	1,566	504	0.32	140
2008	1,554	491	0.32	138
2009	1,592	452	0.28	124
2010	1,554	411	0.26	115
<b>Average</b>	<b>1,550</b>	<b>480</b>	<b>0.31</b>	<b>135</b>

Since at least 2000, the Agency has provided water service via pipeline to about 1,550 metered connections, most of which are residential consumers. The area served in this manner is approximately 18,720 acres (68% of the Agency's area). In looking at the average use in the chart above, total water use and production per customer has decreased each year since 2006. According to the Agency, the reason for less water production is due to the area's water conservation efforts. Currently, the Agency has approximately 400 inactive meters.

The Agency's rate structure is based upon a single rate for water use – it does not utilize tiered rates. Tiered rates, in which customers are charged different rates according to the amount of water used, are utilized as an incentive for conservation. The Agency has stated that until the old and under-reported meters are replaced, consumption charges cannot be addressed.

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### *Johnson Valley*

The entire area known as Johnson Valley does not have a pressurized water system. The Agency states that it has approached the Johnson Valley community regarding the potential for a future water system and that the community has responded in general that the implementation of a water system would be too costly in addition to fostering development. Population densities are so low that there are not enough customers to financially support the construction of a water system.

- *Johnson Valley Water Hauling Station*

BDVWA operates and maintains four bulk water hauling stations. Three are connected to the pressurized water systems constructed by the predecessor agencies Bighorn Mountains Water Agency and Desert View Water District. One of the bulk hauling stations connected to the pressurized system is located on the east end of Johnson Valley at Bodick Rd. and Kickapoo Trail. Residents of the Johnson Valley community utilize this facility as well as others who utilize the Well No. 10 facility.

The fourth is a "standalone" water system located in Johnson Valley located within the boundaries of the predecessor Bighorn Mountains Water Agency. Johnson Valley has a standalone water hauling station supplied by a single groundwater well and a 10,000 gallon storage reservoir. The single well in the community was constructed from grant funding obtained by the County and the Agency now operates this well. This site serves approximately 41 residential self-hauling customers and approximately four commercial (licensed and unlicensed) water hauling customers who deliver water to an unknown number of customers. The Agency has no current plans to extend pipeline service to the Johnson Valley area. Population densities are so low that there are not enough customers to financially support the construction of a water line and appetent water system. The Agency states that redundancy in the Johnson Valley bulk system is needed and is seeking financial participation for an existing U.S. EPA STAG grant to conduct a hydro-geologic investigation in Johnson Valley to determine where a new well should be located.

The Agency has provided the following explanation of its actions regarding bringing a retail water system to Johnson Valley:

*Attempts to bring a pressurized water system were first evaluated in 1967 by Albert A. Webb & Assoc. on behalf of the proposed Johnson Valley County Water District Committee. The JV County Water District was never formed and eventually JV became part of the Bighorn Mountains Water Agency service area. Since that time the Agency has actively engaged in its mission to provide water to its service area. The following summarizes activities to date:*

- *In 1994, a Community Development Block Grant was awarded and the Agency executed a Maintenance and Operations Agreement (No. 94-340) for the construction of a community well in JV. In 1995, an Addendum was issued to the original Agreement and the County Special Districts Department began construction of the well in 1996 and Notice of Completion was filed in 1998. The Agency committed*

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*contractually to operation and maintenance of the well for 10 years from the Notice of Completion. The ten year commitment has expired but the Agency continues to maintain Well No. 10.*

- *In 2005, an EPA State and Tribal Assistance Grant was awarded which provided for 55% funding for Johnson Valley Hydrologic Investigation ("JVHI"). The basis for the award was to perform additional studies to better define the characteristics of the basin for the benefit of the region. This project includes the construction of an 8-inch diameter test well.*
- *In April 2007, the Agency received the final report entitled, Basin Conceptual Model and Assessment of Water Supply and Demand for the Ames Valley, Johnson Valley and Means Valley Groundwater Basins.*
- *In 2008, the Agency received federal authorization under the Water Resources Development Act (WRDA) for \$15 million to assist in the construction of a water system in JV and to interconnect it with the existing B-zone of the Agency.*
- *In December 2010, the Board of Directors authorized staff to proceed with completion of the JVHI using the EPA Grant funds remaining.*
- *In April 2011, Board of Directors authorized staff to actively seek a willing property seller for the location of the JVHI test well.*
- *In July 2011, Board authorizes purchase of 5-acres of real property for locating the JVHI test well.*
- *In November 2011, Board of Directors authorizes the execution of a Professional Services Agreement with Daniel B. Stephens & Associates for the completion of the JVHI test well. The contract total is \$171,000 with EPA providing matching grant funds.*

The BDVWA does not consider hauled water to be an enterprise function of the Agency in the classic sense because it is obligated to operate under the conditions of the consolidation with respect to segregation of funds (Section 33305 of the Water Code, known and cited as the Desert View Water District-Bighorn Mountains Water Agency Consolidation Law). However, the Agency is interested in the overall cost to operate and maintain the bulk system to ensure rates and charges are fair and equitable across the Agency. Therefore, the Agency has set up subaccounts in the general ledger to track revenue from bulk water sales and direct expenses to the Bulk system. According to the Agency, in the future this procedure will add labor efforts and Agency overhead as well.

As mentioned, the lack of a pressurized water system results in either on-site wells or water hauling from the single well operated by the Agency. Adherence to the parameters outlined in the County Development Code will limit new development within the Johnson Valley area for the future as it has no current mechanism for providing an organized retail system for water delivery. Further, a review of the



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Agency's current water plans does not identify plans for a water system in the Johnson Valley even though Johnson Valley is within the boundaries of the Agency.

In February 2010, the Agency conducted a survey regarding community desires for water supply. The survey was mailed to all property owners in Tax Rate Areas 88015, 94036 and 94043. Three primary questions were asked and they were directed at any interest in pressurized water, an interest in a redundant bulk water supply, or a "do nothing" option. With a 30% return rate approximately 60% of the respondents expressed a desire for pressurized water service. The primary written comment was a question of cost. At two public hearings, the Agency has presented a task list for developing and completing a pressurized water system in JV as well as outlining parcel identities, basic facilities needed and other features.

- *Johnson Valley Improvement Association*

The Johnson Valley Improvement Association ("JVIA") operates a food facility at its community center. The JVIA community center was notified by the County Department of Public Health ("DPH") that it was not meeting the requirements of a Transient Non-Community Water System. In letters from the DPH to the JVIA from February 2011 and September 2011, the DPH states that hauled water is not a viable potable source for a food facility, and that the water system must be connected to an approved well.

As part of the 2011-12 budget process, the Board of Supervisors set aside an allocation for the five supervisorial districts to finance unbudgeted priority policy needs as identified by the Board throughout the fiscal year. One such project identified by the Third District involves providing financial assistance to JVIA to assist in funding for drilling and installation of a water well, tanks and storage, hood fire suppression system, kitchen equipment to include freezer and/or refrigerator, permits and fees for the Community Center. The Community Center and adjacent County Fire Station does not have access to retail water lines and has to rely on hauled water. In October 2011, the County and the JVIA entered into a contract for the distribution and use of the funds.

The contract between the County and the JVIA reads that the funds would assist the Johnson Valley Community Center to become more self-sufficient; and assist the local Fire Station by acquiring, drilling and installing a water well, tanks and storage, a hood fire suppression system, and kitchen equipment to be used in those two facilities. The estimated cost for the project total was \$82,000 and this amount was provided to the JVIA by the County. According to the contract, all funds provided under this contract must only be spent on the acquisition, installation and completion of the project to provide water to the Community Center and Fire Station. In the event there are funds remaining after completion of the project, the JVIA may use remaining funds to purchase a generator, kitchen upgrades and other kitchen equipment. The JVIA has until October 1, 2012 to complete the project.

The Agency states that it informally attempted to assist the JVIA in finding an acceptable resolution to this issue, such as reverse osmosis treatment of the bulk water entering the facility, but the JVIA Board of Directors declined to formally seek the assistance from the Agency. The Agency has identified that it does not have issue with the JVIA having its own well, as it is entitled to its overlying groundwater

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rights, for its on-site water needs. The Agency has, however, expressed concern that the water produced from the well could be utilized off-site, as the JVIA is not a licensed public or private water purveyor (the only licensed retail water purveyor overlaying the Johnson Valley is the Agency). To allay these concerns, the contract includes the following, "Water from the well which constitutes the project may only be used for the Community Center's and Fire Station's internal use; water from the well may not be circulated or distributed for use in any manner outside the Community Center and Fire Station except in the event of an emergency." Further, Section 49 of the Agency's Special Act prohibits the establishment of a competing water provider within its boundaries without the consent of the Agency. Therefore, the exportation of water from the parcel would be in violation of the contract and Bighorn-Desert View Water Agency Law.

At first glance, this may seem to be a governmental inefficiency – the County assisting in the acquisition of a local water source when the area is already under the retail water responsibility of the Agency. However, the contracted use of the water is for on-site purposes and is not intended as a source for off-site use such as water hauling. Further, this method serves the JVIA as property owner and community center patrons financially best because the drilling of the well is funded with a County grant and not paid by the property owners.

As mentioned above, the Johnson Valley community in general has expressed interest in a pressurized water system but that the implementation of a water system would be too costly. Population densities are so low that there are not enough customers to financially support the construction of a water system.

### *County Service Area 70 Zone W-1*

In 1995 the Agency submitted a proposal to detach approximately eight square miles from its boundaries in the Landers area (LAFCO 2792) constituting the territory of CSA 70 W-1. Since the formation of CSA 70 W-1, there were a number of disputes between the residents served by CSA 70 W-1 and those served by the Agency. LAFCO 2792 was a means of resolving these periodic disputes. The justification for the application was that residents of CSA 70 W-1 received no specific benefits from the Agency but that CSA 70 W-1 residents voted on the Agency's ballot measures, affected Agency board decisions, and the area could have representation on the Bighorn board. The Commission approved the proposal because it eliminated an overlap of similar-purpose agencies and could possibly lead to a less contentious relationship between the residents of the two agencies.

However, BDVWA was best suited to continue providing retail water to approximately 17 customers within the boundaries of CSA 70 W-1 because the CSA 70 W-1 system for that area deteriorated and could not provide adequate water service and pressure. The arrangement for this service is a contract between the Agency and the County (as the governing body for CSA 70 W-1) signed in December 1997, County Contract No. 97-1059, for the purpose of providing water service to specific properties located within the CSA 70 W-1 service area. At this time, BDVWA does not charge a special rate to these customers that are outside of the Agency's boundaries.

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### Future Supply and Demand

According to the MWA 2010 Urban Water Management Plan, the local groundwater supply available to BDVWA is estimated to be 500 acre-feet. It is estimated that during the current planning horizon the population could increase by 49 percent. BDVWA will need between 749 and 829 acre-feet per year in order to supply its current and future customers (shown in first figure below taken from BDVWA 2007 Master Plan). The MWA 2010 UWMP further states that BDVWA will need facilities to produce about 2,388 gallons per minute to meet the maximum day plus-fire flow. Looking at the second figure below taken from the MWA 2010 UWMP indicates that the Ames Valley groundwater basin, where most of the pumping occurs, should have a safe yield of 900 acre-feet/year in normal and dry years.

<b>Table 2.6</b> <b>Present and Future Water Requirements Without Section 35</b>					
<b>Year</b>	<b>2006</b>	<b>2010</b>	<b>2015</b>	<b>2020</b>	<b>2025</b>
<b>Number of Connections</b>	1,582	1,742	1,942	2,142	2,342
<b>Annual Requirement (af/yr)</b>	506	557	621	686	749
<b>Average Day (gpm)</b>	314	346	385	425	465
<b>Maximum Day (gpm)</b>	847	933	1,040	1,147	1,254
<b>Peak Hour (gpm)</b>	1,356	1,493	1,664	1,838	2,007
<b>Maximum Day Plus Fire Flow (gpm)</b>	1,847	1,933	2,040	2,147	2,254

<b>TABLE 3-11</b> <b>MORONGO BASIN/JOHNSON VALLEY AREA GROUNDWATER BASINS</b> <b>SUPPLY RELIABILITY</b>			
<b>Anticipated Supply</b>	<b>Normal Year<sup>(a)</sup> (afy)</b>	<b>Single-Dry Water Year (afy)</b>	<b>Multiple Dry Water Year (afy)</b>
<b>Regions</b>			
Ames Valley <sup>(b)</sup>	900	900	900
Johnson Valley <sup>(c)</sup>	900	900	900
Means Valley <sup>(c)</sup>	20	20	20
Copper Mountain Valley/Joshua Tree <sup>(d)</sup>	200	200	200
Warren Valley <sup>(e)</sup>	100	100	100
<b>Total</b>	<b>2,120</b>	<b>2,120</b>	<b>2,120</b>
<b>Notes:</b>			
(a) To avoid double counting with MWA's demand forecast model which includes return flows from septic tanks, this normal year has been calculated as the safe or perennial yield of the basin and does not include return flows in the safe yield calculation.			
(b) Todd Engineers is completing a "Hydrogeologic Feasibility Study and Groundwater Management Plan for the Ames/Reche Project" for the Bighorn Desert View Water Agency, in 2011, that will better define the Ames Valley perennial yield. The perennial yield of 900 afy shown above represents subsurface inflow/recharge to the region only and no return flows are included.			
(c) Source: "Basin Conceptual Model and Assessment of Water Supply and Demand for the Ames Valley, Johnson Valley, and Means Valley Groundwater Basins", April 2007, Kennedy/Jenks/Todd. Tables in ES.			
(d) USGS Nishikawa, Izbicki et al., 2004.			
(e) USGS Nishikawa, Densmore et al., 2003.			

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In April 2007, BDVWA adopted the Bighorn-Desert View Water Agency Water System Master Plan ("WSMP"). The master plan identified the following deficiencies in the existing infrastructure: heavy reliance on 6-inch and 8-inch water mains which do not provide adequate fire flow; inability of most reservoirs to refill overnight after a 500-gallons-per-minute (gpm) fire; need for spreading grounds for groundwater storage and recovery; a groundwater management plan and the inefficient operation of portions of the system. Once the deficiencies were identified, the Agency prepared the Bighorn-Desert View Water Agency Water Infrastructure Restoration Program ("WIRP"). The WIRP outlines specific system improvements to remediate these deficiencies.

Two WIRP projects that are near completion include a Groundwater Management Plan ("GWMP") and the Ames Valley Recharge Project. Local groundwater is currently the sole source of its water supply, but BDVWA has annual nine percent capacity from the Morongo Basin Pipeline and may purchase State Water Project ("SWP") water from MWA. Although the infrastructure needed to deliver SWP water to the Ames Valley region already exists, additional facilities are needed to convey imported SWP water to spreading grounds for recharge, storage, and subsequent recovery. A Feasibility Study, including a groundwater model, is scheduled for completion in 2012 which will document the ability to store and recover SWP water in the basin. This document will also outline the ability of water to be routed to Pioneertown (CSA 70/W-4) enabling the area to supplement its groundwater supply.

BDVWA is the Lead Agency for the WIRP and the GWMP, but the implementation also includes other participating agencies. MWA is a financial participant, while Hi-Desert Water District and County Service Area 70 are cooperative partners who will benefit through participation in the groundwater storage and recovery program. The GWMP will address the purchase of SWP water for recharge and pumping restrictions in the event that overdraft conditions are not controlled.

### *Ames Valley Recharge Project*

The proposed Ames Valley Recharge Project will deliver SWP water to the Ames Valley for recharge at the Pipes Wash Spreading Grounds to mitigate historical overdraft conditions in the Region. This project was originally identified as the Ames/Means Valley Recharge Project in the MWA 2004 Regional Water Management Plan, but since recharge is occurring only in the Ames Valley, it is also referred to as the Ames Valley (or Reche) Recharge Project. This report will refer to it as the Ames Valley Recharge Project. The recharge project will serve water agencies using groundwater in the basin including BDVWA, HDWD, and CSA 70 (through its zones W-1 and W-4). BDVWA, in cooperation with MWA, is implementing the project, which consists of a feasibility study, approximately 0.75 miles of conveyance pipeline to connect to the Morongo Basin Pipeline, recharge to the Pipes Wash, and the installation of monitoring wells. The initial recharge capacity is planned at 1,500 AFY.

The project envisions the banking of water from the State Water Project. Each participating entity would accrue water in a water storage account. The water would be purchased, and percolated into the groundwater basin. There would be no restrictions on the use of that water and inter-entity transfers could occur as well. This project is intended to mitigate impacts from over pumping of the Ames Valley Basin, provide for beneficial use of water and

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insure the conjunctive use of local groundwater and imported water from the State Water Project.

The proposed project will utilize an Environmental Protection Agency State and Tribal Assistance Grant (grant) to complete tasks associated with environmental proceedings for the WIRP and the Ames Valley recharge basin. Additionally, the Agency and MWA have executed a memorandum of understanding to secure the 45% matching funds for the remainder of the grant as well as MWA pledging up to \$1 million to construct the project. According to the Agency, at this time the project is expected to be operational by July 2012.

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

The Commission reviewed the Agency's budgets and audits, State Controller reports for special districts, and County filing records. The first three sections of this determination review activities that relate to the two predecessor districts. The remaining sections review the financial ability and requirements of the Agency.

#### Net Assets and Property Tax Assessments

According to the Agency's financial statements, the bond resolutions of the Agency and those of its predecessor districts contain provisions that require the tracking of certain operational funds with respect to the geographical areas of the two predecessor districts. The following is a description of this matter taken from the FY 2009-10 financial statements.

*Prior to fiscal year 2010, the Agency took the position that property tax assessments associated with each predecessor district were restricted solely for the payment of principal and interest associated with the debt of that predecessor district.*

*However, legal research conducted in fiscal year 2010, disclosed the following:*

*Section 9 of the Resolution No. 174 of the Bighorn Mountains Water Agency dated June 21, 1977 states: "The Board of Directors, so far as practicable, shall fix such rate or rates for water in Improvement District No. 1 as will result in revenues which will pay the operating expenses of the improvement district, which provide for the operating expenses of the improvement district, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on the bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due. If the revenues of the improvement district will be inadequate for any cause to pay the expenses set forth above, the Agency must provide for the levy and collection of a tax sufficient to raise the amount of money determined by such Board of Directors to be necessary for the purpose of paying such charges and expenses as set forth above and the principal and the interest on the bonds as the same become due."*

*Similarly, Section 5.11 of Resolution No. 304 of the Desert View Water District provides that revenues of the Agency will be used to pay "any reasonable and necessary maintenance and operation costs of the Enterprise."*

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*Section 33305 of the Desert View Water District-Bighorn Mountains Water Agency Consolidation Law and Section 31012 of the County Water District Law provide as follows:*

- a) All funds derived from the operation of the former district system shall be separately accounted for and used exclusively for the purposes of maintenance, operation, betterments, and bond debt service of the acquired system.*
- b) No funds derived from the former district system shall be used for any other such purpose until all debt of that former system has been paid in full or until a former system has authorized such other expenditures.*

*The above restrictions remain in effect until a vote of the electorate of each predecessor district authorizes differently.*

*Based on the language above, legal counsel has concluded that all revenues (not just property tax levies) of each predecessor district are restricted for the expenditures of that district. It was also determined that qualified uses of such restricted revenues include the operating expenses (not just principal and interest payments) associated with that district.*

*As of June 30, 2011, the portions of net assets associated with this restriction are as follows:*

Bighorn Mountains Water Agency ("Bighorn"):	
Invested in capital assets, net of related debt	\$ 2,302,548
Resources restricted for Bighorn	<u>(182,214)</u>
Total Bighorn Mountains Water Agency	\$ 2,120,334
Desert View Water District ("Desert View")	
Invested in capital assets, net of related debt	\$ 1,028,625
Resources restricted for Desert View	<u>1,164,613</u>
Total Desert View Water District	\$ 2,193,238

LAFCO Resolution No. 2255, approving the consolidation of the two predecessor agencies, included a condition of approval that required the indebtedness of each district remain the legal obligation of only the lands and areas which incurred such indebtedness, and that improvement districts of each entity shall be the improvement districts of the consolidated agency. Additionally, LAFCO's review of the legislation allowing for the consolidation identifies specific reference regarding the use of the revenues from the predecessor districts and identifies that it can only be changed when "until a former system has authorized such other expenditures". That would mean that the funds from the former districts would have to be used within the former territory and separately accounted. Whereas the separation may be inefficient, the law requires it until the Agency takes the matters to the voters.

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The Agency has identified to LAFCO that it acquired new legal counsel since the completion of the FY 2009-10 audit, and the legal counsel is currently reviewing this matter. Questions at this time generally revolve around how the Agency should operate its finances. Would keeping the separate books increase expenses as the staff workload and operational activities are tracked and then split accordingly? Would this lead to a different rate structure with a single administration operating and tracking essentially two different systems? At this time, the Agency is not taking any action until a proper analysis can be undertaken. The Commission determines that the Agency shall provide LAFCO with its determinations on these matters.

### Long-Term Debt

The Agency is presently repaying two bond issues: (1) the 1979 Bighorn Mountains Water Agency General Obligation Bonds; and (2) the 1980 Desert View Water District Revenue Bonds. Additionally, the Agency has also entered into an agreement with Mojave Water Agency for Construction, Operation and Financing of the Morongo Basin Pipeline Project. Each of these bond issues and the agreement with Mojave Water Agency includes a series of covenants to which the Agency, or its predecessors, has agreed. One of the covenants in each issue is that the Agency will, at a minimum set its rates in a manner to provide sufficient revenue to cover operating costs, pay the principal and interest due on the bond installments, pay the annual payment required by the agreement with Mojave Water Agency, and have a specified coverage. The 1980 Desert View bonds have a coverage requirement of 20% over the annual principal and interest payment, while the agreement with Mojave Water Agency requires additional coverage of 25% over the annual principal and interest payment.

<b>(4) <u>Long-term debt</u></b>	
<b>Bonds Payable:</b>	
	<u>June 30, 2011</u>
General obligation bonds:	
Original issue \$1,875,000, 5%, maturing in 2019; secured by tax levy revenues	\$ 702,000
Water revenue bonds:	
Original issue \$700,000, 5%, maturing in 2019; secured by a pledge of all revenues	286,977
Improvement District 71-2 bonds:	
Original issued \$275,000; 7%; matured July 2, 1988	<u>2,000</u>
Total bonds payable	990,977
Less portion due within one year	<u>(100,000)</u>
	<u>\$ 890,977</u>

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For the year ended June 30, 2010, the aggregate debt service coverage of the Agency was approximately 77%. Future debt service of the Agency through 2019 is \$1,085,977. The Agency expects debt service coverage to be comparable to that of the current year throughout the period to which the coverage requirement applies.

Future long-term debt maturities are as follows:

Year Ending June 30	<u>General Obligation Bonds</u>		<u>Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	74,000	35,100	26,000	14,530
2013	77,000	31,400	28,000	13,250
2014	81,000	27,550	29,000	11,850
2015	85,000	23,500	31,000	10,400
2016	89,000	19,250	32,000	8,850
2017	94,000	14,800	34,000	7,250
2018	98,000	10,100	35,000	5,550
2019	104,000	5,200	37,000	3,800
2020	-	-	34,977	1,950
Total	<u>702,000</u>	<u>166,900</u>	<u>286,977</u>	<u>77,430</u>

The Pledge of Revenues and Funds of the 1980 Desert View Water District Revenue Bonds (the "pledge") requires that a Reserve Fund be established to further secure the payment of the principal of and interest on those bonds. Pursuant to the pledge, the balance of this Reserve Fund is to be maintained at the average of all future payments. As of June 30, 2011, the Agency has sufficient reserves to meet this requirement.

### Tax Rate Areas

The State Board of Equalization (BOE) identifies five different taxing categories for the Agency:

- Bighorn-Desert View Water Agency – this represents all of the 13 tax rate areas (TRAs) of the Agency. The Agency is assigned to receive a share of the one percent general ad valorem property tax levy from each parcel within its boundaries. The County classifies this tax share as GA01. The Agency does not receive a share of the one percent general levy from one TRA since it was annexed to the Agency post-Prop. 13 (there was no concurrent detachment from another agency so there was no property tax transfer). The average share to the Agency from GA01 is 3.6% of the general levy.
- Bighorn-Desert View, 1974 Anx. (BLO) – This territory was annexed into the Agency in 1974 (pre-Prop 13) and was assigned a separate TRA by the BOE at that time as a result of the annexation. It appears that there is no need for a separate category. Therefore, the Agency can request that the County remove this separate category in order to clean up the tax rolls.



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- Bighorn-Desert View, Imp. 01 – The voters within this territory approved a bond proposition to "issue general obligation bonds for its Improvement District 1 for \$2,500,000 for the purpose of acquisition/ construction/ completion or repair of a waterworks system ... for the benefit of Improvement District 1 (Resolution No. 121 adopted June 21, 1977). County Assessor records indicate that the additional tax levy to pay the debt did not begin until FY 1978-79. The bonds are scheduled to mature in 2019.
- Bighorn-Desert View, Imp. A – There are no records available as to the purpose of Improvement District A. In FY 1977-78 (pre-Prop 13) Bighorn Mountains Water Agency levied a tax for Improvement District A. This was converted as a separate share of the one percent ad valorem in FY 1978-79 (post-Prop.13). Therefore, the Agency receives two shares of the one percent general property tax levy from those within this territory (comprising only one, although large, TRA). The County classifies this second tax share as GA02. The average share to the Agency from GA01 is 3.6% of the general levy, and the share to the Agency from GA02 is 10.3%. Roughly 31% of the assessed valuation of the Agency comes from this TRA. Therefore, this second share of the general levy generates significant additional revenue for the Agency.
- Bighorn-Desert View, Imp. B. In 1981, Agency Resolution 200 formed Improvement District B to finance an engineering study for a domestic water system. It is believed that voter approval of the tax to pay for the study raised \$50,000. There is no current additional tax associated with for these three TRAs. It is clear that the use for this improvement district is extinguished. Therefore, the Agency can request that the County remove this separate category in order to clean up the tax rolls.

### Net Assets and Fund Balances

In reviewing the Agency's financial documents, net assets have increased by 22% since FY 2006-07 as shown on the chart below. As of June 30, 2010, the Agency had \$4.3 million in net assets. Not including capital assets value and debt, the Agency had roughly \$982,399 in restricted funds. Of concern is the lack of any unrestricted assets, which for a water agency can provide for unanticipated occurrences.

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Net Assets</b>					
Invested in capital assets – net of related debt	2,619,161	2,816,559	2,546,637	3,087,501	3,311,173
Restricted	442,820	0	940,679	766,463	982,399
Unrestricted	403,128	423,169	0	0	0
<b>Total Net Assets</b>	<b>\$3,537,109</b>	<b>\$3,269,728</b>	<b>\$3,487,316</b>	<b>\$3,853,964</b>	<b>\$4,313,572</b>

Considering net assets does not indicate if an agency has enough fund balance to operate short and long-term operations. The chart below shows cash flow activities for the past five fiscal years. During this time, the decline and rise of total cash flow corresponded with the receipt of grants, increase in water rates, improvements, and decline and increase of water sales. For FY 2008-09, four substantial reasons contributed to the slowing of losses: water

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rate increases, identifying customer accounts that were not being charged the basic connection fee, reduction in staff, and additional reductions in expenses.

For FY 2009-10, the increase is generally attributed to a \$105,324 increase in basic surcharge revenue due to identification of accounts that had not been paying (first full year), and significant revenue in form of an EPA grant for the Ames Valley Recharge Project (\$232,343 earned in 2010 for costs incurred through the fiscal year).

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>NET CASH FLOW FROM:</b>					
Operating Activities	\$137,223	\$(112,047)	\$19,735	\$245,237	\$79,950
Non-capital Financing	88,604	108,998	113,960	113,732	95,783
Capital & Related Financing	(368,449)	(291,028)	(211,902)	(48,298)	(121,464)
Investing	43,371	28,175	9,537	4,234	3,549
<b>NET INCREASE (DECREASE)</b>	<b>(99,251)</b>	<b>(265,902)</b>	<b>(68,670)</b>	<b>314,905</b>	<b>57,818</b>
<b>Total Cash Flow</b>	<b>724,068</b>	<b>458,166</b>	<b>389,496</b>	<b>704,401</b>	<b>762,219</b>

### Operating Revenues and Expenses

Operational Revenues (water sales) totaling over \$1.1 million comprise the majority of the Agency's revenue. Roughly a similar amount is spent on Operating Expenses (operations and maintenance, labor, and depreciation). For FY 2008-09 and FY 2009-10, Operating Expenses exceeded Operational Revenues by two percent, an amount not statistically significant. For FY 2009-10, the Agency experienced an increase in basic surcharge revenue by \$105,324 due to identification of accounts that had not been paying. Without this revenue, Operating Loss would have been greater. However, for FY 2010-11 Operating Expenses exceeded Operating Revenues by eight percent. The primary reasons for the net operating loss are due to a reduction in water sales in combination with an increase in general and administrative expenses.

### Non-Operating Revenues and Expenses

#### *1. Tax Levy: Property Tax*

Making up the operating loss and paying for debt and other expenses is primarily through the receipt of a share of the one percent general ad valorem property tax levy (the Agency's financial statements classify the share of the 1% general levy as a part of "Tex Levy" under Non-Operating Revenue). However, the budgets separately identify the share of the 1% general levy under Operating Revenue, roughly \$104,000 per year.

In 1977-78, before Proposition 13, the Agency levied the following taxes, as identified in the County's 1977-78 tax rate book:

Bighorn Mountains (General Levy)	\$0.0000
Bighorn Mountains (Improvement A)	\$1.0000
Desert View (General Levy)	\$0.5285
Desert View (Bond, Land Only)	\$3.5906

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Following Proposition 13, the Legislature enacted statutes to implement its provisions. Under these statutes, a local government's share of the one percent general property tax levy was based on the property tax rate and any tax levied for bond debt going to that local government before Proposition 13 in relation to other agencies. The debt for Improvement District A has been retired and is not shown in the County Tax Rate book. LAFCO understands that the Agency's FY 1977-78 property tax rate and the tax rate for Improvement District A were converted into the Agency's share of the one percent general levy.

The FY 2010-11 County Tax Rate book identifies that the Agency receives a share of the one percent general tax levy and levies a tax for Improvement District 1 at a rate of \$0.2399 per \$100 of assessed valuation. The bond for Improvement District A has been retired and is not shown in the County Tax Rate book. However, FY 2009-10 was the first year within the past five years that experienced a decline in property tax revenues, which continued for FY 2010-11. This overall trend correlates with the stable number of active water meters during this time period.

### Foreclosure Activity

Foreclosure activity has affected the nation in general and the Homestead Valley is no exception. The County of San Bernardino Assessor's Office has identified that 221 housing units have been foreclosed from 1994 to 2010 for the areas identified as Flamingo Heights, Landers, and Johnson Valley. From 2004 to 2006 the area had nine foreclosures. The number rose sharply to 26 in 2007 and escalated to 58, 60, and 68 for the next three years.

For the purposes of generally representing the extent of the foreclosure activity, LAFCO identifies that there are 2,479 total housing units within the Agency. The foreclosure of 221 homes represents 9% of the household units within the Agency have been in foreclosure since 2004. Even with the current economic conditions, the long-term population trend remains – the Agency is projected to experience 104% growth through 2040.

Real property values have declined as a result of foreclosures and short-sale activity coupled with property owner requests for temporary reductions in assessed valuation under Proposition 8 have resulted in a corresponding reduction in ad valorem property tax revenues. These factors have been anticipated by the Agency in its budgets.

### *2. Tax Levy: Bighorn Mountains service area - Improvement District 1*

Those within the Bighorn Mountains Improvement District 1 ("BH ID 1") pay an assessment to generate revenue for the annual bond payment and a repair/refurbishment fund to maintain the BH ID 1 water system which was constructed with a fixed interest rate, forty-year general obligation bond (secured by tax levy revenues), purchased through the Farmers Home Administration (FHA).

According to the Agency's resolutions that set this tax, if the revenues of the agency or any improvement district are inadequate to pay the operating expenses of the agency, provide for repairs and depreciation, and to meet all obligations of the agency, then the Agency must provide for a levy to raise the amount of money

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determined for such purposes. The cited sections allowing for the levy are Sections 26 and 27 of the Agency's law.

Up until FY 2009-10, the Agency set the tax rate itself (for example \$0.21 per \$100 of assessed valuation). However, the tax roll is not static. Therefore, the Agency made educated guesses as to what rate to levy. This resulted in either a collection of either too much or too little to cover the required expenses. Realizing the difficulties in determining the correct levy rate, in FY 2009-10 the Agency changed its methodology and now requests that the County collect levy a tax at the rate necessary to raise the identified amount (for example \$125,900). This change in methodology has reduced the guessing game and provides for more clarity to the levy.

According to the Agency's annual adoption of the tax levy, the tax rate statement that accompanied the 1977 bond proposition discussed the impact of the bond proposition on property tax rates. This tax rate statement estimated that the property tax rates would be about \$4.70 per \$100 of assessed valuation in the first fiscal year after the bond sale and \$0.76 per \$100 by the 20<sup>th</sup> year after the bond sale.

Fiscal Year	ID #1 Net Valuation (Secured)	Debt Payable	ID #1 Tax Rate (per \$100 assessed valuation)	Revenue Budgeted	Budgetary Notes
2011-12	n/a	\$109,000	\$0.3100	\$175,900	Additional \$70,000 for replacement and refurbishment of Bighorn water system
2010-11	\$42,762,325	109,000	0.2399	125,900	Additional \$20,000 for replacement and refurbishment of Bighorn water system
2009-10	46,126,106	105,900	0.2274	125,900	Additional \$20,000 for replacement and refurbishment of Bighorn water system
2008-09	47,138,976	105,900	0.2100	106,315	
2007-08	43,327,983	105,900	0.2000	76,000	Used \$29,000 from Local Agency Investment Fund (LAIF) debt service reserves

Sources: County of San Bernardino. Valuations-Tax Rates, Code Area Tax Rates, Bonded Indebtedness For Fiscal Years 2007-08 through FY 2010-11; Agency Budgets

The chart above shows the Improvement District 1 tax levy for the past five years. For comparison, the levy imposed in FY 2010-11 equated to approximately \$0.2399 per \$100 of assessed value (or a gain of \$125,900). In FY 2011-12 the levy is estimated at \$0.3100 (29% increase) per \$100 of assessed value based on \$175,900 identified by the Agency as the required amount. The breakdown of the \$175,900 required amount is:

- Annual principal and interest payments are approximately \$109,000. Payments will be made in FY 2011-12 according to the following schedule: December (interest only approximately \$17,500) and June (interest approximately \$17,500.00 and principal approximately \$74,000).
- Any additional funds collected, estimated at \$20,000, will be used for needed infrastructure improvements within BH ID 1.
- The additional \$50,000 was proposed and adopted in the FY 2011-12 budget to begin to close the deficit in net assets of the Bighorn Mountains service

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area against the Desert View service area as outlined in the FY 2009-10 Audit Report. The bond payments will conclude in 2019.

The Agency has identified that its independent auditors review the Agency's Improvement District 1 collections and the use of those funds for its debt and that the remaining funds collected are utilized within the boundaries of Improvement District 1.

### 3. *Mojave Water Agency Surcharge*

The Agency collects this surcharge on the water bill to fund the Agency's share of the debt service for the Morongo Basin Pipeline. This debt will be paid in full in 2021.

### 4. *Desert View service area - Surcharge*

Those within the Desert View portion of the Agency pay a \$9.30 bi-monthly surcharge to generate revenue for the annual bond payment for the Desert View Water District Revenue Bonds. This surcharge on the bi-monthly water bill generates roughly \$50,000 annually with an annual required payment of roughly \$40,500. The remaining amount is collected and used for needed infrastructure improvements within the Desert View Water System (Flamingo Heights area). The bond payments will conclude in 2019.

### 5. *Grant Revenue*

For FY 2009-10, the Agency received significant revenue in the form of an EPA grant for the Ames Valley Recharge Project (\$232,343 earned in 2010 for costs incurred through the fiscal year). This was one-time revenue and is not-reflective of annual activity.

### 6. *Standby charge*

The Agency currently does not receive a standby charge. This assessment was removed in 1998 by voter action (Measures Q, S, and T of the November 1998 election successfully removed the standby charges of the Agency. The assessments have not been reinstated).

The chart below taken from the FY 2010-11 financial statements shows the revenue and expenditure categories with respective amounts.

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	2011	2010
<b>OPERATING REVENUES</b>		
Water sales	\$ 457,078	513,026
Water services	50,253	33,881
Basic surcharge	<u>595,583</u>	<u>597,680</u>
<b>TOTAL OPERATING REVENUES</b>	<b>1,102,914</b>	<b>1,144,587</b>
<b>OPERATING EXPENSES</b>		
Transmission and distribution	351,065	406,370
General and administrative	605,744	535,884
Depreciation	<u>239,331</u>	<u>229,766</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,196,140</u></b>	<b><u>1,172,020</u></b>
<b>OPERATING INCOME ( LOSS)</b>	<b>(93,226)</b>	<b>(27,433)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	4,472	3,266
Tax levy	223,764	237,111
Desert View debt surcharge	50,206	50,345
Grant income	430,605	232,343
Gain/loss on disposal of asset	(38,832)	(1,170)
Other income/Expense	9,036	(4,099)
Interest expense	(51,309)	(50,461)
Mojave Water Agency pipeline interest (note 6)	(73,097)	(73,254)
Amortization of debt issuance costs	<u>(2,011)</u>	<u>-</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>552,834</b>	<b>394,081</b>
<b>CHANGE IN NET ASSETS</b>	<b>459,608</b>	<b>366,648</b>
<b>NET ASSETS BEGINNING, JULY 1</b>	<b><u>3,853,964</u></b>	<b><u>3,487,316</u></b>
Prior period adjustment	<u>-</u>	<u>-</u>
<b>NET ASSETS ENDING, JUNE 30</b>	<b><u>\$ 4,313,572</u></b>	<b><u>3,853,964</u></b>

## Non-Agency Related Charges on Property Tax Bill

MWA DEBT 1 – Assessed by the Mojave Water Agency after voter approval. These funds are used primarily for the payment of debt service and maintenance in connection with the State Water Project (The California Aqueduct).

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MWA DEBT 2 – Assessed by the Mojave Water Agency after voter approval. These funds are used primarily to supplement the MWA 1 tax and additionally provide funding for Mojave Water Agency administration.

MWA ID “M” – Assessed by the Mojave Water Agency after voter approval. These funds are used to fund 40% of the debt service for the pipeline extension from the California Aqueduct to the Morongo Basin (MWA Improvement District M).

### FY 2011-12 Budget

The FY 2011-12 Budget totals \$1,407,043 – an increase of \$84,147. However, the FY 2011-12 Budget identifies that \$91,647 from operational and non-operational revenue is available to allocate. Therefore, the two budgets are statistically similar. Nonetheless, there are a few noteworthy differences:

- Administration expense is increasing by 15% due to salary merit increases and the hiring of a new executive secretary at a higher starting pay than the previous employee as well as an additional 20% for overtime.
- Operating expense is decreasing by 16% due to the resignation of the field supervisor and no current intent for the Agency to fill the position.
- As for Non-Operating Revenue, the debt income to pay for the Bighorn FMHA loan is increasing by 40% to pay for infrastructure improvements and to close the deficit in net assets of the Bighorn Mountains service area.

Salaries and benefits for FY 2011-12 include seven full-time employees and no seasonal or temporary employees. The Field Supervisor position remains vacant and there is no intent to fill the position at this time.

Exec. Sec./Personnel Administration (1 position – filled FT)  
Accounting Technician II/Customer Service Rep. (1 position – filled FT)  
Customer Service Rep – (1 position –filled FT)  
Water Distribution II (2 positions – filled FT)  
Water Distribution I (1 position – filled FT)  
Field Supervisor (1 FT position – vacant, not actively recruiting)  
General Manager (1 position – filled FT)

In reviewing the Agency’s budgets submitted for this review, the budgets do not include at least one year’s worth of actual financial data, as recommended by the *Best Practices* of the Government Finance Officers Association. The Commission recommends that for the future the Agency include at least one year’s worth of actual figures.

### Commitments

On March 15, 1991, the Agency entered into an agreement with the MWA to become a participant in the Morongo Basin Pipeline project. Under the agreement, the Agency was obligated to pay its project allotment percentage of the estimated fixed project cost commencing July 1, 1991. The payment made to MWA for the current year was \$73,524. The payments commencing June, 1996, and thereafter will be determined by MWA based upon various factors.

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### Internal Control over Financial Reporting

The FY 2009-10 financial statements have identified significant deficiencies in the internal controls of the Agency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The independent auditors noted the following matters that provide an opportunity for the Agency to enhance its existing internal controls. A detailed description of each matter with the auditor's recommendation and the Agency's comments are included at the back of the FY 2009-10 audit, included as Attachment #2).

1. Positive Pay - the Agency does not use positive pay. Positive pay is a process by which an organization's bank would be electronically provided a list of check numbers and check amounts that the bank would be authorized to allow to process for payment.

*The Agency has responded to LAFCO that the costs for positive pay are high in addition to concerns about the effect on customers. At this time, Agency staff has not taken this matter to a committee.*

2. Lock Box - The Agency does not use a "lock box" service (P.O. Box under the control of the Agency's bank) for collecting its revenues. A lock box service significantly reduces the risk of theft of funds by employees of the Agency.

*The Agency has responded to LAFCO that the Agency board rejected this recommendation based on cost and the fact that many customers pay at the office with checks and cash. Therefore, implementation of this expense does not eliminate this concern.*

3. Inventory Controls - The inventory custodian currently performs data entry for service orders that involve inventory requisitions. He also has system access rights to make adjustments to inventory records. Internal control is maximized when those persons that have physical access to inventory do not also have the ability to adjust the inventory data recorded in the system.

*The Agency has responded to LAFCO that implementation of recommendations 3 and 4 were implemented by the Agency staff without going to the board.*

4. Bank Reconciliations - Bank reconciliations of the Agency are performed by the individual that performs data entry for cash disbursements. Best practice provides that reconciliations be performed by individuals that are not involved in the creation of cash disbursements and that do not have direct or indirect access to the funds in the bank account.
5. Ethical Culture - New auditing standards recommend that organizations consider certain best practices to reinforce a strong ethical culture. Accordingly, the auditors recommended that the Agency consider inclusion of certain ethical conduct policies into its Employee Handbook.



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*The Agency has responded to LAFCO that the policy recommendation for Ethical Conduct Policies were brought before the Board of Directors and approved as a revision to the Employee Handbook in April 2011.*

### Other Information

#### *Regular Audits*

Government Code Section 26909 requires all districts to provide for regular audits; the Agency conducts annual audits and meets this requirement. Section 26909 also requires districts to file a copy of the audit with the county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, the last audit received was in March 2011 for FY 2009-10.

#### *Pension and Post-Employment Benefits*

The Agency contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. According to the FY 2009-10 financial statements, the actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis (copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814). A review of the financial statements identifies that the Agency has a zero net pension obligation. The financial statements do not identify if there are any other Post Employment Benefits. However, the Agency states that there are no Post Employment Benefits offered to employees.

#### *Appropriations Limit*

Article XIIIB of the State Constitution, the Gann Spending Limitation Initiative (in 1979, the voters amended the California Constitution by passing Proposition 4, the Gann Initiative), mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9(a) provides exemption for debt service, and Section 9(c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of \$0.125 (12 ½ cents) per \$100 of assessed value for the 1977-78 fiscal year. According to the *County of San Bernardino 1977-78 Valuations/Tax Rates* publication (excerpt included as a part of Attachment #2), the tax rate for the two predecessor districts were as follows:

Bighorn Mountains (General Levy)	\$0.0000
Bighorn Mountains (Improvement A)	\$1.0000
Desert View (General Levy)	\$0.5285
Desert View (Bond, Land Only)	\$3.5906

Prior to consolidation the Bighorn Mountains Water Agency never established an appropriations limit based upon its lack of general levy. However, the general levy tax rate

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for Desert View for FY 1977-1978 was \$0.5285 per \$100 of assessed value. Being over the \$0.125 tax rate, at that time Desert View did not qualify for an exemption from the requirement of an appropriations limit and fulfilled this mandate through annual adoption. As a part of the LAFCO resolution approving the consolidation of the two predecessor districts in 1990, LAFCO imposed the condition that the appropriations limit of the consolidated agency, if any, shall be the aggregate appropriations limits of the two agencies (a copy of the resolution is on file in the LAFCO office). Therefore, in the years following consolidation, the Agency was required to annually set an appropriation limit in compliance with Article XIII B of the Constitution and implementing legislation contained in Government Code Section 7910 and the Agency's audits were required to review and ascertain its accuracy.

The Agency has indicated in the materials submitted to LAFCO that it has relied upon a legal opinion from its attorney that it was not required to comply with the provisions related to setting an appropriation limit based upon an analysis of the previous Bighorn Mountains Water Agency. LAFCO has identified its position that the conditions of approval for the consolidation clearly stated that it was required to do so and without an appropriations limit, the agency is not authorized to expend the proceeds of ad valorem property taxes. The Commission determines that the Agency shall comply with the requirements of the consolidation requiring the annual establishment of an appropriation limit. The Agency has provided a copy of its Resolution adopting an appropriation limit

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

The Agency's intertie with Hi-Desert Water District ("HDWD") is currently disconnected and isolated from cross-connection. The pump was removed many years ago. According to the Agency, with minimal effort a connection could be made whereby the Agency could receive water via gravity flow from HDWD. However, more work would be needed for the Agency to pump water into HDWD's system. The two agencies are actively seeking a new, permanent emergency intertie solution. In addition, the Agency has the ability to "high line" a connection between fire hydrants to create an emergency intertie with CSA 70 Zone W-1.

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

##### Current Board Composition

The BDVWA is an independent special district governed by a five-member board of directors elected at-large. Membership elections are held in odd years as a part of the consolidated November election. A review of records available through the County Registrar of Voters identifies an election for director membership has been held every two years since at least 1997.

As a result of the November 2011 elections, the board is composed of the following, effective December 2011 along with board positions:

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Board Member	Title	Term	Elected/Appointed
Terry Burkhart	President	2013	Elected full term
Vacant *		2013	To be appointed in lieu of election - short term
Judy Corl-Lorono	Director	2013	Elected short term
Michael McBride	Director	2015	Appointed (ran unopposed)
David Larson	Director	2015	Appointed (ran unopposed)

\* The director-elect from the November 2011 election neglected to file his Oath of Office by noon December 2 as required by the Election Code and the position was subsequently declared vacant by the remaining Board members on December 8, 2011. The Board then acted to appoint a new director for which advertising has begun, again in accordance with the Election Code.

Regular Board Meetings are scheduled at 6:00p.m. on the fourth Tuesday of each month. The location of the meetings is not at the Agency office at 622 South Jemez Trail; rather meetings are held at 1720 North Cherokee Trail in Landers at the former Bighorn office. Standing committees include the Finance/Public Relations/Education/Personnel Committee and the Planning/Engineering/Legislative/Grant/Security Committee. Each committee meets bi-monthly. Additionally, a member of the Board is also appointed to the Morongo Basin Pipeline Commission.

### Board and General Manager Turnover

As stated in the introduction to this service review portion of this report for the Agency, LAFCO has adopted the Governor's Office of Planning and Research (OPR) Municipal Service Review Guidelines by reference for its use during the conduct of service reviews. The Guidelines read that in evaluating an agency's local accountability and governance structure, LAFCO may wish to address agency representatives in its review (OPR Guidelines, Page 42, item 9.3).

### *Board Members*

Up until 2007, the bi-annual election was typical with other special districts with five member boards – with either two or three candidates running each year with modest director turnover. However, at the August 2007 election the voters successfully recalled three members with the regularly scheduled election taking place three months later in November. The past four elections have had 13 seats open with eight changes in membership, representing a 62% election turnover rate (77% turnover rate when adding appointments). Taking into account 13 open seats and seven seats not up for election, the overall turnover rate has been 54% since August 2007.

Election	Seats open	Newly elected/appointed	Voter turnout
Aug 2007	3	3 elected	45%
Nov 2007	2	1 elected	15%
Nov 2009	4	3 elected (2 resigned, replaced by appointments)	26%
Nov 2011	4	1 elected	25%
<b>TOTAL</b>	<b>13</b>	<b>10 total (8 elected with 2 appointments)</b>	

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Whereas a modest turnover is natural and even healthy, the high turnover rate coupled with low voter turnout is a cause for concern. In a recent edition of its report, *What's So Special about Special Districts*, the state Senate Local Government Committee states that the, "narrow and technical nature of a district's activities often results in low civic visibility until a crisis arises." The August 2007 recall election had a 45% voter turnout. However, the past three elections have had voter turnouts of 15%, 26%, and 25% (it should be noted that the elections conducted by the County Registrar of Voters for November 2007 and November 2009 had a grand total turnout of 13%, 10%, and 10%, respectively). The high turnover and low voter turnout has resulted in the two longest tenured board members being elected in 2007. The three other members were either elected or appointed since the 2009 election.

### *General Managers*

The employee leadership has also experienced a high turnover rate within the past ten years. In that time, there have been six general managers (nine since 1998) in charge of the Agency's operations, administration, and policy implementation.

In general, a high turnover rate of elected members in conjunction with general manager turnover could produce a lack of continuity and institutional knowledge, possible missteps in administrative compliance, and the resetting of the learning curve with each turnover. This agency continues to operate without an appropriation limit and has not segregated the operations and funds of the two predecessor agencies. This service review cannot offer a remedy for this occurrence other than to point out that a reduced turnover rate of elected membership and employee leadership would, in the Commission's opinion, result in increased steady direction for the Agency.

### Brown Act

The OPR Guidelines read that in evaluating an agency's local accountability and governance structure, LAFCO may wish to address in its review an agency's compliance with state disclosure laws and the Brown Act (OPR Guidelines, Page 42, item 9.1).

Within the past four years, the Agency has been notified by the Office of the District Attorney, County of San Bernardino that it has violated the Brown Act (Open Meeting Law, Gov. Code §54950 et seq.). First, in 2007 County prosecutors strongly criticized the board for repeatedly violating the Brown Act, especially its refusal to address public concerns over secret meetings.

Second, the District Attorney's Office in March 2011 responded to Agency legal counsel regarding a Brown Act violation stemming from a complaint that the Agency Board approved four items of compensation for an Agency officer without providing notice of its actions. A copy of the letter is on file at the LAFCO office.

According to the District Attorney's letter, the Agency noticed and held a closed session meeting regarding the officer's evaluation, and at the open session meeting announced that the officer received a favorable review and the Board voted on compensation items. Based on the below items, the District Attorney's letter identifies its opinion that the Board's actions were a violation of the Brown Act.

- §54957(b)(4) expressly states: "Closed sessions held pursuant to this subdivision shall not include discussion or action on proposed compensation except for a

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reduction of compensation that results from the imposition of discipline.” In other words, there are statutes that require compensation to be called out on an open session agenda even when an evaluation of the same employee is noticed for the closed session portion of the same meeting (Gov. Code §54957(b)(4) states that the term "employee" shall include an officer or an independent contractor who functions as an officer or an employee but shall not include any elected official, member of a legislative body or other independent contractors).

- Discussions about the salaries of non-elected officers must be discussed in open session. Gov. Code §54954.2(a) specifically states that the agenda must describe “each item of business” to be discussed or transacted. Hence, the statute plainly requires that compensation be called out specifically on the agenda if it will be discussed at the Board meeting.
- In San Diego Union v. City Council of the City of San Diego (1983) 146 Cal. App. 3d 947, the court expressly held that compensation must be discussed – *and properly noticed* – in an open session. Hence, San Diego Union clarifies that after an evaluation of a public employee is held in a closed session; compensation of that employee must be discussed in “a *properly noticed*, open session.”

The letter further identifies the Agency’s statement that in the future the Board will provide separate notice on the open session agenda when employee compensation is to be considered even if notice of consideration of an employee’s evaluation is also placed on the same agenda for closed session. Based upon the Agency’s statement that it will not repeat its above-described actions, the District Attorney considered the matter closed.

Nonetheless, the District Attorney voiced concern about the Board’s future compliance with the Brown Act since the Board failed to admit a violation. Therefore, the District Attorney recommended that the current Board members obtain training on the requirements of the Brown Act. The Agency has responded to LAFCO regarding this recommendation, and state that Board members attended the Special District and Local Government Institute Brown Act, Public Records Act and Conflict of Interest Workshop, San Diego, CA June 2011.

The November 2011 election has resulted in new membership on the Board. The Commission determines that the Agency should implement a policy that Board members obtain periodic training on the requirements of the Brown Act.

### Operational Efficiencies

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

- Mojave Water Agency (MWA) provides professional guidance and services to BDVWA in areas such as geohydrology, engineering, and grant assistance. MWA also advises on and provides technical support towards project grant applications.
- The Agency is a member of the Special District Risk Management authority (SDRMA), a Joint Powers authority, which provides medical benefits, property and liability insurance and workers compensation insurance to the Agency as well as safety and loss prevention services.

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- The Agency is a member of the Association of California Water Agencies (ACWA), a statewide non-profit Joint Powers Insurance Authority with a mission to assist members in the areas of leadership, advocacy and information. In addition, ACWA-HBA (Health Benefits Authority) provides dental, vision and life insurance benefits to all Agency employees.
- The Agency is a partner, through MOU, in the Morongo Basin Alliance for Water Awareness and Conservation ("AWAC"). The mission of AWAC is to promote the efficient use of water and increase the communities' awareness of conservation as an important tool to help ensure an adequate water supply.
- The Agency works closely with the Open Space Group, a collaborative effort between all of the towns, the Morongo Basin Open Space Group, the U.S. Marine Corps, Joshua Tree National Park, Mojave Desert Land Trust, Defenders of Wildlife, and the Wildlands Conservancy among others.

### 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, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. Correspondence from the Agency in 1994, on file at the LAFCO office, identifies that the Agency did not have any out-of-agency service contracts at that time. However, amendments to Section 56133 (subsection e) effective January 2, 2002, indicate the provision of this subsection do not apply to an extended service that a city or district was providing on or before January 1, 2001. For this review, the Agency has notified LAFCO that it serves three connections outside of its boundaries located in Section 24. Agency records identify that service was provided before 2001, and therefore further review by LAFCO is not required.

BDVWA provides retail water outside of its boundaries to approximately 17 customers within the boundaries of County Service Area 70 Zone W-1. The arrangement for this service is between the Agency and the County (as the governing body for CSA 70 Zone W-1) through a contract signed in December 1997. This contract is exempt from LAFCO review since it is solely between two public agencies. At this time, BDVWA does not charge a special rate to these customers that are outside of the Agency's boundaries. There are four additional parcels within this area that are undeveloped at this time. Service to these parcels by the Agency would require either: 1) an amendment to the December 1997 contract, or 2) an out-of-agency service contact approved by LAFCO since the four parcels are to be within the Agency sphere of influence.

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As noted in the Water section of this report, Johnson Valley does not have a pressurized water system. Johnson Valley has a standalone water hauling station supplied by a single groundwater well and a 10,000 gallon storage reservoir operated by the Agency. This site serves approximately 30 residential hauling customers and approximately three commercial water hauling customers who deliver water to an unknown number of customers. The Agency has no current plans to extend pipeline service to the Johnson Valley area. Population densities are so low that there are not enough customers to financially support the construction of a water line. At issue is if the water is hauled outside of the Agency's sphere of influence. Government Code Section 56133 limits the provision of service to within an agency's sphere. With a pressurized system with pipes in the ground, it is easy to ascertain the location of the recipient. However, with hauled water, it is difficult to ascertain the final destination from a hauler. Furthermore, this single well is the sole public source of water for the Johnson Valley. Given this circumstance, the Agency's parent law and policies do allow for water to be delivered outside of its boundaries. Section 15, Item 7, of the Agency's operating law does allow the Agency to sell water to anyone if it finds that there is a surplus of water above that which may be required by consumers within the agency. Expanding on Section 15, Item 7, the Agency's Rules and Regulations (Section 1.6 – Service Outside Agency Boundaries) provide a mechanism to supply bulk water to properties located outside of the Agency's boundaries.

### *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 ("Local Agency Formation Commission Municipal Service Review Guidelines", State of California Governor's Office of Planning and Research, August 2003). 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, a plan for service, fiscal impact analysis, and any other required studies.

- Expansion of boundaries.

- In 1995 the Agency submitted a proposal to detach approximately eight square miles from its boundaries in the Landers area (LAFCO 2792). The Commission approved the proposal because it eliminated an overlap of similar-purpose agencies and could possibly lead to a less contentious relationship between the residents of the two agencies.

The current staff of the Agency has expressed desire to explore the option of returning this area to the boundaries of the Agency. At this time, the Agency serves 17 customers within the area through contract with the County. The Agency, residents, or landowners could submit an application to expand the

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boundaries of the Agency to the east to include the Goat Mountain area. Such an application would be processed to include the dissolution of CSA 70 W-1 with the Agency identified as the successor agency. The Agency would then be responsible for extending its services to the area, including continuing the services of the dissolved CSA 70 zone.

Including the area of CSA 70 W-1 would allow those that the Agency currently serves within the area the opportunity to participate in Agency elections and have a voice in Agency matters. The Agency would obtain additional tax revenue and be able to allocate any cost savings to all of its customers. Before the detachment, these properties were within the Agency's Improvement District 1 and contributed to the Improvement District 1 bond debt for the Bighorn water system. Currently, these properties outside of Agency's boundaries pay the same amount for the water but do not contribute to the debt repayment that provided funding for the water infrastructure.

- The Proposed Ames Valley Recharge Facility is located in the Pipes Wash area of Section 24 which is within the BDVWA Sphere of Influence. The Agency has stated that eventual annexation of this area as well as Sections 25 and 35 would be best to manage and protect the underlying water resources and promote continuity in institutional arrangements. Should any Agency facilities be located within these areas, annexation would provide the opportunity for the facilities to be removed from the tax rolls.
- Consolidation with one of the bordering water districts. Consolidation with the neighboring Joshua Basin Water District and/or Hi-Desert Water District would allow for economies of scale and allow for a more consolidated voice to address water issues and potentially future wastewater treatment issues. Given the historical sentiment in the areas, this option is unlikely at this time, even if it would pose benefits to the customers and citizens of the area.
- Wastewater Services provided by the Agency. There is no wastewater service in the area; all the properties are on septic systems. Should the Regional Water Quality Control Board require the community to install a sewer system to handle wastewater, the Agency would be best suited to provide wastewater collection and transportation.
- Joint Powers Agency for Sewer Treatment. The Mojave Water Agency ("MWA") is authorized by LAFCO an active sewer function (although it does not actively provide such a service at this time), and being a regional entity it could help shepherd the development of a regional wastewater treatment facility.

A similar situation occurred in the late 1970s in the Victor Valley region of the County. To meet the requirements of the federal Clean Water Act and provide wastewater treatment for the growing population, the communities of the Victor Valley requested that the MWA, being a regional entity, help shepherd the development of a regional wastewater treatment facility. In accepting the request, MWA was designated by the Lahontan Regional Water Quality Control Board as the responsible entity for the design of the Victor Valley Regional Wastewater Reclamation Project. A few years later, the communities of the Victor Valley completed the creation of the joint powers authority, which became known as the Victor Valley Wastewater Reclamation Authority ("VWRA"). VWRA was expressly created for the purpose of providing



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the operation and management of the treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids. On June 1, 1978, VVWRA assumed the assets and authority for the Project, and MWA divested itself from the Project and the provision of sewer service.

A similar response could occur in the Morongo Basin portion of MWA. In February 2010, the LAFCO Commission approved the Hi-Desert Water District's request to expand the service description of its sewer function in order to actively provide for development of a regional wastewater treatment plant. The District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project". The project anticipates a treatment facility to treat the collected effluent within the project's boundaries. Both agencies, and more, could form a joint powers agency for treatment of wastewater from within each agency. In general, each agency would collect wastewater within its own boundaries through collection systems owned independently, and transport the collected wastewater to a regional treatment plant. Governance of the joint powers agency would be the participating agencies. Such an agreement could reduce duplication of treatment plants and provide the opportunity for economies of scale while maintaining the independence of each agency.

- Detachment of the Johnson Valley area from the Agency and formation of an independent Community Services District. The historical record reveals those within the Johnson Valley area expressing dissatisfaction with their water situation. Those within Johnson Valley directly (through special taxes) or indirectly (as a share of the general tax levy) pay for the State Water Project, Mojave Water Agency, MWA Improvement District M, and Bighorn-Desert View Water Agency. With all the payments, they still lack a pressurized water system. At this time, the Agency has no current plans to extend pipeline service to the Johnson Valley area. However, population densities are so low that there are not enough customers to financially support the construction of a water system.

In this scenario, the Johnson Valley area would detach from the Agency and form a community services district. The new agency would have local control over board representation and any operational matters to include assumption of the well that is currently used for water hauling. However, with a population of less than 500 and being sparsely developed, it is questionable if the tax base is adequate to fund not only a new district but also construction of a pressurized water system.

- Maintenance of the status quo. This option would maintain the existing governmental structure of the Agency.

At this time, the Agency, landowners, or residents have not formally expressed interest in any of the options outlined above. As stated above, movement towards these scenarios would include, but not be limited to, a plan for service, fiscal impact analysis, and any other required studies.

The preamble to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities. Further, the law states that the

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Commission may recommend governmental reorganizations to particular agencies using the spheres of influence as the basis for those recommendations.

At this time, the Commission is not recommending any reorganization be considered. However, the Commission is recommending modifications to the Agency's sphere of influence to address the community definition for Homestead Valley.

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

**1. Present and Planned Uses in the Area, Including Agricultural and Open-Space Lands:**

Within the Agency's entire sphere, roughly 46% of the land is privately owned and the remainder, 54%, is public, which are devoted primarily to resource protection and recreational use.

Approximately 53 percent of the County of San Bernardino land use designations is designated Rural Living (RL, RL-5, and RL-40), 45 percent is Resource Conservation, and the remainder of the land use designations comprises two percent (Special Development-Commercial, Neighborhood Commercial, Rural Commercial, General Commercial, Service Commercial, and Institutional). The commercial developments within the Agency are generally located along State Route 247 and Reche Road.

By 2040, the population within the Agency's boundaries is estimated to reach 6,154. This represents a projected annual growth rate of approximately 2.4 percent between 2010 and 2040, which also represents a total population increase of 49 percent from 2010.

The population projections identified earlier indicates that the population within the Agency's boundaries will be 6,154 by 2040. Based on the maximum residential build-out within the Agency's boundaries, the projected maximum population is anticipated to reach 11,759. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the Agency's boundaries will be 2,619 with a maximum potential build-out to reach approximately 5,005. These imply that the study area will reach 52 percent of its potential household and population capacity by 2040.

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

Johnson Valley

The entire area known as Johnson Valley does not have a pressurized water system. Johnson Valley has a standalone water hauling station supplied by a single groundwater well and a 10,000 gallon storage reservoir. The single well in the community was constructed from grant funding obtained by the County and the Agency now operates this well. This site serves approximately 41 residential hauling customers and approximately four commercial water hauling customers who deliver water to an unknown number of customers. The Agency has no current plans to extend pipeline service to the Johnson Valley area. Population densities are so low that there are not enough customers to financially support the construction of a water line. The Agency states that redundancy in the Johnson Valley bulk system is needed.

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### Ames Valley Recharge Project

The proposed Ames Valley Recharge project will deliver SWP water to the Ames Valley for recharge at the Pipes Wash Spreading Grounds to mitigate historical overdraft conditions in the Region. The recharge project will serve water agencies using groundwater in the basin including BDVWA, HDWD, and CSA 70 (through its zones W-1 and W-4). BDVWA, in cooperation with MWA, is implementing the project, which consists of a feasibility study, approximately 0.75 miles of conveyance pipeline to connect to the Morongo Basin Pipeline, recharge to the Pipes Wash, and the installation of monitoring wells. The initial recharge capacity is planned at 1,500 AFY.

The project envisions the banking of water from the State Water Project. Each participating entity would accrue water in a water storage account. The water would be purchased, and percolated into the groundwater basin. There would be no restrictions on the use of that water and inter-entity transfers could occur as well. This project is intended to mitigate impacts from over pumping of the Ames Valley Basin, provide for beneficial use of water and insure the conjunctive use of local groundwater and imported water from the State Water Project. This is a regional project with multiple beneficiaries including the piped area of the Agency, the Hi-Desert Water District, CSA 70 Zone W-1 (Landers), CSA 70 Zone W-4 (Pioneertown), and the Mojave Water Agency.

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

#### Current Supply and Demand

The agency has seven pressure zones in the primary water system. Well No. 10 in Johnson Valley serves as a stand-alone water system for the purposes of Department of Public Health Consumer Confidence Reporting. There are seven active production wells operated by the Agency. There are four separate bulk hauling station locations around the Agency, one being the Well No. 10 facility. The other three are located within the larger pressurized water system with two stations located in the predecessor Bighorn Mountains Water Agency area. The last station is located in Flamingo Heights is in the predecessor Desert View Water District area. The three hauling stations inside the pressurized system are supplied by the 6 active production wells (not by Well No. 10).

The agency's intertie with Hi-Desert Water District ("HDWD") is currently disconnected and isolated from cross-connection. The pump was removed many years ago. According to the Agency, with minimal effort a connection could be made whereby the Agency could receive water via gravity flow from HDWD. However, more work would be needed for the Agency to pump water into HDWD's system. The two agencies are actively seeking a new, permanent emergency intertie solution. In addition, the Agency has the ability to "high line" a connection between fire hydrants to create an emergency intertie with CSA 70 Zone W-1.

Many of the fire hydrants do not produce sufficient flow and pressure to meet the current County Fire Flow standard of 1,000 gallons per minute with a residual pressure of 20 pounds per square inch.

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### Future Supply and Demand

According to the MWA 2010 Urban Water Management Plan, the local groundwater supply available to BDVWA is estimated to be 500 acre-feet annually. It is estimated that during the current planning horizon the population could increase by 60 percent. BDVWA will need between 749 and 829 acre-feet per year in order to supply its current and future customers (an additional minimum of 249 acre-feet). The MWA 2010 UWMP further states that BDVWA will need facilities to produce about 2,388 gallons per minute to meet the maximum day plus-fire flow. With the potential for future reductions in the State Water Project allocation, the Agency may or may not be able to meet its future requirements with water from the State Water Project.

In April 2007, BDVWA adopted the Bighorn-Desert View Water Agency Water System Master Plan ("WSMP"). The master plan identified the following deficiencies in the existing infrastructure: heavy reliance on 6-inch and 8-inch water mains which do not provide adequate fire flow; inability of most reservoirs to refill overnight after a 500-gallons-per-minute (gpm) fire; need for spreading grounds for groundwater storage and recovery; a groundwater management plan and the inefficient operation of portions of the system. Once the deficiencies were identified, the Agency prepared the Bighorn-Desert View Water Agency Water Infrastructure Restoration Program ("WIRP"). The WIRP outlines specific system improvements to remediate these deficiencies.

Two WIRP projects that are near completion include a Groundwater Management Plan ("GWMP") and the Ames Valley Recharge Project. Local groundwater is currently the sole source of its water supply, but BDVWA has annual nine percent capacity in the Morongo Basin Pipeline and may purchase SWP water from MWA. Although the infrastructure needed to deliver SWP water to the Ames Valley region already exists, additional facilities are needed to convey imported SWP water to spreading grounds for recharge, storage, and subsequent recovery. A Feasibility Study, including a groundwater model, is scheduled for completion in late 2011/early 2012 and documents the ability to store and recover SWP water in the basin. This document will also include assistance to Pioneertown (CSA 70/W-4) enabling them to secure a potable water supply. The GWMP will address the purchase of SWP water for recharge and pumping restrictions in the event that overdraft conditions are not controlled.

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

The social communities of interest are the unincorporated areas of Landers, Flamingo Heights, and Johnson Valley. The Lucerne Valley Unified School District overlays Johnson Valley while the Morongo Unified School District overlays Landers and Flamingo Heights. There is a little commercial activity is along Highway 247.

#### **5. Additional Determinations**

- As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation, the *Hi-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 #27, in-

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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 December 6, 2011, LAFCO staff met with the 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 of the affected agencies.
- Comments from landowners/registered voters and any affected agency have been reviewed and considered by the Commission in making its determinations.

**WHEREAS**, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Bighorn-Desert View Water Agency shall be limited to the following:

### **FUNCTIONS**

Water

### **SERVICES**

Acquisition, retail, distribution

**WHEREAS**, having reviewed and considered the findings as outlined above, the Commission determines to reduce the Bighorn-Desert View Water Agency's existing sphere of influence by approximately 11,882 acres, expand its sphere of influence by a total of approximately 8,140 acres, and affirm the balance of its existing sphere of influence.

**NOW, THEREFORE, BE IT RESOLVED** by the Local Agency Formation Commission of the County of San Bernardino, State of California, that this Commission shall consider the territory shown on the map attached as Exhibit "A" as being within the sphere of influence of the Bighorn-Desert View Water Agency; it being fully understood that establishment of such a sphere of influence is a policy declaration of this Commission based on existing facts and circumstances which, although not readily changed, may be subject to review and change in the event a future significant change of circumstances so warrants;

**BE IT FURTHER RESOLVED** that the Local Agency Formation Commission of the County of San Bernardino, State of California, does hereby determine that the Bighorn-Desert View Water Agency shall indemnify, defend, and hold harmless the Local Agency Formation Commission of the County of San Bernardino from any legal expense, legal action, or judgment arising out of the Commission's 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 of the County of San Bernardino by the following vote:

<b>AYES:</b>	<b>COMMISSIONERS:</b> Bagley, Coleman, Curatalo, Rutherford
<b>NOES:</b>	<b>COMMISSIONERS:</b> Cox, Mitzelfelt, McCallon
<b>ABSENT:</b>	<b>COMMISSIONERS:</b> None

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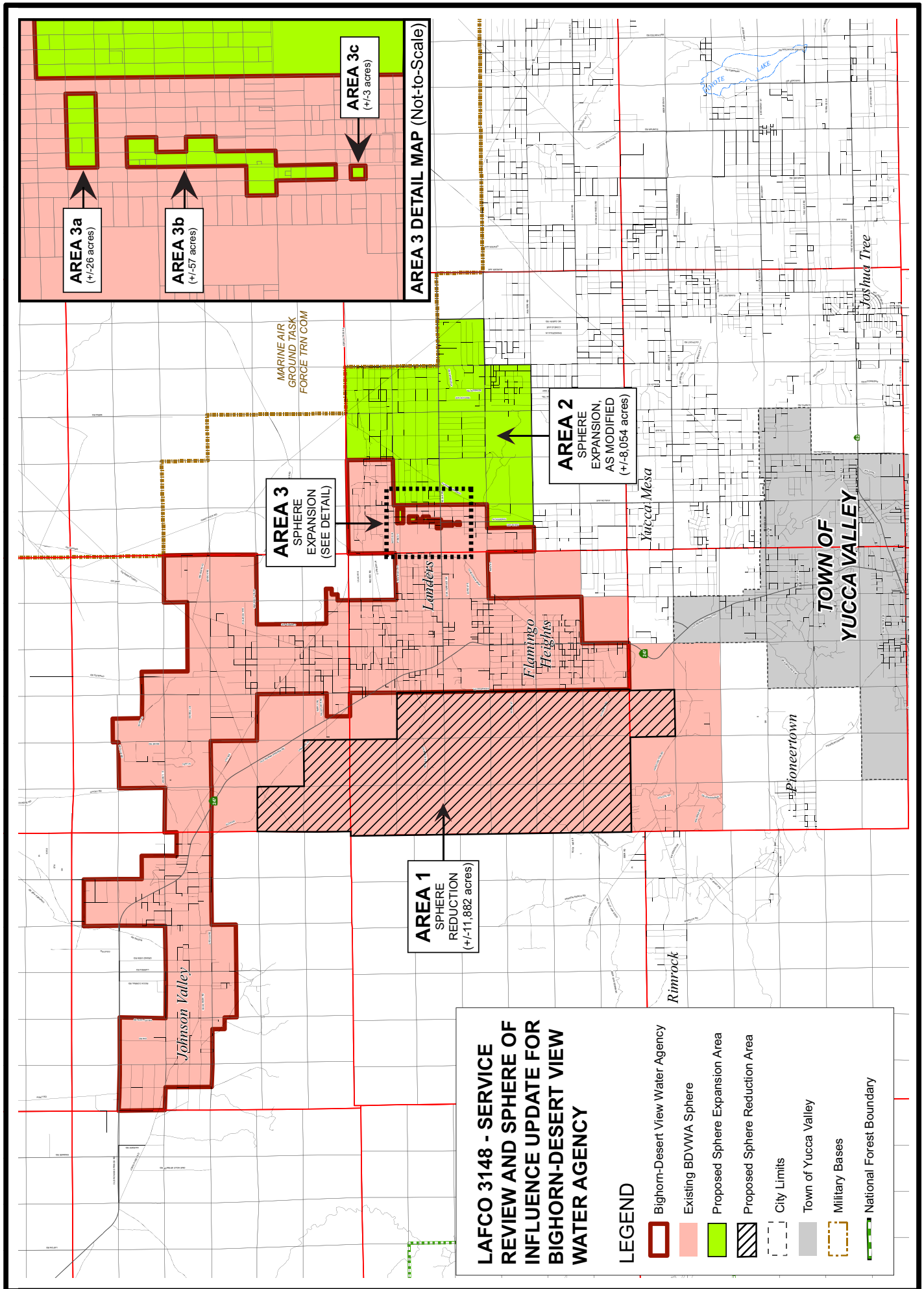
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STATE OF CALIFORNIA                    )  
  ) ss.  
COUNTY OF SAN BERNARDINO        )

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of April 18, 2012.

DATED: April 19, 2012


  
KATHLEEN ROLLINGS-McDONALD  
Executive Officer



# LOCAL AGENCY FORMATION COMMISSION COUNTY OF SAN BERNARDINO

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**DATE:** JANUARY 9, 2012   
**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
SAMUEL MARTINEZ, Assistant Executive Officer  
MICHAEL TUERPE, Project Manager  
**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #8: Service Reviews for the Homestead Valley Community

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**INITIATED BY:**

Local Agency Formation Commission for San Bernardino County

## **INTRODUCTION**

San Bernardino LAFCO has chosen to undertake its Service Reviews on a regional basis. The Commission has divided the county into five separate regions, with the South Desert region generally encompassing the communities of Morongo Valley, Yucca Valley, Joshua Tree, Twentynine Palms, Homestead Valley, Needles, Big River, and Baker.

The Commission has adopted policies related to its sphere of influence program determining that it will utilize a community-by-community approach to sphere of influence identification. Although the Commission has established the sphere of influence for the service provider in this area, the Commission has never defined a community for this portion of the south desert region.

In 2007, the County adopted a community plan for this area which included participation of the residents and landowners. The culmination of that effort was the *Homestead Valley Community Plan* addressing the areas known as Landers, Johnson Valley, Flamingo Heights, and Yucca Mesa. The County's *Homestead Valley Community Plan* area includes the unincorporated Yucca Mesa area, which is a part of the Commission's Yucca Valley community as defined by the boundaries and sphere of the Hi-Desert Water District. This report addresses the Commission's definition of the community using the descriptive name "Homestead Valley" chosen through the County's process, excluding the Yucca Mesa area. This report contains a service review and sphere of influence update for the Bighorn-Desert View Water Agency, the community-based agency within the Homestead Valley area. This



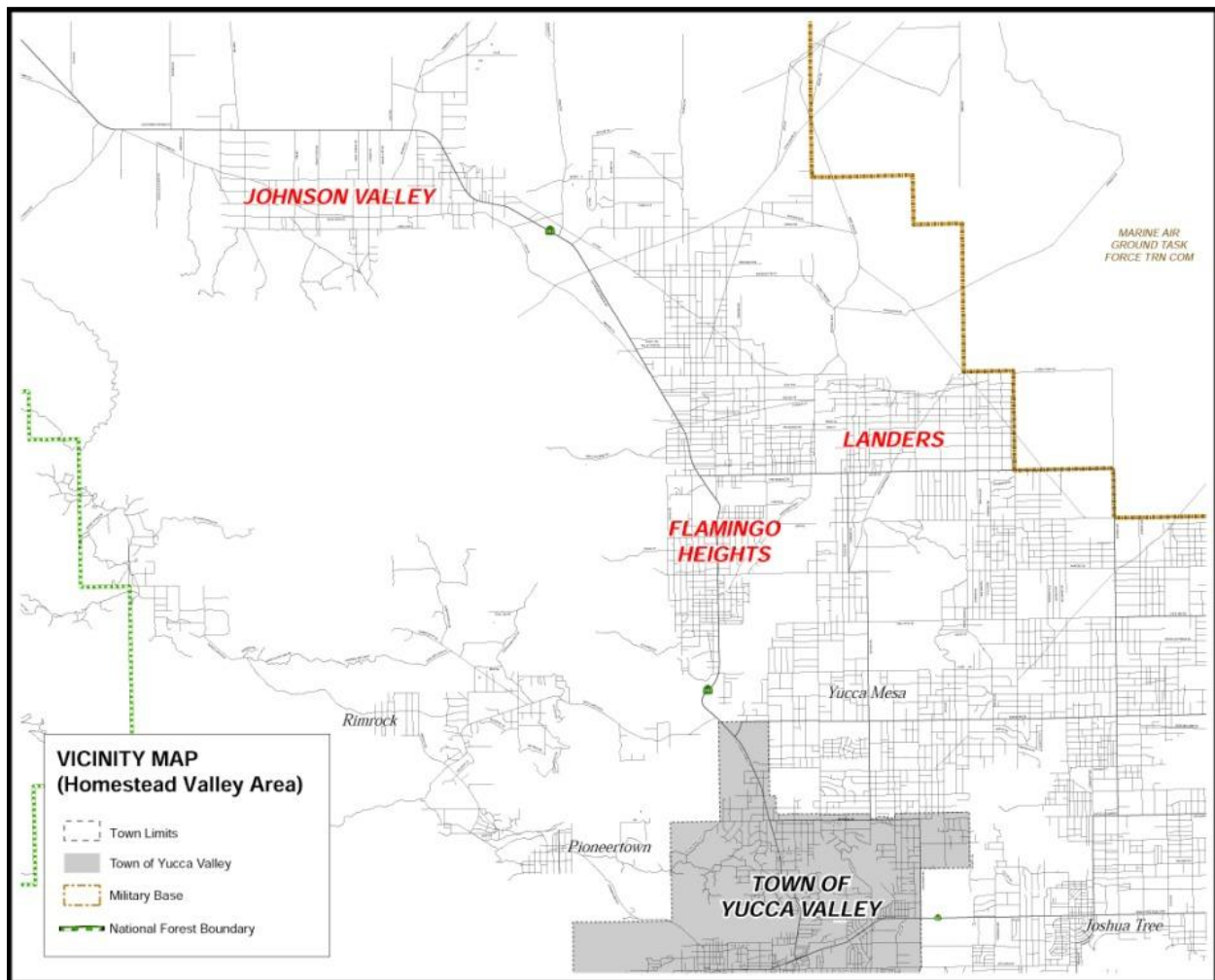
report also includes service reviews for zones to County Service Area 70 that provide water (W-1), road (R-15 and R-20), and television services (TV-5) within the community. This report and is organized as follows:

- Location and Description – describes the study area and the underlying agencies
- Community History – provides a brief history of the community
- Review of Regional and Community Services – a summary review of the services provided within the community and the region to include sewer, fire and emergency response, ambulance, park and recreation, streetlighting, solid waste, and roads
- Community Discussion – addresses the Commission's community definition
- Service Reviews and Sphere of Influence Update
  - Bighorn-Desert View Water Agency
  - County Service Area 70 Zone W-1 (service review only)
  - County Service Area 70 Zone R-15 (service review only)
  - County Service Area 70 Zone R-20 (service review only)
  - County Service Area 70 Zone TV-5 (service review only)
- Additional Determinations and Recommendations for Commission Action
- Attachment Listing

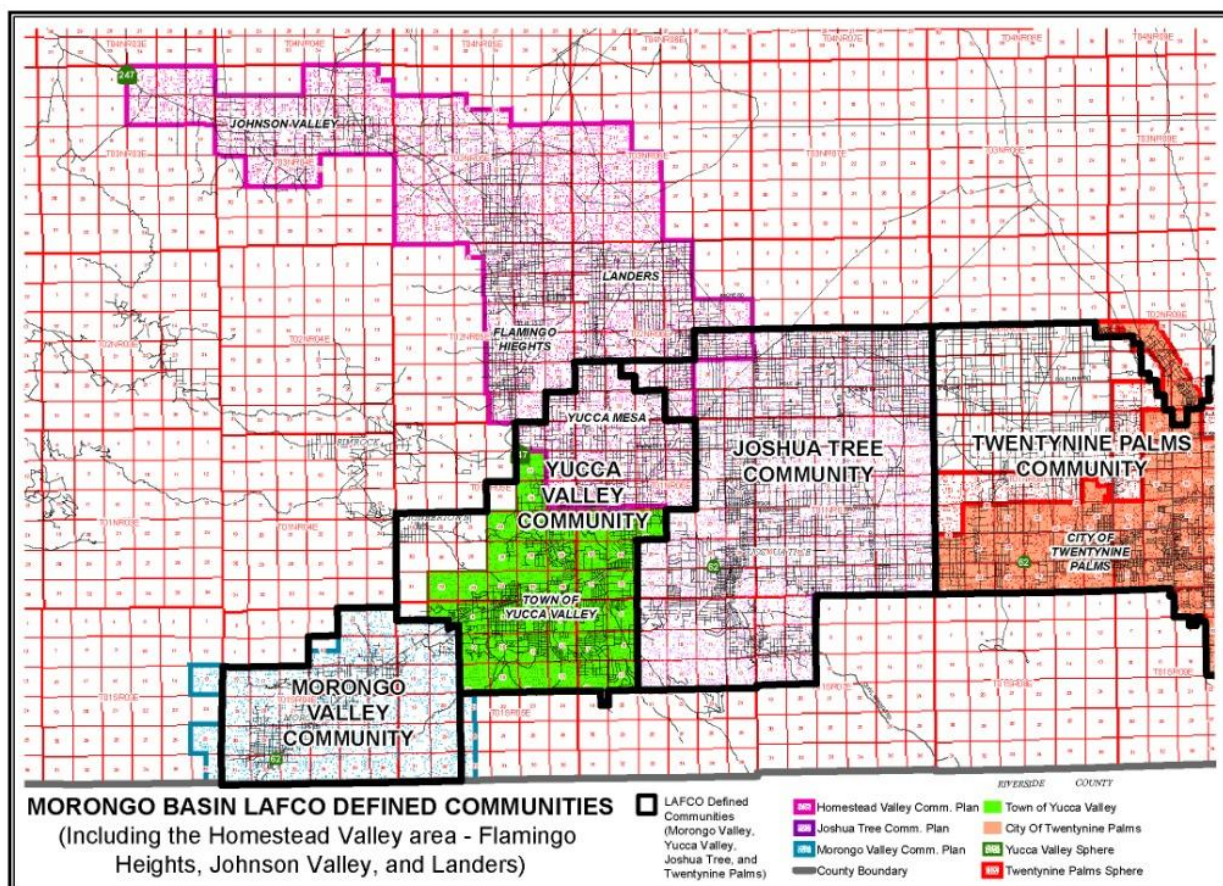
## **LOCATION AND DESCRIPTION**

### **Location**

The overall service review and sphere study area is generally situated at the northwestern end of the Commission's defined South Desert Region, within the Morongo Basin, approximately 80 miles east of San Bernardino and 42 north of Palm Springs by car. State Route 247 traverses through the community which is generally northwest of the Hi-Desert Water District (Town of Yucca Valley and Yucca Mesa area) and southeast of the Lucerne Valley Community Plan area. The study area includes the unincorporated communities commonly known as Landers, Flamingo Heights, and Johnson Valley (map below identifies the unincorporated communities).



Below is a map illustrating the LAFCO defined communities in the Morongo Basin (portion of the South Desert region of the County), a copy of which is included as part of Attachment #1.



## Description

Located in the high desert, the Homestead Valley community is characterized by wide open spaces and natural features including rock formations, desert vegetation and wildlife. The predominant land use is rural residential with large lots. There is very little commercial or industrial development. One of the most popular sites in the Homestead Valley area is Giant Rock. It is a giant freestanding rock which attracts attention and appreciation from those interested in natural land forms and others who believe it represents a center for spiritual energy. The climate in the plan area consists of warm summers, with average temperatures in the 90s and mild winters, with average temperatures in the 50s. Typical animals include antelope ground squirrels, pack rats, Merriam's kangaroo rats, canyon mice, deer mice, desert night lizards, ladder-back woodpeckers, and orioles. Plant species within this community are dominated by the characteristic Joshua trees and creosote bush. A unique attribute of the creosote bush is its tendency to reproduce vegetatively, generating genetically identical individuals roughly in the pattern of a ring. Ancient creosote bush rings occurring in the Lucerne and Johnson Valley region have been recognized as an "unusual plant assemblage" by the Bureau of Land Management ("BLM"). They have been identified as the oldest living things on earth. The oldest and most prominent ring has been given the name of "King Clone" and is located in Lucerne Valley, immediately west of the Johnson Valley area. The BLM is currently preparing a management and protection plan for creosote bush rings in the Mojave Desert.

## Public Service Providers

The Homestead Valley community is served by multiple public agencies. Regional service providers include:

County Service Area 70 (multi-function, unincorporated county-wide) and its various zones for localized service  
Hi-Desert Memorial Healthcare District  
Mojave Desert Resource Conservation District  
Mojave Water Agency  
San Bernardino County Fire Protection District and its South Desert Service Zone  
San Bernardino County Flood Control District

The community-based agencies providing services to the residents and landowners are listed below and shown on the map that follows (included as a part of Attachment #1):

Bighorn-Desert View Water Agency – This agency actively provides retail water service. Its boundaries encompass approximately 42.7 square miles (shown as Maroon outline on the map). Its sphere of influence, including its boundaries, encompasses approximately 80 square miles. The area includes Flamingo Heights, most of Landers, and a portion of Johnson Valley.

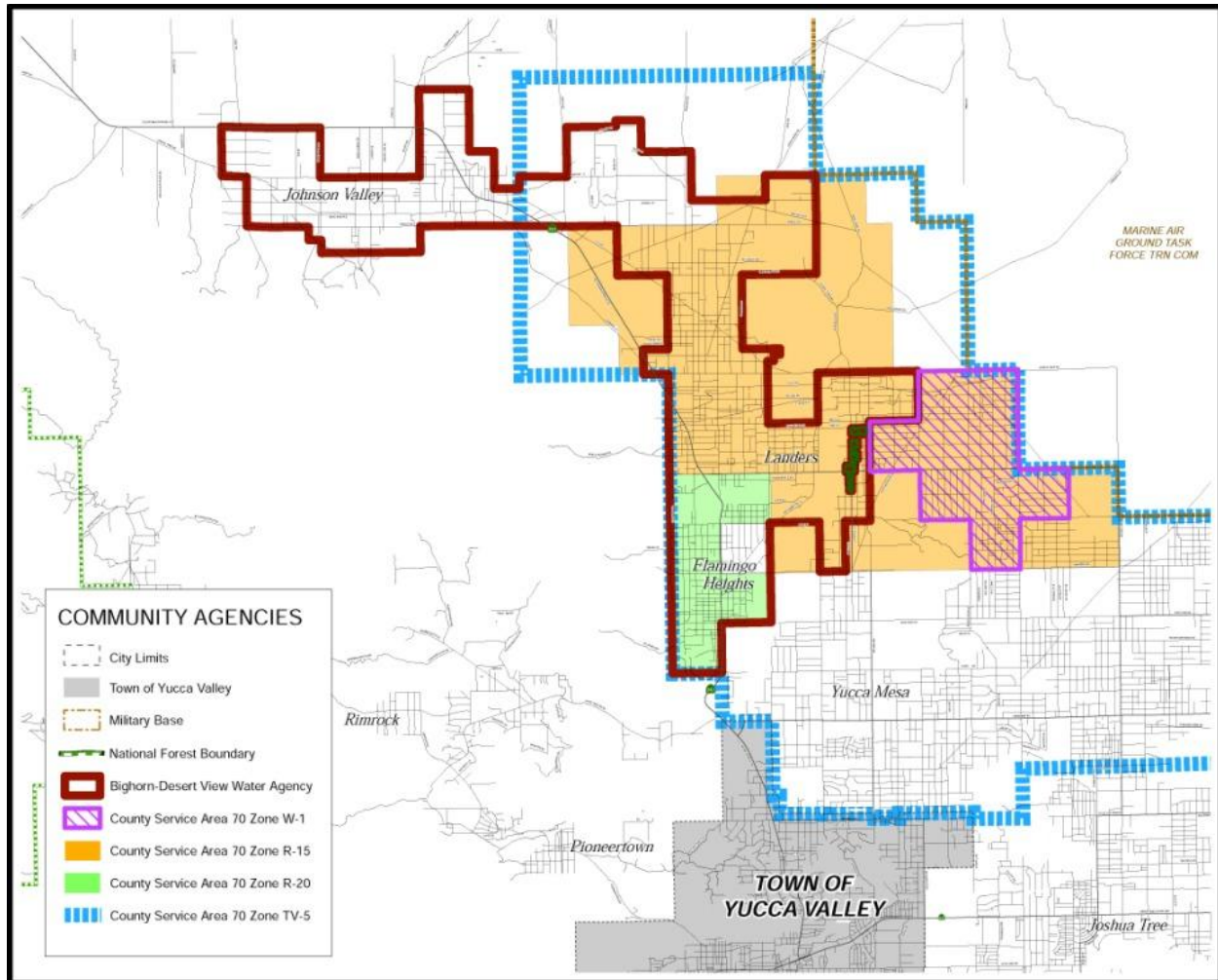
County Service Area 70 Zone W-1 (Goat Mountain) – This agency provides water service. Its boundaries encompass approximately 9.2 square miles (shown as purple diagonal hatching on the map). The area includes a portion of Landers.

County Service Area 70 Zone R-15 (Landers) – This agency currently exists as a mechanism to provide augmented road services within its boundaries (shown as tan shade on the map). Its boundaries encompass approximately 49.8 square miles that includes Landers and a portion of Flamingo Heights.

County Service Area 70 Zone R-20 (Flamingo Heights) – This agency also exists as a mechanism to provide augmented road services within its boundaries (shown as light-green shade on the map). Its boundaries encompass approximately six square miles that includes a portion of Flamingo Heights.

County Service Area 70 Zone TV-5 (Mesa) – This agency provides low power television translator service within its boundaries (shown as blue dashed outline on the map). Its boundaries encompass 185.8 square miles. The area includes portions of Flamingo Heights and Landers (including Yucca Mesa, the northern Joshua Tree community and beyond, which are outside of the study area).





## **COMMUNITY HISTORY**

The following provides a historical perspective of the community. The first section is a narrative history and includes information from the *Homestead Valley Community Plan*<sup>1</sup>.

*The first inhabitants of the Homestead Valley area were the Native Americans. They inhabited the Homestead Valley area and the higher elevations of the mountainous regions. With natural resources to supply water and food, the culture flourished as hunters and gatherers. Both the Spanish and the Mormons explored the area in the early 1800s, but neither settled permanently. The high desert area was eventually settled by ranchers and miners in the 1850s during the "homestead years." This time period brought about rural settlements as the area continued to be a primary cattle drive route to Arizona. During the post WWII era, development began to accelerate somewhat when an access route to the basin was developed. In 1963, this access route gained highway status (now the Twentynine Palms Highway) and opened up the area to further development.*

A brief history of the major governmental events for this community and its relationship with the Local Agency Formation Commission is described below, listed chronologically by end date:

- 1964-65      The County Board of Supervisors and the electorate approved the formation of the Desert View County Water District ("CWD").
- LAFCO reviewed and approved the annexation of portions of the Morongo Basin in 1965 to Mojave Water Agency (LAFCO 161). Due to opposition from the Morongo Valley Community Services District, Desert View CWD, and Twentynine Palms Water District, the areas of these agencies were excluded from the annexation proceedings. The Commission decided to do so and allowed the areas to be considered for annexation at a later date as independent units if further interest was shown by the taxpayers or voters in the areas. As a result of the annexations, the Morongo Basin was entitled to receive State Project Water from the Mojave Water Agency ("MWA") "Annual Table A Amount". What ensued was a long effort to build a pipeline to deliver water from the State Water Project to the Morongo Basin.
- Within one year the Desert View CWD board of directors requested annexation to MWA in order to gain future access to State Project Water (LAFCO 212). The Commission approved the application.
- 1969      The Bighorn Mountains Water Agency was formed by special act of the legislature as a means to bring water to the Landers community.<sup>2</sup>
- 1972      At the request of registered voters, the Desert View CWD submitted an application to detach one square mile from Bighorn Mountains Water Agency

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<sup>1</sup> County of San Bernardino. General Plan. *Homestead Valley Community Plan*. 12 April 2007.

<sup>2</sup> Stats.1969, c. 1175, p. 2273, eff. Aug. 31, 1969

and annex to Desert View CWD in order for the residents to receive retail water (LAFCO 1090). The reason for this application, and the others to follow, is that the Bighorn Mountains Water Agency was a non-functioning agency. It was established by legislative action but never provided any funds to initiate water system development. Conversely, the Desert View CWD was a functioning entity and provided water service within its boundaries. Since the proposal only had the permission of one district regarding the reorganization, the Commission referred the proposal to a reorganization committee composed of three members from each district to come up with recommendations for the Commission. The conclusion from the reorganization committee meetings was that Section 10 of T2N, R5E should be detached from the Bighorn Mountains Water Agency and annexed to Desert View CWD, which the Commission approved.

Following the completion of LAFCO 1090, the Bighorn Mountains Water Agency submitted an application to detach 21 ½ square miles from its boundaries with annexation of that territory to Desert View CWD because the area would be better served by Desert View CWD (LAFCO 1135). The proposal was approved as feasible in that it could bring water to the area in a relatively short period of time in accordance with the engineering studies available at that time. However, the reorganization was terminated by the Board of Supervisors due to a majority protest of the voters.

1973 At this time the Commission considered the establishment of spheres of influence for the two districts. The fact remained that Desert View CWD was the only entity that provided water, and Bighorn Mountains Water Agency continued to make plans for water delivery but had neither financed nor determined the areas of its initial installation. Due to this issue, the Commission established the sphere of influence for Desert View CWD as its boundaries plus two additional square miles (LAFCO 1318) and no sphere was established for Bighorn Mountains Water Agency (LAFCO 1317) with acknowledgment that no other district be allowed a sphere within Bighorn Mountains Water Agency's boundary until concrete service and financing plans were provided by Bighorn Mountains Water Agency.

1974-75 The Commission received and approved three proposals within two years to detach from Bighorn Mountains Water Agency and annex to Desert View CWD in order to receive retail water (LAFCO 1439, 1464, and 1546).

Additionally, a petition was filed with the Board of Supervisors establishing an improvement district which included the areas of the three reorganization proposals. The Board established County Service Area 70 Improvement Zone W-1 ("CSA 70 W-1") which had the initial purpose of conducting an economic feasibility study to enable it to apply for and received Farmer's Home Administrative Loan to develop a water system in the Reche basin. To fund the study, the voters approved a special tax. Specifically, CSA 70 W-1 was formed within the boundaries of Bighorn Mountains Water Agency because of disputes that arose between Bighorn Mountains Water Agency

officials and the owners of well sites within the Landers area. The owners felt that Bighorn Mountains Water Agency was offering less than fair market value for the purchase of the well sites. Further, according to the staff report for LAFCO 1464, the Commission noted that residents in this area may be subject to dual taxation for the improvement zone and Desert View CWD; however, if the people within the area wanted water at that time, Desert View CWD would be the only entity that could provide it.

- 1976 Special districts were seated on San Bernardino LAFCO. As a part of this process all special districts were limited to the functions/services actively provided at that time and required an application process to activate any other function/service in the future. The affected districts responded to LAFCO's request to list their active functions and services by providing the following:

Bighorn Mountains Water Agency and Desert View CWD identified to LAFCO that the sole active function was Water.

Pursuant to adoption of the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts* in 1976 and amendments thereafter, the active functions and services for the districts have been determined. The policies and procedures adopted at the same time outlined the requirements to apply to the Commission for activation of any other latent powers.

- 1977 The voters of within the proposed Improvement District 1 of the Bighorn Mountains Water Agency approved a bond proposition to "issue general obligation bonds for its Improvement District 1 for \$2,500,000 for the purpose of acquisition/ construction/ completion or repair of a waterworks system ... for the benefit of Improvement District 1 (Resolution No. 121 adopted June 21, 1977).
- 1979 When the water systems in the Landers area were being contemplated, the County Board of Supervisors and the Bighorn Mountains Water Agency Board of Directors determined by joint resolution that the Bighorn Improvement District 1 and CSA 70 W-1 should combine when both are operational and when Bighorn demonstrates competency to own and manage a water system, and the transfer is acceptable to the creditors and customers of CSA 70 W-1.
- Early 1983 Desert View County Water District removed "County" from its name<sup>3</sup>, as allowed by a 1979 amendment to County Water District Law<sup>4</sup>. The district became known as Desert View Water District ("Desert View WD").

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<sup>3</sup> Desert View County Water District. Resolution 336. 27 July 1983.

<sup>4</sup> Stats.1971, c. 317, p. 1135, § 1.



- 1981-84 In 1981, the Bighorn Mountains Water Agency board submitted a proposal to assume management of CSA 70 W-1's water system in order to have both systems under management and operation of Bighorn Mountains Water Agency (LAFCO 2107). The Commission approved the proposal on the basis that the item included a section of land that should be within Bighorn Mountains Water Agency, to include the dissolution of CSA 70 W-1 within Bighorn Mountains Water Agency's boundaries, formation of its Improvement District 2 to be coterminous with the boundaries of CSA 70 W-1, and transfer of operations to Bighorn Mountains Water Agency would result in both financial advantages and political unification for the community. Additionally, Bighorn Mountains Water Agency was to provide information to the County that Bighorn Mountains Water Agency demonstrated competency to own and manage a water system and that the transfer was acceptable to the creditors and customers of CSA 70 W-1. According to the staff report, the community was divided as to the appropriateness of the issue and Bighorn Mountains Water Agency's board was in a state of transition. At that time, it seemed prudent to the board not to press for the change; therefore, it requested that the Commission extend the time by one year in which it may act on LAFCO 2107. The official record does not identify a reason for Bighorn Mountains Water Agency not complying with the conditions of the Commission's resolution within the one year timeline. However, Bighorn Mountains Water Agency received opposition from numerous landowners regarding the reorganization. In January 1984, the one year timeline lapsed and the proposal was deemed abandoned.
- 1987 The Desert View WD, consisting of 8.5 square miles, submitted an application to expand its sphere of influence by 32 square miles primarily to the west and southwest of its boundaries (LAFCO 2442). The majority of the area was, and remains, owned by the BLM and the remaining portion contained roughly 100 residents. The district's application identified three reasons for its application:
1. The district received requests from residents outside of its sphere of influence who wished to receive district water service, specifically in Section 13 east of the district. However, this represented only a small portion of the sphere expansion.
  2. The district believed that some public agency needed to serve as a watchdog over the mining operations and illegal waste dumping in the publically-owned lands to the west and to monitor the effects of those activities on groundwater quality.
  3. The Hi-Desert Water District initiated a sphere expansion and annexation proposal for parts of the territory of LAFCO 2442. The basic rationale for the proposal was the identification of possible water bearing lands in Section 13, and tapping into that source might help alleviate some of the serious overdraft conditions that were being experienced in Yucca Valley and the Warren Basin.

In regards to item 2, the BLM expressed no opposition to the sphere expansion. In regards to item 3, the district was concerned with any activity which might result in the exportation of water resources from this basin. The Hi-Desert Water District application stalled in the environmental review process, yet LAFCO 2442 continued.

The basic question remained as to which agency was in the best relative position to plan and eventually provide water service to the area in question. The Commission decided that Desert View Water District was the appropriate entity to undertake those responsibilities.

1990 For several years the administrative and operational functions of Desert View WD and Bighorn Mountains Water Agency were consolidated, to include programs to share resources and costs in providing services to include mutual aid agreements to share computer costs, employee training, payroll and other overhead, and equipment. Significantly, the two districts also shared a general manager which resulted in development of a coordinated approach to water management and service delivery. Given the economies of scale realized from the administrative and operational consolidations, the communities expressed support for actual consolidation of the two districts. However, one of the prerequisites at that time for consolidations was that the agencies must have been formed under the same principal act. Since the two districts did not meet this prerequisite, special legislation was sought. Assembly Bill 1819<sup>5</sup> was introduced in 1989 to allow the two districts to consolidate as though they had been created under the same principal act. The bill also provided for LAFCO review and approval of the consolidation (LAFCO 2595). By law, since the two districts agreed to the consolidation, the Commission could not deny the consolidation but could alter the conditions of approval. The new agency became known as Bighorn-Desert View Water Agency ("Agency").

In June 1990, voters within the Morongo Basin portion of MWA approved a bond measure to fund a pipeline to deliver water to the Morongo Basin for replenishment purposes and form Improvement District M. Approval of this measure obligated the landowners within the area to pay for their fair share of the extension of the pipeline. Construction on the approximately 71 mile Morongo Pipeline began in 1992 and was completed in 1995 and serves the communities of Johnson Valley, Joshua Tree, Landers, and Yucca Valley. The Pipeline delivers water from Hesperia to a five million gallon reservoir in Landers. From there, water is delivered to percolation ponds in the Yucca Valley area that act as natural filtration systems where water seeps back into the ground to recharge the aquifer.

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<sup>5</sup> Stats.1989, c. 570.

An act to add Part 9.2 (commencing with Section 33300) to Division 12 of the Water Code, and to amend Sections 1,5, and 15.3 of, and to add Section 3 to, the Bighorn Mountains Water Agency Law (Chapter 1175 of the Statutes of 1969), relating to water districts.

- 1995 The Agency submitted a proposal to detach approximately eight square miles from its boundaries in the Landers area (LAFCO 2792). Since the formation of CSA 70 W-1, there were a number of disputes between the residents served by CSA 70 W-1 and those served by the Agency. LAFCO 2792 was a means of resolving these periodic disputes. The justification for the application was that residents of CSA 70 W-1 received no specific benefits from the Agency but that CSA 70 Zone W-1 residents voted on the Agency's ballot measures, affected the Agency's board decisions, and the area could have representation on the Agency's board. The Commission approved the proposal because it eliminated an overlap of similar-purpose agencies and could possibly lead to a less contentious relationship between the residents of the two agencies.
- 1998 Ballot Measures Q, S, and T on the November 1998 election successfully removed the standby charges of the Agency. The three measures on averaged passed with 52.5% of the vote. The assessments have not been reinstated.
- 2002-06 In 2002, a local resident submitted a ballot initiative to reduce the Agency's water rate and charges and require the Agency to obtain voter approval for future rate, fee, or charge increases. The County Registrar of Voters certified the initiative, and the Agency successfully sued to remove the initiative from the ballot on the grounds that it exceeded the initiative power created by Proposition 218<sup>6</sup>. In turn, the backer of the initiative appealed the lower court decision.
- In July 2006, the California Supreme Court decided *Bighorn-Desert View Water Agency v. Verjil*<sup>7</sup>, ruling that metered rates for consumption of water are "property related fees" subject to the measure. The Court concluded that Section 3 of Article XIII C of the California Constitution grants local voters a right to use the initiative process to reduce the rate that a public water district charges for domestic water. The Court also concluded, however, that this new constitutional provision does not grant local voters a right to impose a voter-approval requirement on all future adjustments of water delivery charges. Because the Court concluded that the constitution does not grant voters the right to impose requirements on future rate adjustments, the Court also concluded that the proposed initiative was properly withheld from the ballot because it included a provision to impose such a requirement. In the end, neither this case nor the voters reduced the Agency's rates<sup>8</sup>.

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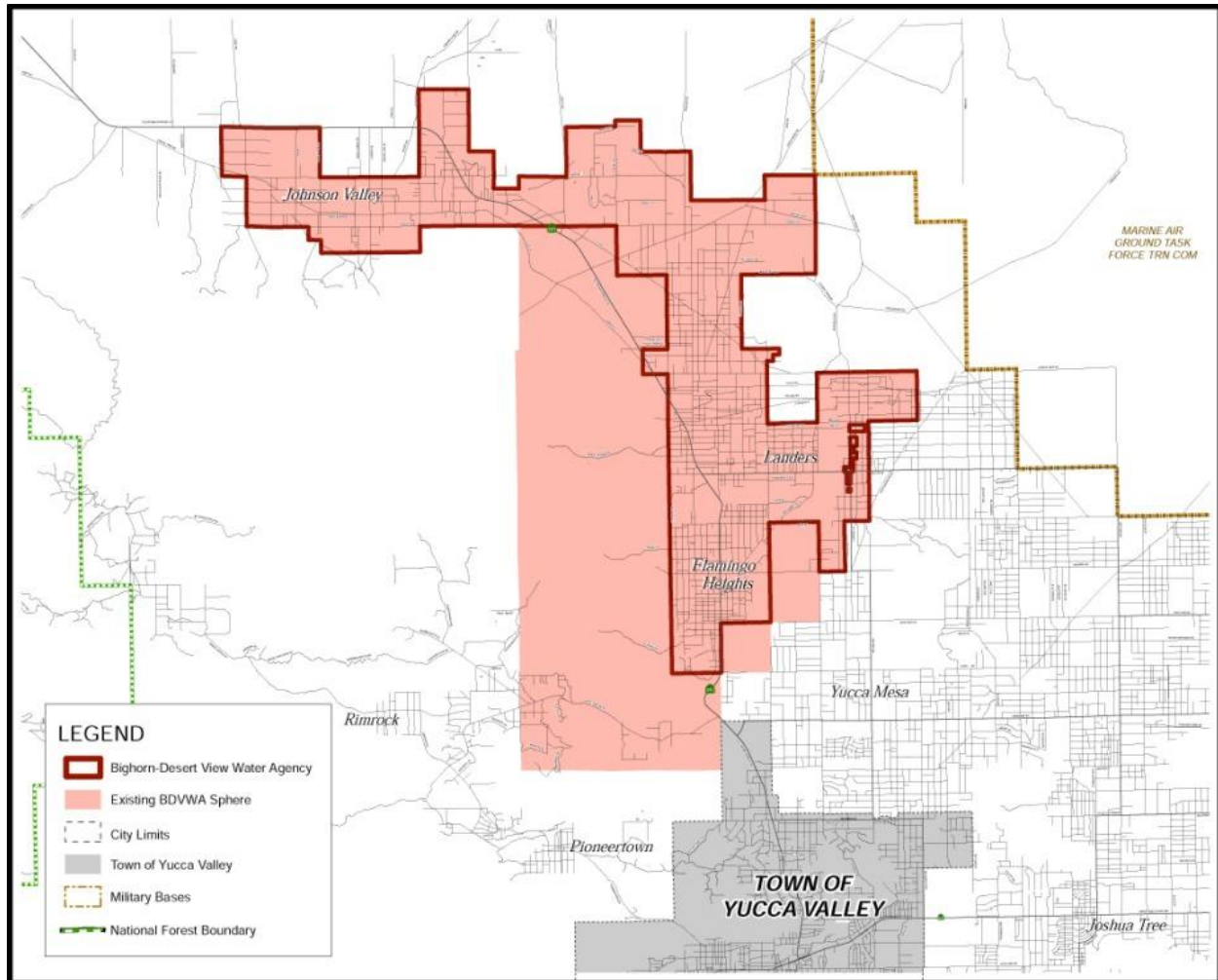
<sup>6</sup> On November 5, 1996, the California electorate approved Proposition 218, the self-titled "Right to Vote on Taxes Act." Proposition 218 adds articles XIII C and XIII D to the California Constitution, and makes numerous changes to local government finance law. Proposition 218 was approved by a 56.6 percent to 43.4 percent vote.

<sup>7</sup> *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th .

<sup>8</sup> Footnote 2 in *Bighorn-Desert View Water Agency v. Verjil* reads, "Although the Agency's water rate was \$4.00 per 100-cubic-foot billing unit when the initiative was circulated for signatures, it was scheduled to be reduced to \$2.30 per billing unit in June 2003. Thus, one could argue, as Kelley [appellant] has, that the actual reduction proposed by the initiative was not from \$4.00 to \$2.00, but from \$2.30 to \$2.00 per billing unit. We need not resolve this dispute."

Further, the Court wrote, “Domestic water delivery through a pipeline is a property-related service within the meaning” of Proposition 218’s definition of property related fee. “Accordingly, once a property owner or resident has paid the connection charges and has become a customer of a public water agency, all charges for water delivery incurred thereafter are charges for property related services, whether the charge is calculated on the basis of consumption or is imposed as a fixed monthly fee.” Other charges such as connection, disconnection, and meter repair were not subject to Proposition 218 by this decision. A copy of this decision is available at the LAFCO staff office.

2006      At the request of two property owners, the Agency submitted, and the Commission approved, an application to expand its sphere of influence with concurrent annexation of 30 acres in order for the two property owners to receive water service from the Agency (LAFCO 3054 and 3055). The annexation was modified by the Commission to include annexation to the Agency’s Improvement District No. 1.



## ***BIGHORN-DESERT VIEW WATER AGENCY SERVICE REVIEW***

In 2003, LAFCO adopted the Governor's Office of Planning and Research (OPR) Municipal Service Review Guidelines by reference for its use during the conduct of service reviews. These Guidelines provide a step-by-step approach to understanding the service review process as set for by Government Code Section 56430 as well as factors that LAFCO may wish to address in its service review of an agency.<sup>12</sup>

At the request of LAFCO staff, the Agency prepared a service review pursuant to San Bernardino LAFCO policies and procedures. The response to LAFCO's original and updated requests for materials includes, but is not limited to, the narrative response to the factors for a service review, response to LAFCO staff's request for information, and financial documents (included as Attachment #2). LAFCO staff responses to the mandatory factors

<sup>12</sup> State of California, Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

for consideration for a service review (as required by Government Code 56430) are identified below and incorporate the district's response and supporting materials.

### **I. Growth and population projections for the affected area.**

The rural desert character of Homestead Valley is defined by its geographic location, the area's desert landscape and environment, and the predominance of very low-density residential development. Low-density residential development within the plan area is characterized by large lots, the varied placement of homes, and open spaces around the homes. The character of the community is further defined by the natural environment and by the limited commercial and industrial uses.

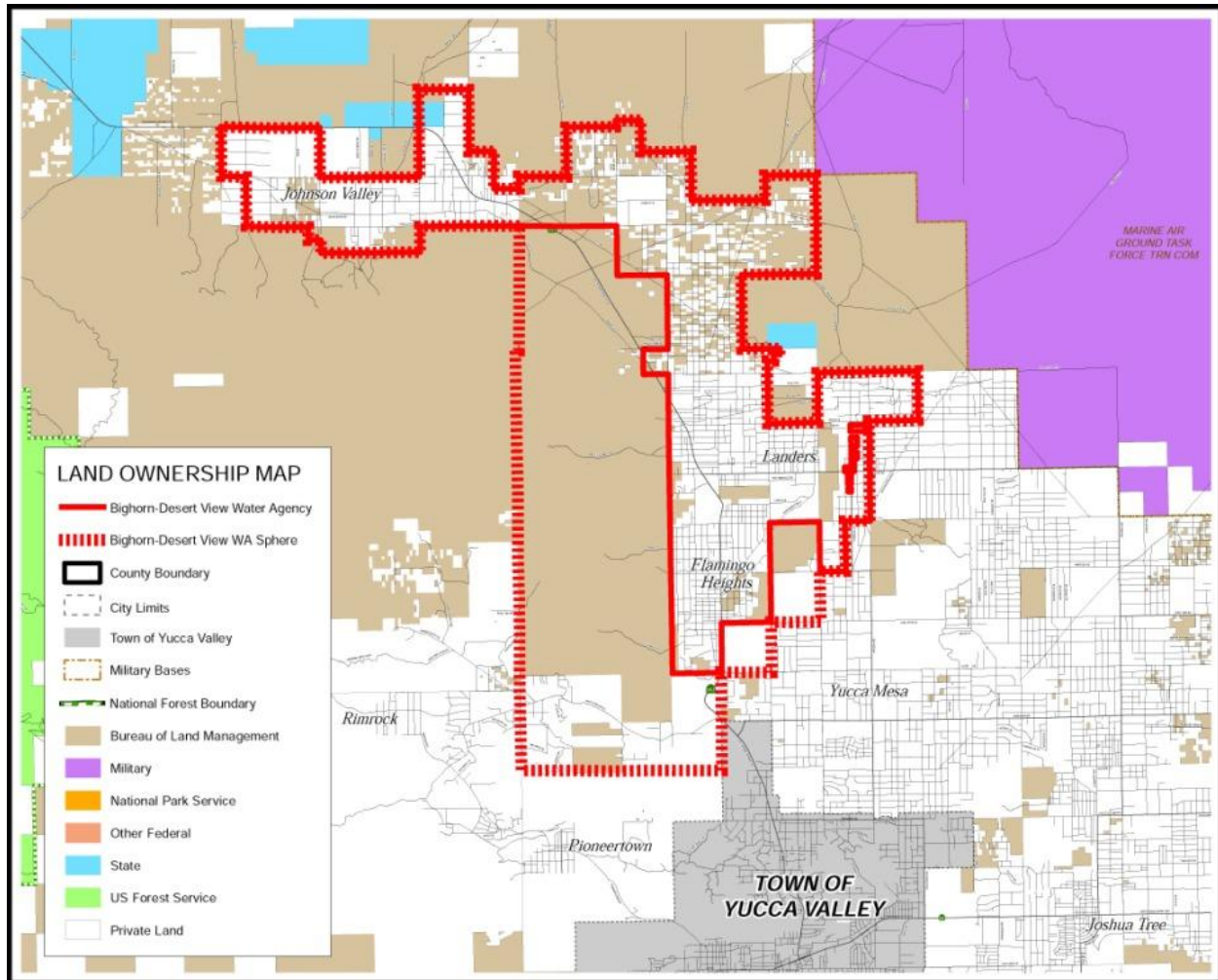
According to the *Homestead Valley Community Plan*, several issues set Homestead Valley apart from other desert communities, suggesting that different strategies for future growth may be appropriate. Among these are the preservation of community character, infrastructure, and commerce and services. As for preservation of community character, residents are concerned with the preservation of the natural environment and their community character amidst the pressures of growth in the plan area and surrounding desert communities. The preservation of the community's natural setting, small town atmosphere and rural character becomes important not only from an environmental perspective but from a cultural and economic point of view. The *Community Plan* further states that the Homestead Valley area will continue to experience growth as the desert region continues to develop. The rural nature and availability of vacant land will continue to attract development to the area. As the area develops it will be important to ensure that the rural features of the area are preserved and that adequate services and infrastructure are provided.

### **Land Ownership**

The land ownership distribution and breakdown within the Agency's boundary and current sphere are identified on the map below. Within its entire sphere, roughly 46% of the land is privately owned and the remainder, 54%, is public, which are devoted primarily to resource protection and recreational use.

#### **Land Ownership Breakdown (in Acres) Within Bighorn-Desert View Water Agency**

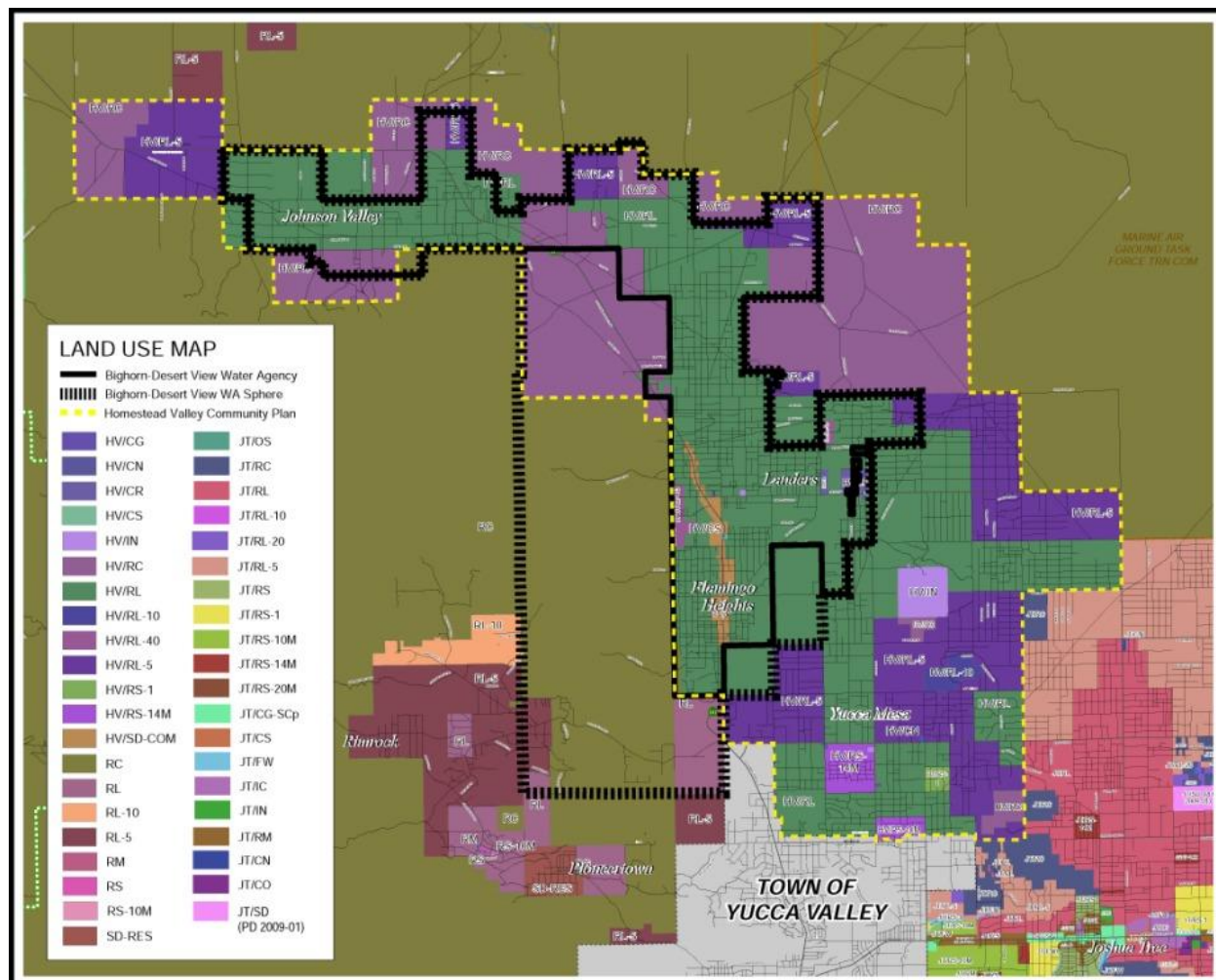
<b>Ownership Type</b>	<b>Boundary</b>	<b>Sphere (outside boundary)</b>	<b>Total Area</b>
Private	17,943	5,384	<b>23,327</b>
Public Lands – Federal (BLM), State, & others	9,380	18,498	<b>27,878</b>
<b>Total</b>	<b>27,323</b>	<b>23,882</b>	<b>51,205</b>



## Land use

Below is a map identifying the County of San Bernardino land use designations within the study area. Approximately 53 percent is designated RL (Rural Living, 2.5 acres minimum), RL-5, and RL-40, 45 percent is Resource Conservation, and the remainder of the land use designations comprises two percent (Special Development-Commercial, Neighborhood Commercial, Rural Commercial, General Commercial, Service Commercial, and Institutional). The commercial developments within the Agency are generally located along State Route 247 and Reche Road.





**General Plan Land Use Districts (In Acres)  
Within Bighorn-Desert View Water Agency**

Land Use	Boundary	Sphere (outside boundary)	Total Area
Homestead Valley Community Plan			
Resource Conservation (HV/RC)	3,310	5,058	8,368
Rural Living (HV/RL)	20,480	1,985	22,465
HV/RL-5	2,025		2,025
HV/RL-40	320		320
Special Development (HV/SD-COM)	658		658
Neighborhood Commercial (HV/CN)	5		5
Rural Commercial (HV/CR)	222	38	260
General Commercial (HV/CG)	5		5
Service Commercial (HV/CS)	8		8
Institutional (HV/IN)	10		10
County General Plan			
Resource Conservation (RC)	280	14,806	15,086
Rural Living (RL)		1,450	1,450
RL-5		545	545
<b>Total</b>	<b>27,323</b>	<b>23,882</b>	<b>51,205</b>



## Population

### Population Projections

In 2000, the population within the Agency's boundaries was 2,297. Based on the 2010 Census, the current population for the area is 3,018. This represented an average annual growth rate of approximately 2.8 percent within the given period.

The *Community Plan* population forecast is not used in this report for the Agency. Instead, the projected growth for the Agency's boundaries was calculated 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, SCAG's 2008 RTP, and the use of average annual growth rate. By 2040, the population within the Agency's boundaries is estimated to reach 6,154. This represents a projected annual growth rate of approximately 2.4 percent between 2010 and 2040, which also represents a total population increase of 49 percent from 2010.

#### **Population Projection 2010-2040 Within Bighorn-Desert View Water Agency**

Census		Population Projection					
2000	2010	2015	2020	2025	2030	2035	2040
2,297 <sup>13</sup>	3,018 <sup>14</sup>	3,069 <sup>15</sup>	3,700 <sup>16</sup>	4,313	4,902	5,466	6,154 <sup>17</sup>

### Build-out

The table below provides the potential build-out within the Agency's boundaries. This build-out scenario takes into consideration the existing land use designations assigned for the area and the dwelling unit densities assigned for each residential land use<sup>18</sup>.

#### **Land Use Maximum Build-Out Within Bighorn-Desert View Water Agency**

<sup>13</sup> 2000 population was derived from the 2000 Census block data for the Agency's boundary

<sup>14</sup> 2010 population data was derived from the 2010 Census block data for the Agency's boundary.

<sup>15</sup> 2015 growth rate projection was adjusted to reflect the rate for the County's unincorporated area 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>16</sup> 2020-2035 growth rate projections were calculated based on the growth rate identified by SCAG's 2008 RTP for each of the TAZ's (Traffic Analysis Zones) that corresponded to each of the Census Tracts within the Agency's boundary. The growth rates for each of the TAZ's were then used to derive the projection of the population for each of the corresponding Census Tract numbers.

<sup>17</sup> 2040 projection was calculated using Average Annual Growth Rate based on the compounded rate between 2010-2035 since SCAG's projections only went to 2035

<sup>18</sup> Source: Densities for all residential land uses were derived from the densities identified in the Homestead Valley Community Plan Potential Build-Out table

Land Use	Acreage	Density (D.U. Per Acre)	Maximum Build-out
Resource Conservation	3,590	0.025	90
Rural Living	20,480	0.2	4,096
RL-5	2,025	0.4	810
RL-40	320	0.025	8
<b>Total Residential</b>	<b>26,415</b>		<b>5,004</b>

The population projections identified earlier indicates that the population within the Agency's boundaries will be 6,154 by 2040. Based on the maximum residential build-out within the Agency's boundaries, the projected maximum population is anticipated to reach 11,759<sup>19</sup>. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the Agency's boundaries will be 2,619 with a maximum potential build-out to reach approximately 5,005. These imply that the study area will reach 52 percent of its potential household and population capacity by 2040.

#### **Population and Household Projection Within Bighorn-Desert View Water Agency**

	Projection 2040	Maximum Build-out	Ratio of 2040 Projection with Maximum Build-out
Population	6,154	11,759	0.52
Households	2,619	5,004	0.52

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

This section of the report first provides an overview of regional water issues and follows with a discussion on local water conditions and a review of the Agency's activities.

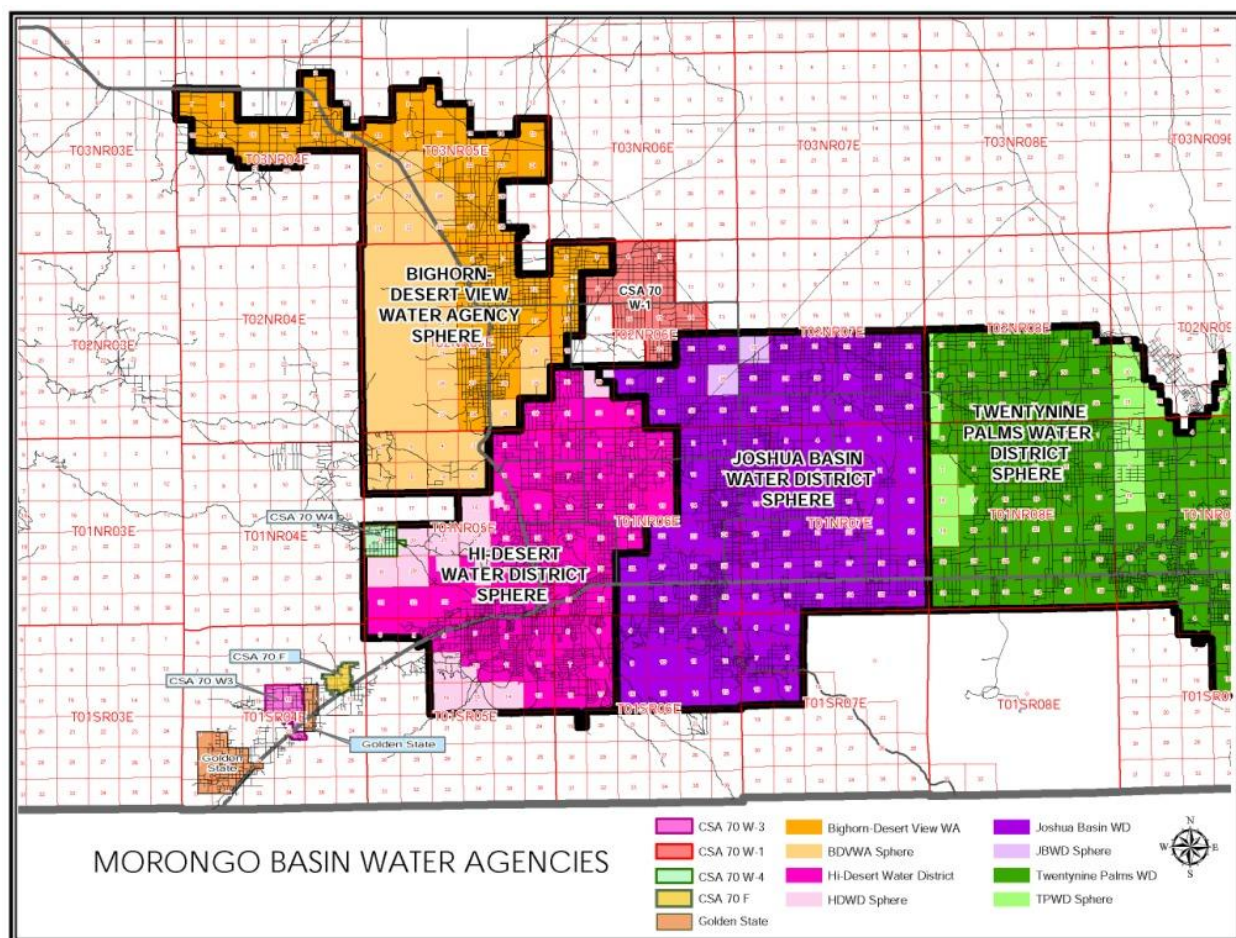
### **REGIONAL WATER**

The Homestead community is located in the Colorado River Hydrologic Region, and is in the South Mojave Watershed as designated by the California Department of Water Resources.<sup>20</sup> The community is also within the boundaries of the Mojave Water Agency (MWA), a state water contractor.<sup>21</sup> The map below shows the public and major private retail water providers in the South Desert Region, which is included as a part of Attachment #1.

<sup>19</sup> Source: Persons per household @ 2.35 based on the ratio identified in the Homestead Valley Community Plan Potential Build-Out table

<sup>20</sup> California Water Plan, Update 2009, Integrated Water Management, DWR, Bulletin 160-09, Vol. 3, Colorado River.

<sup>21</sup> For more information on the Mojave Water Agency, please see LAFCO 3033 – Service Review and Sphere of Influence Update for MWA. ([http://www.sbclafco.org/service\\_review/regional\\_agencies\\_north\\_desert.htm](http://www.sbclafco.org/service_review/regional_agencies_north_desert.htm)).



### State Water Project (SWP)

As LAFCO staff has stated on many occasions, water is the lifeblood for communities in the desert regions due to its limited nature. The availability of water will ultimately determine whether or not a community will prosper in the desert environs of San Bernardino County. Therefore, the most significant regional issue for the Homestead community is present and future water supply. The *2007 State Water Project Delivery Reliability Report* indicates that SWP deliveries will be impacted by two significant factors. First, it is projected that climate change is altering hydrologic conditions in the State. Second, a ruling by the Federal Court in December 2007 imposed interim rules to protect delta smelt which significantly affects the SWP. Further, the *Report* shows, "...a continued eroding of SWP delivery reliability under the current method of moving water through the Delta" and that "annual SWP deliveries would decrease virtually every year in the future..." The *Report* assumes no changes in conveyance of water through the Delta or in the interim rules to protect delta smelt.

The Department of Water Resources prepares biennial SWP water delivery reliability reports in order to provide the public with reliability estimates for both current and projected 20 year conditions. This is accomplished by modeling the effects of current hydrologic and

SWP facility conditions and changes that are projected to occur. The table below summarizes the history of the current and future MWA contractual maximum annual amount from the SWP and the SWP reliability factors that have been and are being used for water supply planning purposes since 2005.

Year	MWA Table A <sup>(1)</sup> Annual Maximum	SWP Reliability Factor (long-term)	Average Annual SWP Yield (Acre-feet)
2005	75,800	77%	58,366
2007	75,800	66-69%	50,028 – 52,302
2009	75,800	61%	46,238
2010	82,800	61%	50,508
2015	85,800	61% <sup>(2)</sup>	52,338 <sup>(2)</sup>
2020	89,800	61% <sup>(2)</sup>	54,778 <sup>(2)</sup>

(1) Table A refers to the section within the MWA contract with DWR which specifies the maximum annual amount of water that the MWA can receive from the State Water Project.

(2) The 2009 Reliability Report estimated an average reliability of 60% for the SWP, but also modeled reliability for each Contractor, concluding that the average annual supply for MWA would be 61%. The 2009 Reliability Report estimate is the only known reliability variable at this time and is used for the purposes of this discussion and for water supply estimates in the MWA 2010 UWMP. Current court proceedings and efforts to address issues in the Delta (supply source for the SWP) may result in future changes to SWP supply reliability.

Source: Mojave Water Agency, 2010. Footnote (2) updated by LAFCO staff in 2011.

The 2007 Reliability Report concluded that contractors to the SWP could anticipate average reliability of 66-69% through the year 2027. The range was provided to account for variable impact associated with different conclusions about the potential effects of modeled climate change. The average assumes that in some years contractors are likely to be allocated less than the stated average and in some years contractors are likely to be allocated more than the stated average.

In 2009 the DWR provided an updated reliability report incorporating new biological opinions in place of the referenced interim rules promulgated by the Federal Court. The new biological opinions were significantly more restrictive than the interim rules and consequently the 2009 reliability analysis indicated a reduction in reliability to 61% for long-term (2029) conditions. MWA has subsequently acquired additional contractual amounts to SWP water, increasing the maximum annual amount from 75,800 acre-feet to 82,800 acre-feet in 2010, 85,800 acre-feet in 2015 and 89,800 acre-feet in 2020. Considering the DWR modeling results, the average annual yield to MWA would be 50,508 acre-feet in 2010 and 54,778 acre-feet in 2029.

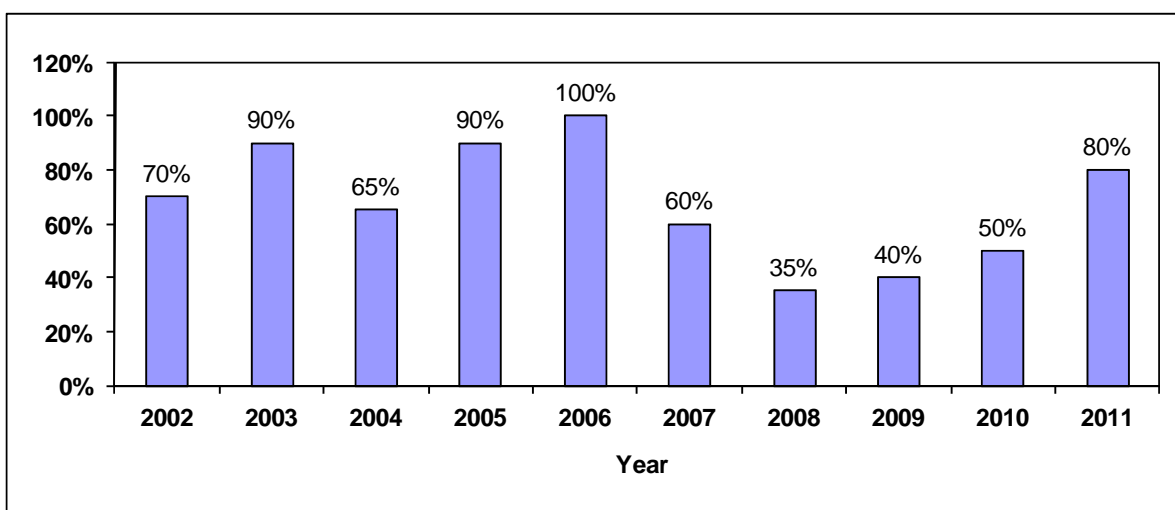
Since preparation of the 2009 Reliability Report, the same Federal Court has found the new biological opinions to be unacceptable (and inappropriately restrictive to Delta water exports) and has ordered them to be redone. There is also a major effort underway to develop a habitat conservation plan to address the myriad of issues impacting water supply exports from the Delta. That effort, if accomplished in a manner consistent with the “co-equal goals” of ecosystem restoration and water supply reliability envisioned by the State Legislature’s 2009 Comprehensive Water Package, is anticipated to significantly increase

reliability of the SWP water supply. The eventual success and/or resulting increase to reliability are unknown at this time; however, the outcome will eventually be reflected in the biennial DWR reliability assessments.

MWA operates under the guidance of its Board adopted integrated regional water management plan and is also required by State law to submit an Urban Water Management Plan ("UWMP") to the State of California every 5 years ending in "0" and "5". The MWA UWMP compiles information on all known water supplies and demand on a sub-regional scale for the entire MWA. Future water supplies and demand (population growth) are also projected for at least the ensuing 20 years. MWA adopted its 2010 UWMP in June 2011 which incorporates the most recent reliability information provided by DWR (2009), indicating a reliability of 61% on average. Initial analysis indicates that given projected growth rates, the modeled decrease in reliability for the SWP by DWR, and the acquisition of additional SWP contractual amounts by MWA, there will be sufficient supply to meet anticipated increased demands through the required 20 year planning horizon (2030).<sup>22</sup>

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase since 2000, which averages 68% over the 10 years summarized. For example, MWA is entitled to purchase up to 82,800 acre-feet of imported water per year. For 2011, the allocation percentage was 80%<sup>23</sup>; therefore, MWA could purchase up to 66,240 acre-feet. MWA mitigates for this variability in supply by utilizing the significant water storage capability within the agency ground water basins to take delivery of SWP water when it is available. Water available from the SWP in excess of local demand is delivered and stored in the ground water basins to be used to meet demand during those years when the amount of water available from the SWP is less than the annual demand.

**Department of Water Resources State Water Project  
Final Allocation Percentages Statewide (2002-2011)**



source: Department of Water Resources

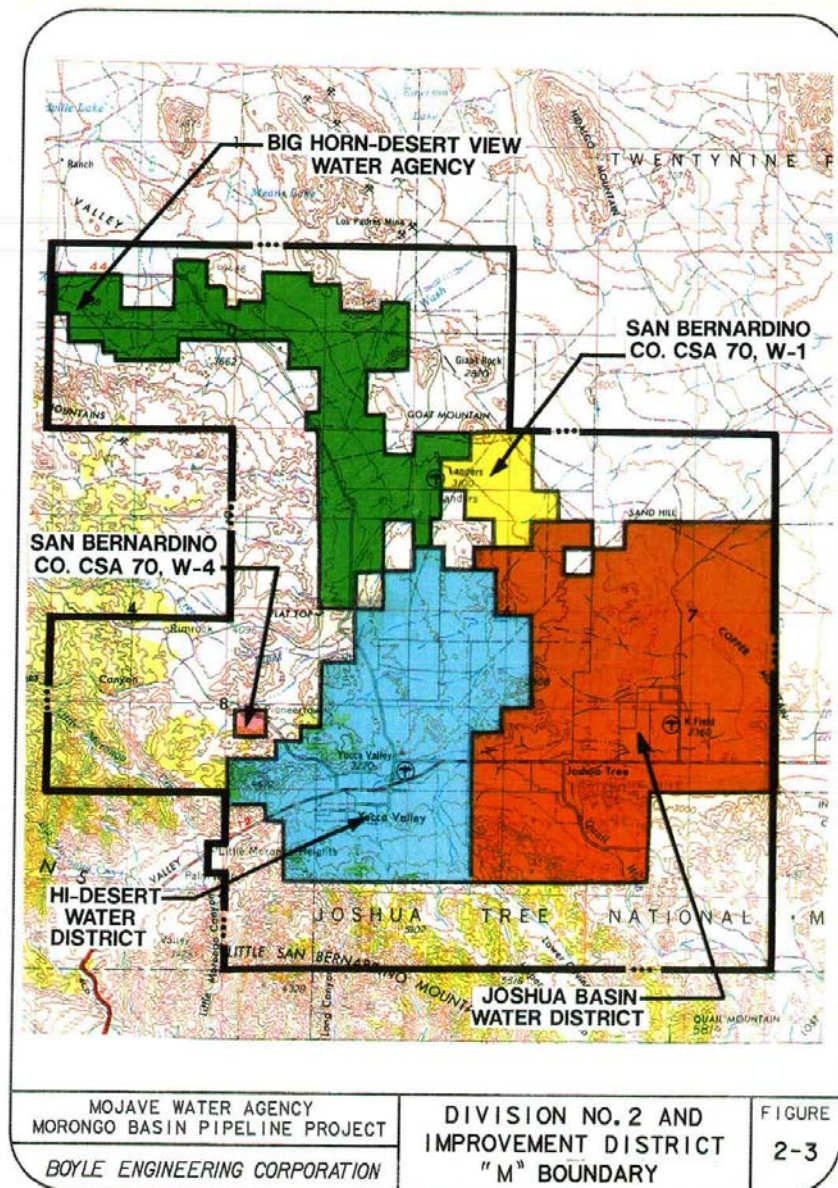
<sup>22</sup> Mojave Water Agency, Final 2010 Urban Water Management Plan, Adopted June 2011. Also see Appendix F of the 2010 UWMP (Legal Analysis of State Water Project Reliability Factors).

<sup>23</sup> State of California. Department of Water Resources. "State Water Project Allocation Increased to 80 Percent", Press Release. 20 April 2011.



Morongo Basin Pipeline (Mojave Water Agency Improvement District M)

In 1990, the southeastern portion of the MWA's territory voted in favor of forming Improvement District M and to incur bonded indebtedness of \$66.5 million to finance the construction costs of the Morongo Basin Pipeline. Construction on the approximately 71 mile Morongo Pipeline began in 1992 and was completed in 1995 and serves the areas of Johnson Valley, Joshua Tree, Landers, and Yucca Valley. The Pipeline delivers water from Hesperia to a five million gallon reservoir in Landers. From there, water is delivered to percolation ponds in the Yucca Valley area that act as natural filtration systems where water seeps back into the ground to recharge the aquifer. A map of MWA Improvement District M and its recharge facilities are shown on the map below.



The landowners of the improvement district are obligated to pay for 75% of the costs for construction of the Pipeline, and the participating agencies are obligated to pay the remaining 25%. The participating agencies each pay a share of the 25% as follows:

**Improvement District M - Participating Agency Share**

<b>Agency</b>	<b>Original Share</b>	<b>Current Share</b>
<b>Hi-Desert Water District</b>	59%	59%
<b>Joshua Basin Water District</b>	27%	27%
<b>Bighorn-Desert View Water Agency</b>	9%	9%
<b>CSA 70 Zone W-1 (Goat Mountain)</b>	4%	1%
<b>CSA 70 Zone W-4 (Pioneertown)</b>	1%	0%
<b>MWA</b>	0%	4%

Originally, County Service Area ("CSA") 70 Zone W-1 was obligated to pay 4% and CSA 70 W-4 to pay 1%. However, in 1995, MWA acquired 3% of the rights from CSA 70 W-1 and 1% from CSA W-4. According to County Special Districts Department staff, MWA was requested by the County Board of Supervisors to buy CSA 70 W-1 and W-4 shares due to lack of utilization of the water. The percentage share identified for each participating agency also reflects the percentage of water which they are entitled. The Board of Supervisors action relinquished its rights to purchase supplemental water from the Pipeline when they sold the W-1 and W-4 shares.

Improvement District M has entitlement of up to one seventh of MWA's original State Water Project water allotment of 50,800 acre-feet/year ("AFY"); this equates to 7,257 acre-feet per year (AFY).<sup>24</sup> The BDVWA has a nine percent share of the Improvement District M entitlement, or 653 AFY. At the time the Morongo Basin Pipeline agreement was executed among the participants and MWA in 1990, MWA's SWP allotment was 50,800 AFY. Subsequently, MWA has acquired additional allotment, currently at 82,800 AFY. Discussion continues as to whether the BDVWA and others within Improvement District M are entitled to a proportionate share of MWA's SWP allotment above 50,800.

The chart below shows the amount of supplemental water sent through the Morongo Basin Pipeline (Improvement District M) from 1998 to September 2010. Subsequent data is not yet available. Currently, the Agency does not utilize State Water Project resources but utilization of the Morongo Basin Pipeline is planned in the future. However, the entitlement extends only until 2022, at which time all agencies participating in Improvement District M will have access to supplemental water in the same manner as all other municipal water customers.

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<sup>24</sup> Under maximum delivery conditions the Morongo Basin Pipeline could deliver 15,000 AFY. Delivery of the difference between the Improvement District M contracts and 15,000 would be per MWA Ordinance 9 and the equitable policies concerning water allocation adopted by MWA as most recently amended by MWA.

### Mojave Water Agency Morongo Pipeline Deliveries

Year	Improvement District M Entitlement	BDVWA Share (9%)	SWP Allocation	BDVWA Share times SWP Allocation	Improvement District M Delivery
1998	7,257	653	100%	653	2,121
1999	7,257	653	100%	653	2,412
2000	7,257	653	90%	588	3,786
2001	7,257	653	39%	255	2,878
2002	7,257	653	70%	457	2,390
2003	7,257	653	90%	588	2,427
2004	7,257	653	65%	425	4,821
2005	7,257	653	90%	588	2,041
2006	7,257	653	100%	653	3,451
2007	7,257	653	60%	392	4,779
2008	7,257	653	35%	229	3,195
2009	7,257	653	40%	261	2,137
2010	7,257	653	50%	327	3,572
Total				6,068	40,010
source: Department of Water Resources, Mojave Water Agency					
units in acre-feet unless otherwise noted					
Year is reported from October through September					

Additionally, MWA has a four percent entitlement share of the Morongo Pipeline. MWA delivers water through the pipeline for storage in the Warren Basin (Yucca Valley area) for potential sale at a later date. The BDVWA could purchase the water when there is not sufficient water to deliver because of reductions to the State Water Project allocation. The chart below shows the MWA storage from 1998 through 2009.

Year	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Delivery	236	270	144	0	0	0	0	919	1,216	0	0	0
source: Mojave Water Agency												
units in acre-feet												
Data for 2009 is through September												

### Bulk Hauled Water

In remote areas of the south desert, the hauling of domestic water is the sole means for water acquisition. In a joint letter to county planning and building departments in 2003, the California Department of Health Services<sup>25</sup> 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

<sup>25</sup> The California Department of Health Services has been reorganized since 2003 and water related health issues are coordinated under the California Department of Public Health.



from an approved onsite source of water supply.” This statement is based on five potential public health risks for hauled water:

1. The potential for contamination exists when water is transferred from tanker trucks to water storage tanks.
2. Storage tanks are often the source of bacterial contamination.<sup>26</sup>
3. There is no assurance that licensed water haulers follow State guidelines at all times.
4. The future reliability of hauled water is susceptible to economic conditions.
5. There is generally a higher risk for contamination.

The letter further states that hauled water for domestic purposes should only be allowed to serve existing facilities due to a loss of quantity or quality and where an approved source cannot be acquired. A copy of this letter is on-file at the LAFCO staff office.

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.*

Adherence to these parameters will limit new development within the Johnson Valley area for the future as it has no current mechanism for providing an organized retail water system for water delivery. Further, a review of the Agency’s water plans does not identify plans for a water system in the Johnson Valley even though Johnson Valley is within the boundaries of the Agency.

### Water Rates

Due to the limited size and type of outdoor landscaping that is prevalent throughout the South Desert, the average water usage is comparatively lower than other water agencies in San Bernardino County. A comparison of the residential water rates charged by the agencies within the Morongo Basin is identified in the chart below. As shown in the footnotes, some agencies receive a share of the one percent general levy property tax and/or assessments or additional charges.

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<sup>26</sup> The Agency states that it provides bacteriological monitoring to any bulk hauler that would desire to obtain such a service.

**Water Agency Rate Comparison (as of July 2011)**  
(rates measured in units, or one hundred cubic feet)

Agency	Water Use Fee				Monthly Meter Charge (3/4" Meter)	Monthly Average Cost (10 units of water)
	Tier One	Tier Two	Tier Three	Tier Four		
<b>Bighorn-Desert View Water Agency</b> <sup>1</sup>	\$3.00	-	-	-	\$27.50	\$57.50
<b>CSA 70 Zone F (Morongo Valley)</b> <sup>1</sup>	\$4.51	\$5.02	\$5.73	-	\$57.25	\$102.35
<b>CSA 70 Zone W-1 (Landers)</b> <sup>1</sup>	\$3.87	\$4.31	\$5.54	-	\$23.87	\$62.57
<b>CSA 70 Zone W-3 (Morongo Valley)</b> <sup>1</sup>	\$3.21	\$3.57	\$3.65	-	\$40.84	\$72.94
<b>CSA 70 Zone W-4 (Pioneertown)</b>	\$5.86	\$7.31	\$9.88	\$10.87	\$31.05	\$89.65
<b>Golden State Water Company (Morongo)</b>	\$2.47	-	-	-	\$28.15	\$52.85
<b>Hi-Desert Water District</b> <sup>1,2</sup>	\$3.59	\$5.69	\$6.89	\$9.08	\$11.80 <sup>4</sup>	\$60.30
<b>Joshua Basin Water District</b> <sup>1,3</sup>	\$2.14	\$2.39	\$2.57	\$2.75	\$23.82	\$46.47
<b>Twentynine Palms Water District</b> <sup>3</sup>	\$2.33	-	-	-	\$11.00 <sup>5</sup>	\$34.30

<sup>1</sup> Receives a share of the one percent ad valorem general tax levy

<sup>2</sup> District also charges monthly a pipeline surcharge and capital replacement charge

<sup>3</sup> District also charges a standby charge

<sup>4</sup> Charge is for 5/8" and 1" meter with 5/8" demand

<sup>5</sup> Charge is for 5/8" meter

Note: Standby charges are not included or referenced in this chart as they are not related to active connections.

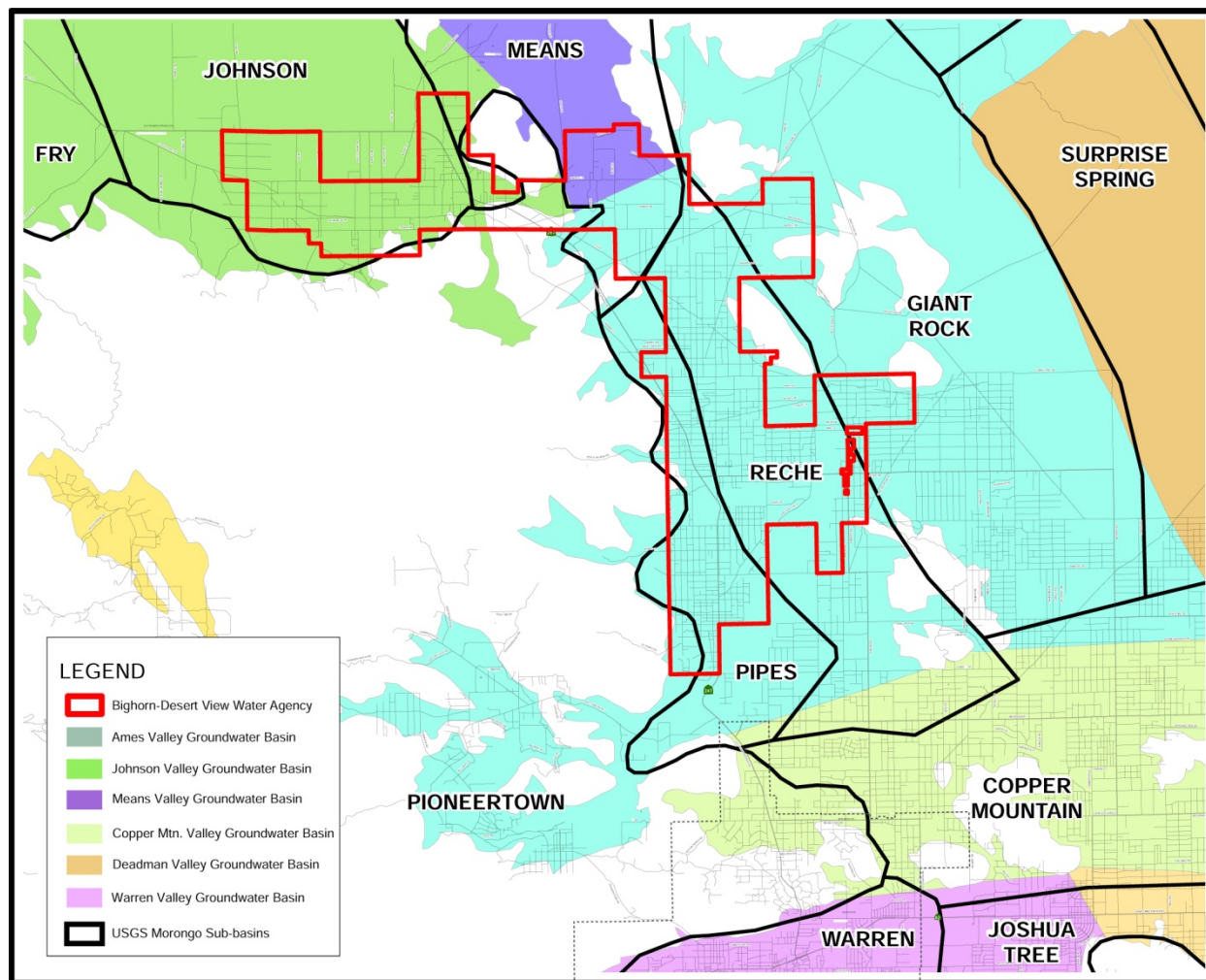
**BIGHORN-DESERT VIEW WATER AGENCY**

For the remainder of this service review factor, cited materials include excerpts from the Agency's narrative response to the factors for a service review, 2007 Water Master Plan, 2010 Initial Study for Water Infrastructure Restoration Program, 2011 Reche Spreading Grounds Recharge Feasibility Report, and the Mojave Water Agency 2010 Urban Water Management Plan. Other materials have been referenced but not cited.

Currently, the BDVWA is the sole retail water provider within the community, actively providing retail water service via a pressurized system to the Landers and Flamingo Heights areas. Most of the customers are residential with lots varying from 2.5 to 5 acres. Outdoor landscaping is mostly zeroscape requiring little, if any, water. Not all areas in the community have direct access to a piped retail water service; therefore, it is understood that water service to those developed properties is provided through on-site wells or through hauling of domestic water. Specifically, the Johnson Valley area is within the Agency but does not have a pressurized water system. In this area, bulk water is either retrieved by customers from an Agency well or delivered by a bulk-water hauler. Although local groundwater is currently the sole source of its water supply, BDVWA holds capacity in the Morongo Pipeline and may purchase State Water Project water from Mojave Water Agency ("MWA"), who is a contractor with the California Department of Water Resources ("DWR"). Currently, BDVWA does not have the necessary infrastructure to utilize this supply.

## Groundwater Basins

The BDVWA service area overlies three groundwater basins, historically identified by the DWR as the Ames Valley, the Means Valley, and the Johnson Valley basins. Private individuals and municipal water providers pump groundwater from the Ames Valley and the Johnson Valley basins. The Ames Valley Basin coincides with portions of the United State Geological Survey ("USGS") Morongo Groundwater Basin, including the Pioneertown, Pipes, Reche, Giant Rock and Emerson Sub Basins. Most of the pumping is from the Ames Valley Basin. County Service Area 70 Zone W-1 as well as the Hi-Desert Water District ("HDWD") also pump groundwater from the Ames Basin. Water pumped from the Johnson Valley Basin is pumped into a 10,000 gallon reservoir. Residents in that area receive water using a truck delivery service or via self-hauling.



### Ames Valley Groundwater Basin

The Department of Water Resource's Bulletin 118 (last updated February 2004) describes the Ames Valley Groundwater Basin as follows:

This groundwater basin underlies Ames Valley, Homestead Valley, and Pipes Wash in the south central San Bernardino County. The basin is bounded by nonwater-bearing rocks of the San Bernardino Mountains on the west, of Iron Ridge on the north, and of Hidalgo Mountain on the northeast (Rogers 1967). The Emerson, Copper Mountain, and West Calico faults form parts of the eastern and northern boundaries. The southern boundary and parts of the northern and eastern boundaries lie along surface drainage divides. The valley is drained northeastward by Pipes Wash to Emerson (dry) Lake. Average annual precipitation ranges from 4 to 12 inches.

Natural recharge of the basin is mainly from percolation of stream flow from the San Bernardino Mountains and precipitation to the valley floor (Mendez and Christensen 1997; Bookman-Edmonston Engineering 1994). Percolation of septic tank effluent from the town of Landers and surrounding communities also contributes to recharge of groundwater. Some subsurface inflow may come from Means Valley Groundwater Basin, and subsurface outflow probably crosses the Emerson fault into Deadman Valley Groundwater Basin (French 1978; Mendez and Christensen 1997).

#### Means Valley Groundwater Basin

Bulletin 118 states the principal source of recharge to the basin is likely percolation of runoff from surrounding mountains, with a minor contribution from percolation of precipitation to the valley floor and subsurface flow across the Johnson Valley fault southwest of Means Lake. Groundwater may migrate through fractures in bedrock toward Emerson Lake as subsurface outflow. The following description of the Means Valley Groundwater Basin is taken from Bulletin 118.

This groundwater basin underlies Means Valley in southcentral San Bernardino County. The basin is bounded by nonwater-bearing rocks and a drainage divide on the north, by a drainage divide on the south, by the Johnson Valley fault on the west, and by the Homestead Valley fault on the east. Drainage is to Means (dry) Lake in the central part of the valley. Annual average precipitation ranges from about 4 to 8 inches.

#### Johnson Valley Groundwater Basin

The following description of the Johnson Valley Groundwater Basin is taken from Bulletin 118.

Upper Johnson Valley Subbasin underlies the Upper Johnson Valley in the southern Mojave Desert. The subbasin is bounded on the north by the Fry Mountains and on all other sides principally by other unnamed crystalline rocks. The western boundary follows the Johnson Valley fault, and surface drainage divides form parts of the southern and eastern boundaries. Upper Johnson Valley has internal surface drainage that converges to Melville (dry) Lake. Average annual precipitation ranges from 4 to 6 inches.

### Ames Valley Basin Water Agreement

Although not a full adjudication<sup>27</sup>, the court approved Ames Valley Basin Water Agreement is a 1991 Agreement between the Agency and HDWD. The agreement was initiated by BDWVA due to concerns about a proposed well called the Section 24 Well<sup>28</sup>, sometimes called the Mainstream Well in the Ames Valley Basin and possible export of water from that well out of the basin. The Ames Valley Water Basin Agreement provides a partial solution to management of the Ames Valley Basin. The agreement sets forth a legal description of the Ames Valley Basin that does not conform to either the DWR or USGS descriptions and refers to the combined Ames Valley and Means Valley Basins. The basic terms of the agreement are as follows.

- 1. Production from the Section 24 Well and any additional wells owned by HDWD, within the Ames Valley Water Basin would be limited to 800 acre-feet per year.*
- 2. The production could be increased beyond 800 acre-feet per year depending on the needs of the property owners in the basin by an amount not to exceed one-half of an acre-foot per year per each new water meter installation by HDWD.*
- 3. Water from the wells in the Ames Valley Basin would be used only within that basin.*
- 4. Establish a monitoring program to mitigate potential environmental damage to the hydrologic resources of the basin caused by the Section 24 Well.*
- 5. An environmental review is required if criteria set forth in the agreement with respect to water quality and groundwater level elevations are exceeded. The agreement was amended on two separate occasions. These amendments changed the manner in which a consultant was selected to implement the monitoring program. The terms of the judgment were the similar to those in the agreement. Portions of the agreement were revisited by the court at the request of HDWD who sought to expand the areas of use of water from the Section 24 Well. The court did not rule in favor of HDWD and the agreement remains.*

At the time the Agreement was entered, the HDWD service area included areas within the Ames Valley Basin and the Warren Valley Basin. The agreement is currently in the process of being revised to include BDVWA, MWA, HDWD, County Service Area 70 Zone W-1 (Landers) and County Service Area 70 Zone W-4 (Pioneertown) to provide a monitoring and management plan for operation of the Basin with the Ames Valley Recharge Project. The revision will require the parties to enter into a Stipulation to Enter an Amended and Restated Judgment which shall then supersede the existing 1991 judgment. When approved, this agreement will replace the 1991 Stipulated Judgment and will be

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<sup>27</sup> Adjudication is defined in the 2005 California Water Plan as the “Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision.” California. Department of Water Resources, *California Water Plan Update 2005*, Vol 4, Glossary (2005).

<sup>28</sup> The location of this well is the same location as the proposed Ames-Means (aka Reche) Recharge Project. The proposed well is located on a 160-acre government-owned parcel (APN 0629-211-01).

incorporated into the groundwater monitoring program (“GWMP”) discussed in further detail below. A basin-wide GWMP will provide the necessary data for effective management into the future. Collectively, the agreement and GWMP will provide the institutional framework for the purchase, recharge, and recovery of imported SWP water through the Morongo Basin Pipeline Agreement.

## **Current Supply and Demand**

### Facilities and Connections

BDVWA provides water service to customers in portions of Flamingo Heights, Landers, and Johnson Valley. The existing BDVWA infrastructure consists of eight wells, nine reservoirs located in seven active pressure zones, booster pumps, 14 pressure reducing valves, and 108 miles of pipelines.

As of June 2011, there are eight wells all of which are active. Well 4 is in inactive status with the Department of Public Health. Wells 2 and 4 share a single power supply limiting operation to one well at any given time. The same case exists with Wells 6 and 7. The wells produce on average about 500 gallons per minute totaling over 1.8 million cubic feet per day. This equates to roughly 500 acre-feet annually. Two of the wells in the northern portion of the Agency (Bighorn portion of the Agency) are for bulk service (via four separate hauling stations) and produce roughly 66,000 cubic feet, or roughly five percent of all water consumed.

BDVWA has more than 108 miles of pipe within its system. The majority of its pipeline is 6-inch (71%) and 8-inch (22%) mains. BDVWA also has minor amounts of 10-inch, 12-inch and 20-inch mains. All of the pipes are asbestos cement and polyvinyl chloride with the exception of the 20-inch pipe which is mortar lined and cement coated steel pipe. All three of these types of pipe meet American Water Works Association standards. In the past, records were not kept of length and date of installation of each type of pipe. Thus, the Agency is unable to define the exact age, although the system in general is approximately 30 years old. Most of the pipe however is thought to be asbestos cement.

Pressure reducing valves (“PRVs”) are generally used to transfer water from one pressure zone to another. In areas of substantial elevation, PRVs are used to provide reasonable pressure in lower lying areas where pressure would otherwise be too high. BDVWA has fourteen PRVs that take water from a higher pressure zone and deliver it to a lower pressure zone. All of the valves are either 8-inch or 6-inch valves. Some of the pressure reducing valves are equipped with a bypass which allows smaller amounts of water to flow into the lower pressure zone during times of minimal use. PRV bypasses are also necessary to maintain pressure during repair of the primary reducing valve.

The agency's intertie with Hi-Desert Water District (“HDWD”) is currently disconnected and isolated from cross-connection. According to the Agency, the pump was removed many years ago; however, with minimal effort a connection could be made whereby the Agency could receive water via gravity flow from HDWD. More work would be needed for the Agency to pump water into HDWD's system. The two agencies are actively seeking a new,

permanent emergency intertie solution. In addition, the Agency has the ability to "high line" a connection between fire hydrants to create an emergency intertie with CSA 70 Zone W-1.

Many of the Agency's fire hydrants do not produce sufficient flow and pressure to meet the current fire flow standard of 1,000 gallons per minute with a residual pressure of 20 pounds per square inch. This fire flow standard is identified in the County Development Code.

#### Connections and Water Use

Calendar Year	Historic Annual Use			
	Customers (active meters)	Recorded Water Sales (acre-feet)	Production per Customer (af/cust)	Production per Customer (ccf/ cust)
2000	1,533	488	0.32	139
2001	1,529	429	0.28	122
2002	1,532	527	0.34	150
2003	1,532	488	0.32	139
2004	1,522	519	0.34	149
2005	1,549	462	0.30	130
2006	1,584	508	0.32	140
2007	1,566	504	0.32	140
2008	1,554	491	0.32	138
2009	1,592	452	0.28	124
2010	1,554	411	0.26	115
<b>Average</b>	<b>1,550</b>	<b>480</b>	<b>0.31</b>	<b>135</b>

Since at least 2000, the Agency has provided water service via pipeline to about 1,550 metered connections, most of which are residential consumers. The area served in this manner is approximately 18,720 acres (68% of the Agency's area). In looking at the average use in the chart above, total water use and production per customer has decreased each year since 2006. According to the Agency, the reason for less water production is due to the area's water conservation efforts. Currently, the Agency has approximately 400 inactive meters.

The Agency's rate structure is based upon a single rate for water use – it does not utilize tiered rates. Tiered rates, in which customers are charged different rates according to the amount of water used, are utilized as an incentive for conservation. The Agency has stated that until the old and under-reported meters are replaced, consumption charges cannot be addressed.<sup>29</sup>

#### Johnson Valley

The entire area known as Johnson Valley does not have a pressurized water system. The Agency states that it has approached the Johnson Valley community regarding the potential

<sup>29</sup> Unger, Rebecca. (2008, December 6). Bighorn Rates Pass. *Hi-Desert Star*.

for a future water system and that the community has responded in general that the implementation of a water system would be too costly in addition to fostering development. Population densities are so low that there are not enough customers to financially support the construction of a water system.

#### *Johnson Valley Water Hauling Station*

BDVWA operates and maintains four bulk water hauling stations. Three are connected to the pressurized water systems constructed by the predecessor agencies Bighorn Mountains Water Agency and Desert View Water District. One of the bulk hauling stations connected to the pressurized system is located on the east end of Johnson Valley at Bodick Rd. and Kickapoo Trail. Residents of the Johnson Valley community utilize this facility as well as others who utilize the Well No. 10 facility.

The fourth is a "standalone" water system located in Johnson Valley located within the boundaries of the predecessor Bighorn Mountains Water Agency. Johnson Valley has a standalone water hauling station supplied by a single groundwater well and a 10,000 gallon storage reservoir. The single well in the community was constructed from grant funding obtained by the County and the Agency now operates this well. This site serves approximately 41 residential self-hauling customers and approximately four commercial (licensed and unlicensed) water hauling customers who deliver water to an unknown number of customers. The Agency has no current plans to extend pipeline service to the Johnson Valley area. Population densities are so low that there are not enough customers to financially support the construction of a water line and appetent water system. The Agency states that redundancy in the Johnson Valley bulk system is needed and is seeking financial participation for an existing U.S. EPA STAG grant to conduct a hydro-geologic investigation in Johnson Valley to determine where a new well should be located.

The Agency has provided the following explanation of its actions regarding bringing a retail water system to Johnson Valley:

*Attempts to bring a pressurized water system were first evaluated in 1967 by Albert A. Webb & Assoc. on behalf of the proposed Johnson Valley County Water District Committee. The JV County Water District was never formed and eventually JV became part of the Bighorn Mountains Water Agency service area. Since that time the Agency has actively engaged in its mission to provide water to its service area. The following summarizes activities to date:*

- In 1994, a Community Development Block Grant was awarded and the Agency executed a Maintenance and Operations Agreement (No. 94-340) for the construction of a community well in JV. In 1995, an Addendum was issued to the original Agreement and the County Special Districts Department began construction of the well in 1996 and Notice of Completion was filed in 1998. The Agency committed contractually to operation and maintenance of the well for 10 years from the Notice of Completion. The ten year commitment has expired but the Agency continues to maintain Well No. 10.*
- In 2005, an EPA State and Tribal Assistance Grant was awarded which provided for 55% funding for Johnson Valley Hydrologic Investigation ("JVHI"). The basis for the award was to perform additional studies to better define the characteristics of the basin*



*for the benefit of the region. This project includes the construction of an 8-inch diameter test well.*

- In April 2007, the Agency received the final report entitled, Basin Conceptual Model and Assessment of Water Supply and Demand for the Ames Valley, Johnson Valley and Means Valley Groundwater Basins.*
- In 2008, the Agency received federal authorization under the Water Resources Development Act (WRDA) for \$15 million to assist in the construction of a water system in JV and to interconnect it with the existing B-zone of the Agency.*
- In December 2010, the Board of Directors authorized staff to proceed with completion of the JVHI using the EPA Grant funds remaining.*
- In April 2011, Board of Directors authorized staff to actively seek a willing property seller for the location of the JVHI test well.*
- In July 2011, Board authorizes purchase of 5-acres of real property for locating the JVHI test well.*
- In November 2011, Board of Directors authorizes the execution of a Professional Services Agreement with Daniel B. Stephens & Associates for the completion of the JVHI test well. The contract total is \$171,000 with EPA providing matching grant funds.*

The BDVWA does not consider hauled water to be an enterprise function of the Agency in the classic sense because it is obligated to operate under the conditions of the consolidation with respect to segregation of funds (Section 33305 of the Water Code, known and cited as the Desert View Water District-Bighorn Mountains Water Agency Consolidation Law). However, the Agency is interested in the overall cost to operate and maintain the bulk system to ensure rates and charges are fair and equitable across the Agency. Therefore, the Agency has set up subaccounts in the general ledger to track revenue from bulk water sales and direct expenses to the Bulk system. According to the Agency, in the future this procedure will add labor efforts and Agency overhead as well.

As mentioned, the lack of a pressurized water system results in either on-site wells or water hauling from the single well operated by the Agency. Adherence to the parameters outlined in the County Development Code will limit new development within the Johnson Valley area for the future as it has no current mechanism for providing an organized retail system for water delivery. Further, a review of the Agency's current water plans does not identify plans for a water system in the Johnson Valley even though Johnson Valley is within the boundaries of the Agency.

In February 2010, the Agency conducted a survey regarding community desires for water supply. The survey was mailed to all property owners in Tax Rate Areas 88015, 94036 and 94043. Three primary questions were asked and they were directed at any interest in pressurized water, an interest in a redundant bulk water supply, or a "do nothing" option. With a 30% return rate approximately 60% of the respondents expressed a desire for pressurized water service. The primary written comment was a question of cost. At two public hearings, the Agency has presented a task list for developing and completing a

pressurized water system in JV as well as outlining parcel identities, basic facilities needed and other features.

*Johnson Valley Improvement Association*

The Johnson Valley Improvement Association ("JVIA") operates a food facility at its community center. The JVIA community center was notified by the County Department of Public Health ("DPH") that it was not meeting the requirements of a Transient Non-Community Water System. In letters from the DPH to the JVIA from February 2011 and September 2011, the DPH states that hauled water is not a viable potable source for a food facility, and that the water system must be connected to an approved well.

As part of the 2011-12 budget process, the Board of Supervisors set aside an allocation for the five supervisorial districts to finance unbudgeted priority policy needs as identified by the Board throughout the fiscal year. One such project identified by the Third District involves providing financial assistance to JVIA to assist in funding for drilling and installation of a water well, tanks and storage, hood fire suppression system, kitchen equipment to include freezer and/or refrigerator, permits and fees for the Community Center. The Community Center and adjacent County Fire Station does not have access to retail water lines and has to rely on hauled water. In October 2011, the County and the JVIA entered into a contract for the distribution and use of the funds<sup>30</sup>.

The contract between the County and the JVIA reads that the funds would assist the Johnson Valley Community Center to become more self-sufficient; and assist the local Fire Station by acquiring, drilling and installing a water well, tanks and storage, a hood fire suppression system, and kitchen equipment to be used in those two facilities. The estimated cost for the project total was \$82,000 and this amount was provided to the JVIA by the County. According to the contract, all funds provided under this contract must only be spent on the acquisition, installation and completion of the project to provide water to the Community Center and Fire Station. In the event there are funds remaining after completion of the project, the JVIA may use remaining funds to purchase a generator, kitchen upgrades and other kitchen equipment. The JVIA has until October 1, 2012 to complete the project.

The Agency states that it informally attempted to assist the JVIA in finding an acceptable resolution to this issue, such as reverse osmosis treatment of the bulk water entering the facility, but the JVIA Board of Directors declined to formally seek the assistance from the Agency. The Agency has identified that it does not have issue with the JVIA having its own well, as it is entitled to its overlying groundwater rights, for its on-site water needs. The Agency has, however, expressed concern that the water produced from the well could be utilized off-site, as the JVIA is not a licensed public or private water purveyor (the only licensed retail water purveyor overlaying the Johnson Valley is the Agency). To allay these concerns, the contract includes the following, "Water from the well which constitutes the project may only be used for the Community Center's and Fire Station's internal use; water from the well may not be circulated or distributed for use in any manner outside the

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<sup>30</sup> Per adopted County policy, contracts under \$100,000 may be approved by the Purchasing Department and need not be approved by the Board of Supervisors at a public hearing.

Community Center and Fire Station except in the event of an emergency.” Further, Section 49 of the Agency’s Special Act prohibits the establishment of a competing water provider within its boundaries without the consent of the Agency. Therefore, the exportation of water from the parcel would be in violation of the contract and Bighorn-Desert View Water Agency Law.

At first glance, this may seem to be a governmental inefficiency – the County assisting in the acquisition of a local water source when the area is already under the retail water responsibility of the Agency. However, the contracted use of the water is for on-site purposes and is not intended as a source for off-site use such as water hauling. Further, this method serves the JVIA as property owner and community center patrons financially best because the drilling of the well is funded with a County grant and not paid by the property owners.

As mentioned above, the Johnson Valley community in general has expressed interest in a pressurized water system but that the implementation of a water system would be too costly. Population densities are so low that there are not enough customers to financially support the construction of a water system.

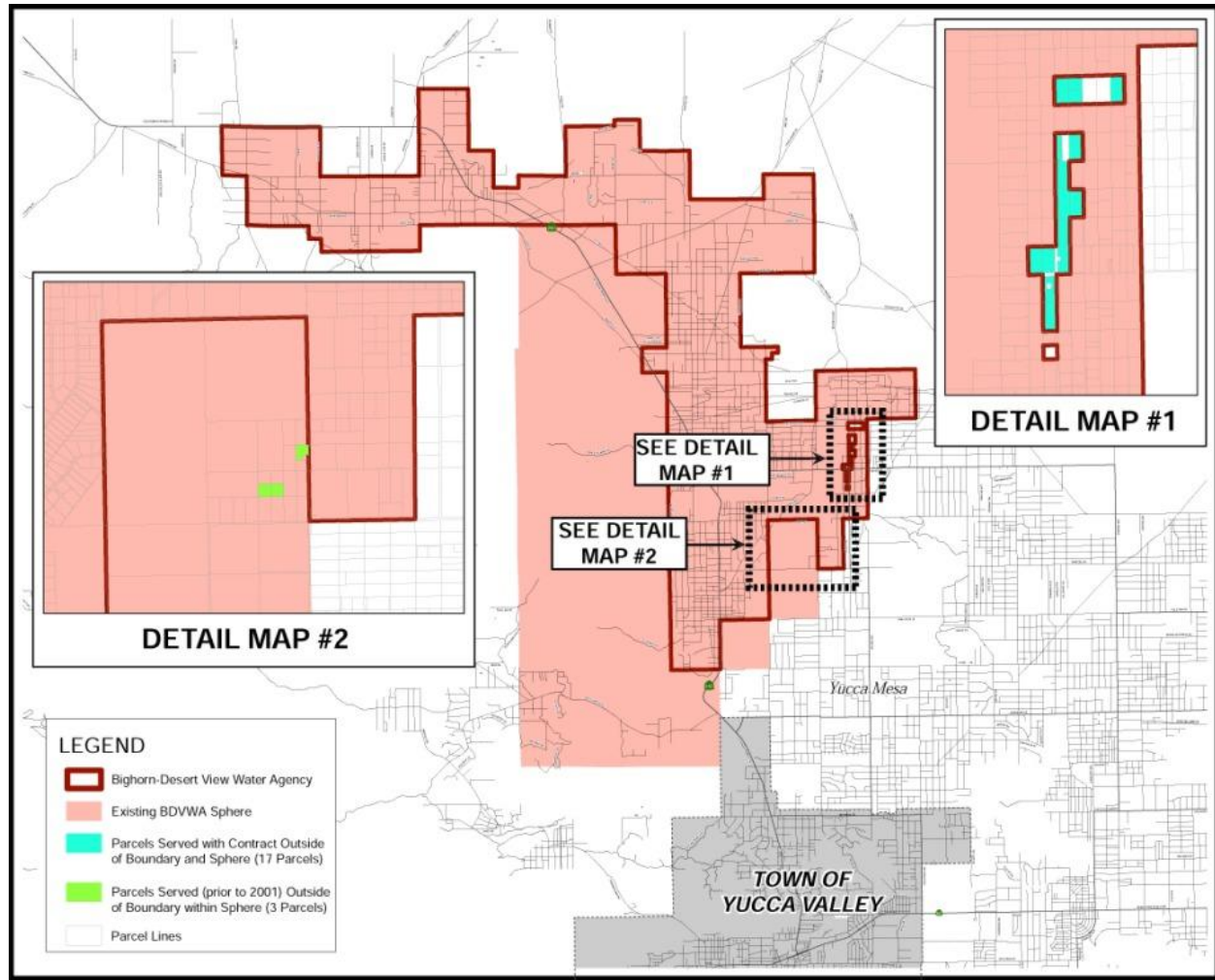
#### County Service Area 70 Zone W-1

In 1995 the Agency submitted a proposal to detach approximately eight square miles from its boundaries in the Landers area (LAFCO 2792) constituting the territory of CSA 70 W-1. Since the formation of CSA 70 W-1, there were a number of disputes between the residents served by CSA 70 W-1 and those served by the Agency. LAFCO 2792 was a means of resolving these periodic disputes. The justification for the application was that residents of CSA 70 W-1 received no specific benefits from the Agency but that CSA 70 W-1 residents voted on the Agency’s ballot measures, affected Agency board decisions, and the area could have representation on the Bighorn board. The Commission approved the proposal because it eliminated an overlap of similar-purpose agencies and could possibly lead to a less contentious relationship between the residents of the two agencies.

However, BDVWA was best suited to continue providing retail water to approximately 17 customers within the boundaries of CSA 70 W-1 because the CSA 70 W-1 system for that area deteriorated and could not provide adequate water service and pressure. The arrangement for this service is a contract between the Agency and the County (as the governing body for CSA 70 W-1) signed in December 1997 for the purpose of providing water service to specific properties located within the CSA 70 W-1 service area.<sup>31</sup> At this time, BDVWA does not charge a special rate to these customers that are outside of the Agency’s boundaries. The map below (refer to Detail Map #1) shows the location of the 17 parcels within CSA 70 W-1 that the Agency serves through a contract.

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<sup>31</sup> County Contract No. 97-1059



## Future Supply and Demand

According to the MWA 2010 Urban Water Management Plan, the local groundwater supply available to BDVWA is estimated to be 500 acre-feet. It is estimated that during the current planning horizon the population could increase by 49 percent. BDVWA will need between 749 and 829 acre-feet per year in order to supply its current and future customers (shown in first figure below taken from BDVWA 2007 Master Plan). The MWA 2010 UWMP further states that BDVWA will need facilities to produce about 2,388 gallons per minute to meet the maximum day plus-fire flow. Looking at the second figure below taken from the MWA 2010 UWMP indicates that the Ames Valley groundwater basin, where most of the pumping occurs, should have a safe yield of 900 acre-feet/year in normal and dry years.

Table 2.6 Present and Future Water Requirements Without Section 35					
Year	2006	2010	2015	2020	2025
Number of Connections	1,582	1,742	1,942	2,142	2,342
Annual Requirement (af/yr)	506	557	621	685	749
Average Day (gpm)	314	346	385	425	465
Maximum Day (gpm)	847	933	1,040	1,147	1,254
Peak Hour (gpm)	1,356	1,493	1,664	1,836	2,007
Maximum Day Plus Fire Flow (gpm)	1,847	1,933	2,040	2,147	2,254

TABLE 3-11 MORONGO BASIN/JOHNSON VALLEY AREA GROUNDWATER BASINS SUPPLY RELIABILITY			
Anticipated Supply	Normal Year <sup>(a)</sup> (afy)	Single-Dry Water Year (afy)	Multiple Dry Water Year (afy)
<b>Regions</b>			
Ames Valley <sup>(b)</sup>	900	900	900
Johnson Valley <sup>(c)</sup>	900	900	900
Means Valley <sup>(c)</sup>	20	20	20
Copper Mountain Valley/Joshua Tree <sup>(d)</sup>	200	200	200
Warren Valley <sup>(e)</sup>	100	100	100
<b>Total</b>	<b>2,120</b>	<b>2,120</b>	<b>2,120</b>
<b>Notes:</b>			
(a) To avoid double counting with MWA's demand forecast model which includes return flows from septic tanks, this normal year has been calculated as the safe or perennial yield of the basin and does not include return flows in the safe yield calculation.			
(b) Todd Engineers is completing a "Hydrogeologic Feasibility Study and Groundwater Management Plan for the Ames/Reche Project" for the Bighorn Desert View Water Agency, in 2011, that will better define the Ames Valley perennial yield. The perennial yield of 900 afy shown above represents subsurface inflow/recharge to the region only and no return flows are included.			
(c) Source: "Basin Conceptual Model and Assessment of Water Supply and Demand for the Ames Valley, Johnson Valley, and Means Valley Groundwater Basins", April 2007, Kennedy/Jenks/Todd. Tables in ES.			
(d) USGS Nishikawa, Izbicki et al., 2004.			
(e) USGS Nishikawa, Densmore et al., 2003.			

In April 2007, BDVWA adopted the Bighorn-Desert View Water Agency Water System Master Plan ("WSMP"). The master plan identified the following deficiencies in the existing infrastructure: heavy reliance on 6-inch and 8-inch water mains which do not provide adequate fire flow; inability of most reservoirs to refill overnight after a 500-gallons-per-minute (gpm) fire; need for spreading grounds for groundwater storage and recovery; a groundwater management plan and the inefficient operation of portions of the system. Once the deficiencies were identified, the Agency prepared the Bighorn-Desert View

Water Agency Water Infrastructure Restoration Program ("WIRP"). The WIRP outlines specific system improvements to remediate these deficiencies.

Two WIRP projects that are near completion include a Groundwater Management Plan ("GWMP") and the Ames Valley Recharge Project. Local groundwater is currently the sole source of its water supply, but BDVWA has annual nine percent capacity from the Morongo Basin Pipeline and may purchase State Water Project ("SWP") water from MWA. Although the infrastructure needed to deliver SWP water to the Ames Valley region already exists, additional facilities are needed to convey imported SWP water to spreading grounds for recharge, storage, and subsequent recovery. A Feasibility Study, including a groundwater model, is scheduled for completion in 2012 which will document the ability to store and recover SWP water in the basin. This document will also outline the ability of water to be routed to Pioneertown (CSA 70/W-4) enabling the area to supplement its groundwater supply.

BDVWA is the Lead Agency for the WIRP and the GWMP, but the implementation also includes other participating agencies. MWA is a financial participant, while Hi-Desert Water District and County Service Area 70 are cooperative partners who will benefit through participation in the groundwater storage and recovery program. The GWMP will address the purchase of SWP water for recharge and pumping restrictions in the event that overdraft conditions are not controlled.

#### Ames Valley Recharge Project

The proposed Ames Valley Recharge Project will deliver SWP water to the Ames Valley for recharge at the Pipes Wash Spreading Grounds to mitigate historical overdraft conditions in the Region. This project was originally identified as the Ames/Morongo Valley Recharge Project in the MWA 2004 Regional Water Management Plan, but since recharge is occurring only in the Ames Valley, it is also referred to as the Ames Valley (or Reche) Recharge Project. This report will refer to it as the Ames Valley Recharge Project. The recharge project will serve water agencies using groundwater in the basin including BDVWA, HDWD, and CSA 70 (through its zones W-1 and W-4). BDVWA, in cooperation with MWA, is implementing the project, which consists of a feasibility study, approximately 0.75 miles of conveyance pipeline to connect to the Morongo Basin Pipeline, recharge to the Pipes Wash, and the installation of monitoring wells. The initial recharge capacity is planned at 1,500 AFY. A map of the spreading grounds and pipeline connection is included as a part of Attachment #2.

The project envisions the banking of water from the State Water Project. Each participating entity would accrue water in a water storage account. The water would be purchased, and percolated into the groundwater basin. There would be no restrictions on the use of that water and inter-entity transfers could occur as well. This project is intended to mitigate impacts from over pumping of the Ames Valley Basin, provide for beneficial use of water and insure the conjunctive use of local groundwater and imported water from the State Water Project.

The proposed project will utilize an Environmental Protection Agency State and Tribal Assistance Grant (grant) to complete tasks associated with environmental proceedings for

the WIRP and the Ames Valley recharge basin. Additionally, the Agency and MWA have executed a memorandum of understanding to secure the 45% matching funds for the remainder of the grant as well as MWA pledging up to \$1 million to construct the project. According to the Agency, at this time the project is expected to be operational by July 2012.

### **III. Financial ability of agencies to provide services.**

For this report, staff has reviewed the Agency's budgets and audits, State Controller reports for special districts, and County filing records. The first three sections of this determination review activities that relate to the two predecessor districts. The remaining sections review the financial ability and requirements of the Agency.

#### **Net Assets and Property Tax Assessments**

According to the Agency's financial statements, the bond resolutions of the Agency and those of its predecessor districts contain provisions that require the tracking of certain operational funds with respect to the geographical areas of the two predecessor districts. The following is a description of this matter taken from the FY 2009-10 financial statements.

*Prior to fiscal year 2010, the Agency took the position that property tax assessments associated with each predecessor district were restricted solely for the payment of principal and interest associated with the debt of that predecessor district.*

*However, legal research conducted in fiscal year 2010, disclosed the following:*

*Section 9 of the Resolution No. 174 of the Bighorn Mountains Water Agency dated June 21, 1977 states: "The Board of Directors, so far as practicable, shall fix such rate or rates for water in Improvement District No. 1 as will result in revenues which will pay the operating expenses of the improvement district, which provide for the operating expenses of the improvement district, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on the bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due. If the revenues of the improvement district will be inadequate for any cause to pay the expenses set forth above, the Agency must provide for the levy and collection of a tax sufficient to raise the amount of money determined by such Board of Directors to be necessary for the purpose of paying such charges and expenses as set forth above and the principal and the interest on the bonds as the same become due."*

*Similarly, Section 5.11 of Resolution No. 304 of the Desert View Water District provides that revenues of the Agency will be used to pay "any reasonable and necessary maintenance and operation costs of the Enterprise."*

*Section 33305 of the Desert View Water District-Bighorn Mountains Water Agency Consolidation Law and Section 31012 of the County Water District Law provide as follows:*

- a) *All funds derived from the operation of the former district system shall be separately accounted for and used exclusively for the purposes of maintenance, operation, betterments, and bond debt service of the acquired system.*
- b) *No funds derived from the former district system shall be used for any other such purpose until all debt of that former system has been paid in full or until a former system has authorized such other expenditures.*

*The above restrictions remain in effect until a vote of the electorate of each predecessor district authorizes differently.*

*Based on the language above, legal counsel has concluded that all revenues (not just property tax levies) of each predecessor district are restricted for the expenditures of that district. It was also determined that qualified uses of such restricted revenues include the operating expenses (not just principal and interest payments) associated with that district.*

*As of June 30, 2011, the portions of net assets associated with this restriction are as follows:*

Bighorn Mountains Water Agency ("Bighorn"):	
Invested in capital assets, net of related debt	\$ 2,302,548
Resources restricted for Bighorn	<u>(182,214)</u>
Total Bighorn Mountains Water Agency	\$ 2,120,334
 Desert View Water District ("Desert View")	
Invested in capital assets, net of related debt	\$ 1,028,625
Resources restricted for Desert View	<u>1,164,613</u>
Total Desert View Water District	\$ 2,193,238

LAFCO Resolution No. 2255, approving the consolidation of the two predecessor agencies, conditioned that the indebtedness of each district remain the legal obligation of only the lands and areas which incurred such indebtedness, and that improvement districts of each entity shall be the improvement districts of the consolidated agency. Additionally, LAFCO staff's review of the legislation allowing for the consolidation identifies specific reference regarding the use of the revenues from the predecessor districts and identifies that it can only be changed when "until a former system has authorized such other expenditures". That would mean that the funds from the former districts would have to be used within the former territory and separately accounted. Whereas the separation may be inefficient, the law requires it until the Agency takes the matters to the voters.

The Agency has identified to LAFCO that it acquired new legal counsel since the completion of the FY 2009-10 audit, and the legal counsel is currently reviewing this matter. Questions at this time generally revolve around how the Agency should operate its finances. Would keeping the separate books increase expenses as the staff workload and operational activities are tracked and then split accordingly? Would this lead to a different rate structure



with a single administration operating and tracking essentially two different systems? At this time, the Agency is not taking any action until a proper analysis can be undertaken.

#### Long-Term Debt

The Agency is presently repaying two bond issues: (1) the 1979 Bighorn Mountains Water Agency General Obligation Bonds; and (2) the 1980 Desert View Water District Revenue Bonds. Additionally, the Agency has also entered into an agreement with Mojave Water Agency for Construction, Operation and Financing of the Morongo Basin Pipeline Project. Each of these bond issues and the agreement with Mojave Water Agency includes a series of covenants to which the Agency, or its predecessors, has agreed. One of the covenants in each issue is that the Agency will, at a minimum set its rates in a manner to provide sufficient revenue to cover operating costs, pay the principal and interest due on the bond installments, pay the annual payment required by the agreement with Mojave Water Agency, and have a specified coverage. The 1980 Desert View bonds have a coverage requirement of 20% over the annual principal and interest payment, while the agreement with Mojave Water Agency requires additional coverage of 25% over the annual principal and interest payment.

<b>(4)    <u>Long-term debt</u></b>	
Bonds Payable:	
	<u>June 30, 2011</u>
General obligation bonds:	
Original issue \$1,875,000, 5%, maturing in 2019; secured by tax levy revenues	\$ 702,000
Water revenue bonds:	
Original issue \$700,000, 5%, maturing in 2019; secured by a pledge of all revenues	286,977
Improvement District 71-2 bonds:	
Original issued \$275,000; 7%; matured July 2, 1988	<u>2,000</u>
Total bonds payable	990,977
Less portion due within one year	<u>(100,000)</u>
	<u><u>\$ 890,977</u></u>

For the year ended June 30, 2010, the aggregate debt service coverage of the Agency was approximately 77%. Future debt service of the Agency through 2019 is \$1,085,977.

The Agency expects debt service coverage to be comparable to that of the current year throughout the period to which the coverage requirement applies.

Future long-term debt maturities are as follows:				
<u>Year Ending</u> <u>June 30</u>	<u>General Obligation Bonds</u>		<u>Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	74,000	35,100	26,000	14,530
2013	77,000	31,400	28,000	13,250
2014	81,000	27,550	29,000	11,850
2015	85,000	23,500	31,000	10,400
2016	89,000	19,250	32,000	8,850
2017	94,000	14,800	34,000	7,250
2018	98,000	10,100	35,000	5,550
2019	104,000	5,200	37,000	3,800
2020	-	-	34,977	1,950
Total	<u>702,000</u>	<u>166,900</u>	<u>286,977</u>	<u>77,430</u>

The Pledge of Revenues and Funds of the 1980 Desert View Water District Revenue Bonds (the "pledge") requires that a Reserve Fund be established to further secure the payment of the principal of and interest on those bonds. Pursuant to the pledge, the balance of this Reserve Fund is to be maintained at the average of all future payments. As of June 30, 2011, the Agency has sufficient reserves to meet this requirement.

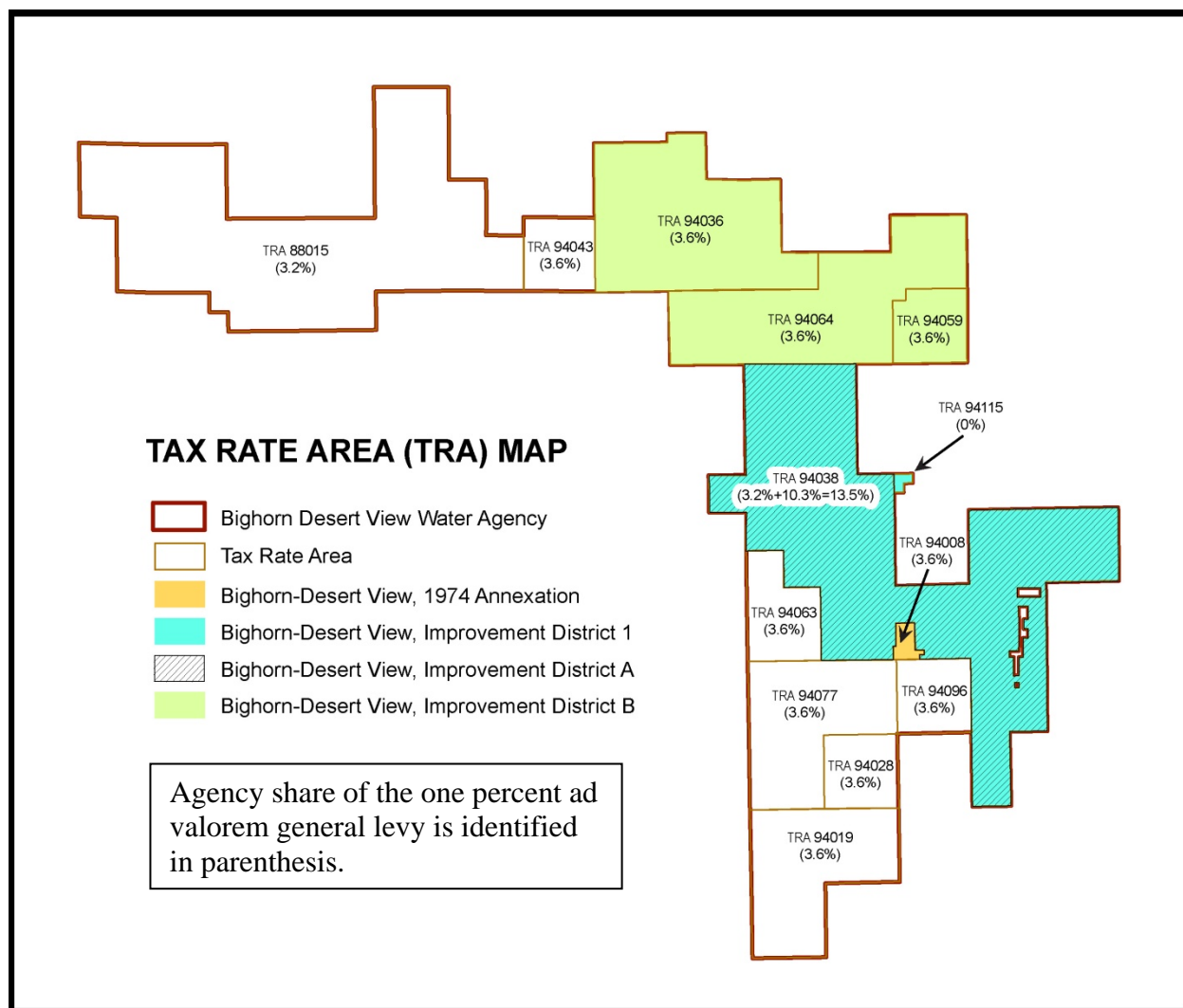
#### Tax Rate Areas

The State Board of Equalization (BOE) identifies five different taxing categories for the Agency, outlined below with an illustrative map following:

- Bighorn-Desert View Water Agency – this represents all of the 13 tax rate areas (TRAs) of the Agency. The Agency is assigned to receive a share of the one percent general levy from each parcel within its boundaries. The County classifies this tax share as GA01. The Agency does not receive a share of the one percent general levy from one TRA since it was annexed to the Agency post-Prop. 13 (there was no concurrent detachment from another agency so there was no tax transfer). The average share to the Agency from GA01 is 3.6% of the general levy.
- Bighorn-Desert View, 1974 Anx. (BLO) – This territory was annexed into the Agency in 1974 (pre-Prop 13) and was assigned a separate TRA by the BOE at that time as a result of the annexation. It appears that there is no need for a separate category. Therefore, the Agency can request that the County remove this separate category in order to clean up the tax rolls.
- Bighorn-Desert View, Imp. 01 – The voters within this territory approved a bond proposition to "issue general obligation bonds for its Improvement District 1 for \$2,500,000 for the purpose of acquisition/ construction/ completion or repair of a waterworks system ... for the benefit of Improvement District 1 (Resolution No. 121

adopted June 21, 1977). County Assessor records indicate that the additional tax levy to pay the debt did not begin until FY 1978-79. The bonds are scheduled to mature in 2019.

- Bighorn-Desert View, Imp. A – There are no records available as to the purpose of Improvement District A. In FY 1977-78 (pre-Prop 13) Bighorn Mountains Water Agency levied a tax for Improvement District A. This was converted as a separate share of the one percent ad valorem in FY 1978-79 (post-Prop.13). Therefore, the Agency receives two shares of the one percent general levy from those within this territory (comprising only one, although large, TRA). The County classifies this second tax share as GA02. The average share to the Agency from GA01 is 3.6% of the general levy, and the share to the Agency from GA02 is 10.3%. Roughly 31% of the assessed valuation of the Agency comes from this TRA. Therefore, this second share of the general levy generates significant additional revenue for the Agency.
- Bighorn-Desert View, Imp. B. In 1981, Agency Resolution 200 formed Improvement District B to finance an engineering study for a domestic water system. It is believed that voter approval of the tax to pay for the study raised \$50,000. There is no current additional tax associated with for these three TRAs. It is clear that the use for this improvement district is extinguished. Therefore, the Agency can request that the County remove this separate category in order to clean up the tax rolls.



### Net Assets and Fund Balances

In reviewing the Agency's financial documents, net assets have increased by 22% since FY 2006-07 as shown on the chart below. As of June 30, 2010, the Agency had \$4.3 million in net assets. Not including capital assets value and debt, the Agency had roughly \$982,399 in restricted funds. Of concern is the lack of any unrestricted assets, which for a water agency can provide for unanticipated occurrences.

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>Net Assets</b>					
Invested in capital assets – net of related debt	2,619,161	2,816,559	2,546,637	3,087,501	3,311,173
Restricted	442,820	0	940,679	766,463	982,399
Unrestricted	403,128	423,169	0	0	0
<b>Total Net Assets</b>	<b>\$3,537,109</b>	<b>\$3,269,728</b>	<b>\$3,487,316</b>	<b>\$3,853,964</b>	<b>\$4,313,572</b>

Considering net assets does not indicate if an agency has enough fund balance to operate short and long-term operations. The chart below shows cash flow activities for the past five fiscal years. During this time, the decline and rise of total cash flow corresponded with the receipt of grants, increase in water rates, improvements, and decline and increase of water sales. For FY 2008-09, four substantial reasons contributed to the slowing of losses: water rate increases, identifying customer accounts that were not being charged the basic connection fee, reduction in staff, and additional reductions in expenses.

For FY 2009-10, the increase is generally attributed to a \$105,324 increase in basic surcharge revenue due to identification of accounts that had not been paying (first full year), and significant revenue in form of an EPA grant for the Ames Valley Recharge Project (\$232,343 earned in 2010 for costs incurred through the fiscal year).

	2006-07	2007-08	2008-09	2009-10	2010-11
<b>NET CASH FLOW FROM:</b>					
Operating Activities	\$137,223	\$(112,047)	\$19,735	\$245,237	\$79,950
Non-capital Financing	88,604	108,998	113,960	113,732	95,783
Capital & Related Financing	(368,449)	(291,028)	(211,902)	(48,298)	(121,464)
Investing	43,371	28,175	9,537	4,234	3,549
<b>NET INCREASE (DECREASE)</b>	<b>(99,251)</b>	<b>(265,902)</b>	<b>(68,670)</b>	<b>314,905</b>	<b>57,818</b>
<b>Total Cash Flow</b>	<b>724,068</b>	<b>458,166</b>	<b>389,496</b>	<b>704,401</b>	<b>762,219</b>

### Operating Revenues and Expenses

Operational Revenues (water sales) totaling over \$1.1 million comprise the majority of the Agency's revenue. Roughly a similar amount is spent on Operating Expenses (operations and maintenance, labor, and depreciation). For FY 2008-09 and FY 2009-10, Operating Expenses exceeded Operational Revenues by two percent, an amount not statistically significant. For FY 2009-10, the Agency experienced an increase in basic surcharge revenue by \$105,324 due to identification of accounts that had not been paying. Without this revenue, Operating Loss would have been greater. However, for FY 2010-11 Operating Expenses exceeded Operating Revenues by eight percent. The primary reasons for the net operating loss are due to a reduction in water sales in combination with an increase in general and administrative expenses.

### Non-Operating Revenues and Expenses

#### *1. Tax Levy: Property Tax*

Making up the operating loss and paying for debt and other expenses is primarily through the receipt of a share of the one percent general levy<sup>32</sup>, roughly \$104,000 per year.

<sup>32</sup> The Agency's financial statements classify the share of the 1% general levy as a part of "Tex Levy" under Non-Operating Revenue. However, the budgets separately identify the share of the 1% general levy under Operating Revenue.

In 1977-78, before Proposition 13, the Agency levied the following taxes, as identified in the County's 1977-78 tax rate book:

Bighorn Mountains (General Levy)	\$0.0000
Bighorn Mountains (Improvement A)	\$1.0000
Desert View (General Levy)	\$0.5285
Desert View (Bond, Land Only)	\$3.5906

Following Proposition 13, the Legislature enacted statutes to implement its provisions. Under these statutes, a local government's share of the one percent general levy was based on the property tax rate and any tax levied for bond debt going to that local government before Proposition 13 in relation to other agencies. The debt for Improvement District A has been retired and is not shown in the County Tax Rate book. LAFCO staff understands that the Agency's FY 1977-78 property tax rate and the tax rate for Improvement District A were converted into the Agency's share of the one percent general levy.

The FY 2010-11 County Tax Rate book identifies that the Agency receives a share of the one percent general tax levy and levies a tax for Improvement District 1 at a rate of \$0.2399 per \$100 of assessed valuation. The bond for Improvement District A has been retired and is not shown in the County Tax Rate book. However, FY 2009-10 was the first year within the past five years that experienced a decline in property tax revenues, which continued for FY 2010-11. This overall trend correlates with the stable number of active water meters during this time period.

#### Foreclosure Activity

Foreclosure activity has affected the nation in general and the Homestead Valley is no exception. The County of San Bernardino Assessor's Office has identified that 221 housing units have been foreclosed from 1994 to 2010 for the areas identified as Flamingo Heights, Landers, and Johnson Valley. From 2004 to 2006 the area had nine foreclosures. The number rose sharply to 26 in 2007 and escalated to 58, 60, and 68 for the next three years.

For the purposes of generally representing the extent of the foreclosure activity, LAFCO staff identifies that there are 2,479 total housing units within the Agency<sup>33</sup>. The foreclosure of 221 homes represents 9% of the household units within the Agency have been in foreclosure since 2004. Even with the current economic conditions, the long-term population trend remains – the Agency is projected to experience 104% growth through 2040.

Real property values have declined as a result of foreclosures and short-sale activity coupled with property owner requests for temporary reductions in assessed valuation under Proposition 8. These factors have been anticipated by the Agency in its budgets.

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<sup>33</sup> Source: County of San Bernardino Assessor parcel data.

2. Tax Levy: Bighorn Mountains service area - Improvement District 1

Those within the Bighorn Mountains Improvement District 1 ("BH ID 1") pay an assessment to generate revenue for the annual bond payment and a repair/refurbishment fund to maintain the BH ID 1 water system which was constructed with a fixed interest rate, forty-year general obligation bond (secured by tax levy revenues), purchased through the Farmers Home Administration (FHA).

According to the Agency's resolutions that set this tax, if the revenues of the agency or any improvement district are inadequate to pay the operating expenses of the agency, provide for repairs and depreciation, and to meet all obligations of the agency, then the Agency must provide for a levy to raise the amount of money determined for such purposes. The cited sections allowing for the levy are Sections 26 and 27 of the Agency's law.

Up until FY 2009-10, the Agency set the tax rate itself (for example \$0.21 per \$100 of assessed valuation). However, the tax roll is not static. Therefore, the Agency made educated guesses as to what rate to levy. This resulted in either a collection of either too much or too little to cover the required expenses. Realizing the difficulties in determining the correct levy rate, in FY 2009-10 the Agency changed its methodology and now requests that the County collect levy a tax at the rate necessary to raise the identified amount (for example \$125,900). This change in methodology has reduced the guessing game and provides for more clarity to the levy.

According to the Agency's annual adoption of the tax levy, the tax rate statement that accompanied the 1977 bond proposition discussed the impact of the bond proposition on property tax rates. This tax rate statement estimated that the property tax rates would be about \$4.70 per \$100 of assessed valuation in the first fiscal year after the bond sale and \$0.76 per \$100 by the 20<sup>th</sup> year after the bond sale.

Fiscal Year	ID #1 Net Valuation (Secured)	Debt Payable	ID #1 Tax Rate (per \$100 assessed valuation)	Revenue Budgeted	Budgetary Notes
2011-12	n/a	\$109,000	\$0.3100	\$175,900	Additional \$70,000 for replacement and refurbishment of Bighorn water system
2010-11	\$42,762,325	109,000	0.2399	125,900	Additional \$20,000 for replacement and refurbishment of Bighorn water system
2009-10	46,126,106	105,900	0.2274	125,900	Additional \$20,000 for replacement and refurbishment of Bighorn water system
2008-09	47,138,976	105,900	0.2100	106,315	
2007-08	43,327,983	105,900	0.2000	76,000	Used \$29,000 from Local Agency Investment Fund (LAIF) debt service reserves

Sources:

County of San Bernardino. Valuations-Tax Rates, Code Area Tax Rates, Bonded Indebtedness. For Fiscal Years 2007-08 through FY 2010-11.

Agency Budgets

The chart above shows the Improvement District 1 tax levy for the past five years. For comparison, the levy imposed in FY 2010-11 equated to approximately \$0.2399 per \$100 of assessed value (or a gain of \$125,900). In FY 2011-12 the levy is estimated at \$0.3100 (29% increase) per \$100 of assessed value based on \$175,900 identified by the Agency as the required amount. The breakdown of the \$175,900 required amount is:

- Annual principal and interest payments are approximately \$109,000. Payments will be made in FY 2011-12 according to the following schedule: December (interest only approximately \$17,500) and June (interest approximately \$17,500.00 and principal approximately \$74,000).
- Any additional funds collected, estimated at \$20,000, will be used for needed infrastructure improvements within BH ID 1.
- The additional \$50,000 was proposed and adopted in the FY 2011-12 budget to begin to close the deficit in net assets of the Bighorn Mountains service area against the Desert View service area as outlined in the FY 2009-10 Audit Report. The bond payments will conclude in 2019.

The Agency has identified that its independent auditors review the Agency's Improvement District 1 collections and the use of those funds for its debt and that the remaining funds collected are utilized within the boundaries of Improvement District 1.

3. *Mojave Water Agency Surcharge*

The Agency collects this surcharge on the water bill to fund the Agency's share of the debt service for the Morongo Basin Pipeline. This debt will be paid in full in 2021.

4. *Desert View service area - Surcharge*

Those within the Desert View portion of the Agency pay a \$9.30 bi-monthly surcharge to generate revenue for the annual bond payment for the Desert View Water District Revenue Bonds. This surcharge on the bi-monthly water bill generates roughly \$50,000 annually with an annual required payment of roughly \$40,500. The remaining amount is collected and used for needed infrastructure improvements within the Desert View Water System (Flamingo Heights area). The bond payments will conclude in 2019.

5. *Grant Revenue*

For FY 2009-10, the Agency received significant revenue in the form of an EPA grant for the Ames Valley Recharge Project (\$232,343 earned in 2010 for costs incurred through the fiscal year). This was one-time revenue and is not-reflective of annual activity.

6. *Standby charge*

The Agency currently does not receive a standby charge. This assessment was removed in 1998 by voter action.<sup>34</sup>

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<sup>34</sup> Measures Q, S, and T of the November 1998 election successfully removed the standby charges of the Agency. The assessments have not been reinstated.



The chart below taken from the FY 2010-11 financial statements shows the revenue and expenditure categories with respective amounts.

	2011	2010
<b>OPERATING REVENUES</b>		
Water sales	\$ 457,078	513,026
Water services	50,253	33,881
Basic surcharge	<u>595,583</u>	<u>597,680</u>
<b>TOTAL OPERATING REVENUES</b>	<b>1,102,914</b>	<b>1,144,587</b>
<b>OPERATING EXPENSES</b>		
Transmission and distribution	351,065	406,370
General and administrative	605,744	535,884
Depreciation	<u>239,331</u>	<u>229,766</u>
<b>TOTAL OPERATING EXPENSES</b>	<b><u>1,196,140</u></b>	<b><u>1,172,020</u></b>
<b>OPERATING INCOME ( LOSS)</b>	<b>(93,226)</b>	<b>(27,433)</b>
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest income	4,472	3,266
Tax levy	223,764	237,111
Desert View debt surcharge	50,206	50,345
Grant income	430,605	232,343
Gain/loss on disposal of asset	(38,832)	(1,170)
Other income/Expense	9,036	(4,099)
Interest expense	(51,309)	(50,461)
Mojave Water Agency pipeline interest (note 6)	(73,097)	(73,254)
Amortization of debt issuance costs	<u>(2,011)</u>	<u>-</u>
<b>TOTAL NON-OPERATING REVENUES (EXPENSES)</b>	<b>552,834</b>	<b>394,081</b>
<b>CHANGE IN NET ASSETS</b>	<b>459,608</b>	<b>366,648</b>
<b>NET ASSETS BEGINNING, JULY 1</b>	<b><u>3,853,964</u></b>	<b><u>3,487,316</u></b>
Prior period adjustment	<u>-</u>	<u>-</u>
<b>NET ASSETS ENDING, JUNE 30</b>	<b><u>\$ 4,313,572</u></b>	<b><u>3,853,964</u></b>

### Non-Agency Related Charges on Property Tax Bill

MWA DEBT 1 – Assessed by the Mojave Water Agency after voter approval. These funds are used primarily for the payment of debt service and maintenance in connection with the State Water Project (The California Aqueduct).

MWA DEBT 2 – Assessed by the Mojave Water Agency after voter approval. These funds are used primarily to supplement the MWA 1 tax and additionally provide funding for Mojave Water Agency administration.

MWA ID “M” – Assessed by the Mojave Water Agency after voter approval. These funds are used to fund 40% of the debt service for the pipeline extension from the California Aqueduct to the Morongo Basin (MWA Improvement District M).

### FY 2011-12 Budget

The FY 2011-12 Budget totals \$1,407,043 – an increase of \$84,147. However, the FY 2011-12 Budget identifies that \$91,647 from operational and non-operational revenue is available to allocate. Therefore, the two budgets are statistically similar. Nonetheless, there are a few noteworthy differences:

- Administration expense is increasing by 15% due to salary merit increases and the hiring of a new executive secretary at a higher starting pay than the previous employee as well as an additional 20% for overtime.
- Operating expense is decreasing by 16% due to the resignation of the field supervisor and no current intent for the Agency to fill the position.
- As for Non-Operating Revenue, the debt income to pay for the Bighorn FMHA loan is increasing by 40% to pay for infrastructure improvements and to close the deficit in net assets of the Bighorn Mountains service area.

Salaries and benefits for FY 2011-12 include seven full-time employees and no seasonal or temporary employees. The Field Supervisor position remains vacant and there is no intent to fill the position at this time.

Exec. Sec./Personnel Administration (1 position – filled FT)  
Accounting Technician II/Customer Service Rep. (1 position – filled FT)  
Customer Service Rep – (1 position –filled FT)  
Water Distribution II (2 positions – filled FT)  
Water Distribution I (1 position – filled FT)  
Field Supervisor (1 FT position – vacant, not actively recruiting)  
General Manager (1 position – filled FT)

In reviewing the Agency’s budgets submitted for this review, the budgets do not include at least one year’s worth of actual financial data, as recommended by the *Best Practices* of the Government Finance Officers Association. LAFCO staff recommends that for the future the Agency include at least one year’s worth of actual figures.

## Commitments

On March 15, 1991, the Agency entered into an agreement with the MWA to become a participant in the Morongo Basin Pipeline project. Under the agreement, the Agency was obligated to pay its project allotment percentage of the estimated fixed project cost commencing July 1, 1991. The payment made to MWA for the current year was \$73,524. The payments commencing June, 1996, and thereafter will be determined by MWA based upon various factors.

## Internal Control over Financial Reporting

The FY 2009-10 financial statements have identified significant deficiencies in the internal controls of the Agency. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The independent auditors noted the following matters that provide an opportunity for the Agency to enhance its existing internal controls. A detailed description of each matter with the auditor's recommendation and the Agency's comments are included at the back of the FY 2009-10 audit, included as Attachment #2).

1. Positive Pay - the Agency does not use positive pay. Positive pay is a process by which an organization's bank would be electronically provided a list of check numbers and check amounts that the bank would be authorized to allow to process for payment.

*The Agency has responded to LAFCO that the costs for positive pay are high in addition to concerns about the effect on customers. At this time, Agency staff has not taken this matter to a committee.*

2. Lock Box - The Agency does not use a "lock box" service (P.O. Box under the control of the Agency's bank) for collecting its revenues. A lock box service significantly reduces the risk of theft of funds by employees of the Agency.

*The Agency has responded to LAFCO that the Agency board rejected this recommendation based on cost and the fact that many customers pay at the office with checks and cash. Therefore, implementation of this expense does not eliminate this concern.*

3. Inventory Controls - The inventory custodian currently performs data entry for service orders that involve inventory requisitions. He also has system access rights to make adjustments to inventory records. Internal control is maximized when those persons that have physical access to inventory do not also have the ability to adjust the inventory data recorded in the system.

*The Agency has responded to LAFCO that implementation of recommendations 3 and 4 were implemented by staff without going to the board.*

4. Bank Reconciliations - Bank reconciliations of the Agency are performed by the individual that performs data entry for cash disbursements. Best practice provides that reconciliations be performed by individuals that are not involved in the creation of cash disbursements and that do not have direct or indirect access to the funds in the bank account.
5. Ethical Culture - New auditing standards recommend that organizations consider certain best practices to reinforce a strong ethical culture. Accordingly, the auditors recommended that the Agency consider inclusion of certain ethical conduct policies into its Employee Handbook.

*The Agency has responded to LAFCO that the policy recommendation for Ethical Conduct Policies were brought before the Board of Directors and approved as a revision to the Employee Handbook in April 2011.*

### Other Information

#### *Regular Audits*

Government Code Section 26909 requires all districts to provide for regular audits; the Agency conducts annual audits and meets this requirement. Section 26909 also requires districts to file a copy of the audit with the county auditor within 12 months of the end of the fiscal year. According to records from the County Auditor, the last audit received was in March 2011 for FY 2009-10.

#### *Pension and Post-Employment Benefits*

The District contributes to the California Public Employees Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California.<sup>35</sup> A review of the financial statements identifies that the Agency has a zero net pension obligation. The financial statements do not identify if there are any other Post Employment Benefits. However, the Agency states that there are no Post Employment Benefits offered to employees.

#### *Appropriations Limit*

Article XIII B of the State Constitution (Gann Limit<sup>36</sup>) mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section

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<sup>35</sup> According to the FY 2009-10 financial statements, the actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

<sup>36</sup> In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

9 of this Article provides exemptions to the appropriations limit, such as Section 9(a) provides exemption for debt service, and Section 9(c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of \$0.125 (12 ½ cents) per \$100 of assessed value for the 1977-78 fiscal year. According to the *County of San Bernardino 1977-78 Valuations/Tax Rates* publication (excerpt included as a part of Attachment #2), the tax rate for the two predecessor districts were as follows:

Bighorn Mountains (General Levy)	\$0.0000
Bighorn Mountains (Improvement A)	\$1.0000
Desert View (General Levy)	\$0.5285
Desert View (Bond, Land Only)	\$3.5906

Prior to consolidation the Bighorn Mountains Water Agency never established an appropriations limit based upon its lack of general levy. However, the general levy tax rate for Desert View for FY 1977-1978 was \$0.5285 per \$100 of assessed value. Being over the \$0.125 tax rate, at that time Desert View did not qualify for an exemption from the requirement of an appropriations limit and fulfilled this mandate through annual adoption. As a part of the LAFCO resolution approving the consolidation of the two predecessor districts in 1990, LAFCO imposed the condition that the appropriations limit of the consolidated agency, if any, shall be the aggregate appropriations limits of the two agencies (a copy of the resolution is included as Attachment #2 to this report). Therefore, in the years following consolidation, the Agency was required to annually set an appropriation limit in compliance with Article XIIIB of the Constitution and implementing legislation contained in Government Code Section 7910 and the Agency's audits were required to review and ascertain its accuracy.

The District has indicated in the materials submitted to LAFCO that it has relied upon a legal opinion from its attorney that it was not required to comply with the provisions related to setting an appropriation limit based upon an analysis of the previous Bighorn Mountains Water Agency. LAFCO staff has identified its position that the conditions of approval for the consolidation clearly stated that it was required to do so and without an appropriations limit, the agency is not authorized to expend the proceeds of ad valorem property taxes. The Agency indicated at the meeting held on December 6 that it is reviewing this determination further and will provide a further response.

#### **IV. Status of, and opportunities for, shared facilities.**

The agency's intertie with Hi-Desert Water District ("HDWD") is currently disconnected and isolated from cross-connection. The pump was removed many years ago. According to the Agency, with minimal effort a connection could be made whereby the Agency could receive water via gravity flow from HDWD. However, more work would be needed for the Agency to pump water into HDWD's system. The two agencies are actively seeking a new, permanent emergency intertie solution. In addition, the Agency has the ability to "high line" a connection between fire hydrants to create an emergency intertie with CSA 70 Zone W-1.

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

**A. Government Structure and Accountability for Community Service Needs**

**Current Board Composition**

The BDVWA is an independent special district governed by a five-member board of directors elected at-large. Membership elections are held in odd years as a part of the consolidated November election. A review of records available through the County Registrar of Voters identifies an election for director membership has been held every two years since at least 1997.<sup>37</sup>

As a result of the November 2011 elections, the board is composed of the following, effective December 2011 along with board positions:

Board Member	Title	Term	Elected/Appointed
Terry Burkhart	President	2013	Elected full term
Vacant *		2013	To be appointed in lieu of election - short term
Judy Corl-Lorono	Director	2013	Elected short term
Michael McBride	Director	2015	Appointed (ran unopposed)
David Larson	Director	2015	Appointed (ran unopposed)

\* The director-elect from the November 2011 election neglected to file his Oath of Office by noon December 2<sup>nd</sup> as required by the Election Code and the position was subsequently declared vacant by the remaining Board members on December 8, 2011. The Board then acted to appoint a new director for which advertising has begun, again in accordance with the Election Code.

Regular Board Meetings are scheduled at 6:00p.m. on the fourth Tuesday of each month. The location of the meetings is not at the Agency office at 622 South Jemez Trail; rather meetings are held at 1720 North Cherokee Trail in Landers at the former Bighorn office. Standing committees include the Finance/Public Relations/Education/Personnel Committee and the Planning/Engineering/Legislative/Grant/Security Committee. Each committee meets bi-monthly. Additionally, a member of the Board is also appointed to the Morongo Basin Pipeline Commission.

**Board and General Manager Turnover**

As stated in the introduction to this service review portion of this report for the Agency, LAFCO has adopted the Governor's Office of Planning and Research (OPR) Municipal Service Review Guidelines by reference for its use during the conduct of service reviews. The Guidelines read that in evaluating an agency's local accountability and governance structure, LAFCO may wish to address agency representatives in its review.<sup>38</sup>

<sup>37</sup> [http://www.co.san-bernardino.ca.us/rov/past\\_elections/](http://www.co.san-bernardino.ca.us/rov/past_elections/) Accessed October 26, 2011.

<sup>38</sup> OPR Guidelines. Page 42, item 9.3.

### *Board Members*

Up until 2007, the bi-annual election was typical with other special districts with five member boards – with either two or three candidates running each year with modest director turnover. However, at the August 2007 election the voters successfully recalled three members with the regularly scheduled election taking place three months later in November. The past four elections have had 13 seats open with eight changes in membership, representing a 62% election turnover rate (77% turnover rate when adding appointments). Taking into account 13 open seats and seven seats not up for election, the overall turnover rate has been 54% since August 2007.

<b>Election</b>	<b>Seats open</b>	<b>Newly elected/appointed</b>	<b>Voter turnout</b>
Aug 2007	3	3 elected	45%
Nov 2007	2	1 elected	15%
Nov 2009	4	3 elected (2 resigned, replaced by appointments)	26%
Nov 2011	4	1 elected	25%
<b>TOTAL</b>	<b>13</b>	<b>10 total (8 elected with 2 appointments)</b>	

Whereas a modest turnover is natural and even healthy, the high turnover rate coupled with low voter turnout is a cause for concern. In a recent edition of its report, *What's So Special about Special Districts*, the state Senate Local Government Committee states that the, "narrow and technical nature of a district's activities often results in low civic visibility until a crisis arises."<sup>39</sup> The August 2007 recall election had a 45% voter turnout. However, the past three elections have had voter turnouts of 15%, 26%, and 25%<sup>40</sup>. The high turnover and low voter turnout has resulted in the two longest tenured board members being elected in 2007. The three other members were either elected or appointed since the 2009 election.

### *General Managers*

The employee leadership has also experienced a high turnover rate within the past ten years. In that time, there have been six general managers (nine since 1998) in charge of the Agency's operations, administration, and policy implementation.

In general, a high turnover rate of elected members in conjunction with general manager turnover could produce a lack of continuity and institutional knowledge, possible missteps in administrative compliance, and the resetting of the learning curve with each turnover. This agency continues to operate without an appropriation limit and has not segregated the operations and funds of the two predecessor agencies. This service review cannot offer a remedy for this occurrence other than to point out that a reduced turnover rate of elected membership and employee leadership would, in the Staff opinion, result in increased steady direction for the Agency.

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<sup>39</sup> California Senate Local Government Committee, *What's So Special about Special Districts?*, Fourth Edition, October 2010.

<sup>40</sup> However it should be noted that the elections conducted by the County Registrar of Voters for November 2007 and November 2009 had a grand total turnout of 13%, 10%, and 10%, respectively.

## Brown Act

The OPR Guidelines read that in evaluating an agency's local accountability and governance structure, LAFCO may wish to address in its review an agency's compliance with state disclosure laws and the Brown Act.<sup>41</sup>

Within the past four years, the Agency has been notified by the Office of the District Attorney, County of San Bernardino that it has violated the Brown Act<sup>42</sup> (open meeting law). First, in 2007 County prosecutors strongly criticized the board for repeatedly violating the Brown Act, especially its refusal to address public concerns over secret meetings<sup>43</sup>.

Second, the District Attorney's Office in March 2011 responded to Agency legal counsel regarding a Brown Act violation stemming from a complaint that the Agency Board approved four items of compensation for an Agency officer without providing notice of its actions. A copy of the letter is on file at the LAFCO staff office.

According to the District Attorney's letter, the Agency noticed and held a closed session meeting regarding the officer's evaluation, and at the open session meeting announced that the officer received a favorable review and the Board voted on compensation items. Based on the below items, the District Attorney's letter identifies its opinion that the Board's actions were a violation of the Brown Act.

- §54957(b)(4) expressly states: "Closed sessions held pursuant to this subdivision shall not include discussion or action on proposed compensation except for a reduction of compensation that results from the imposition of discipline." In other words, there are statutes that require compensation to be called out on an open session agenda even when an evaluation of the same employee<sup>44</sup> is noticed for the closed session portion of the same meeting.
- Discussions about the salaries of non-elected officers must be discussed in open session. Gov. Code §54954.2(a) specifically states that the agenda must describe "each item of business" to be discussed or transacted. Hence, the statute plainly requires that compensation be called out specifically on the agenda if it will be discussed at the Board meeting.
- In San Diego Union v. City Council of the City of San Diego (1983) 146 Cal. App. 3d 947, the court expressly held that compensation must be discussed – *and properly noticed* – in an open session. Hence, San Diego Union clarifies that after an evaluation of a public employee is held in a closed session; compensation of that employee must be discussed in "a *properly noticed*, open session."

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<sup>41</sup> OPR Guidelines. Page 42, item 9.1.

<sup>42</sup> Gov. Code §54950et seq.

<sup>43</sup> Nelson, Joe. "Desert water agency accused of violating open meeting law", *San Bernardino Sun*. 17 March 2007.

<sup>44</sup> Gov. Code §54957(b)(4) states that the term "employee" shall include an officer or an independent contractor who functions as an officer or an employee but shall not include any elected official, member of a legislative body or other independent contractors.



The letter further identifies the Agency's statement that in the future the Board will provide separate notice on the open session agenda when employee compensation is to be considered even if notice of consideration of an employee's evaluation is also placed on the same agenda for closed session. Based upon the Agency's statement that it will not repeat its above-described actions, the District Attorney considered the matter closed.

Nonetheless, the District Attorney voiced concern about the Board's future compliance with the Brown Act since the Board failed to admit a violation. Therefore, the District Attorney recommended that the current Board members obtain training on the requirements of the Brown Act. The Agency has responded to LAFCO staff regarding this recommendation, and state that Board members attended the Special District and Local Government Institute Brown Act, Public Records Act and Conflict of Interest Workshop, San Diego, CA June 2011.

The November 2011 election has resulted in new membership on the Board. LAFCO staff recommends that the Commission determine that the Agency should implement a policy that Board members obtain periodic training on the requirements of the Brown Act.

## **B. Operational Efficiencies**

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

- Mojave Water Agency (MWA) provides professional guidance and services to BDVWA in areas such as geohydrology, engineering, and grant assistance. MWA also advises on and provides technical support towards project grant applications.
- The Agency is a member of the Special District Risk Management authority (SDRMA), a Joint Powers authority, which provides medical benefits, property and liability insurance and workers compensation insurance to the Agency as well as safety and loss prevention services.
- The Agency is a member of the Association of California Water Agencies (ACWA), a statewide non-profit Joint Powers Insurance Authority with a mission to assist members in the areas of leadership, advocacy and information. In addition, ACWA-HBA (Health Benefits Authority) provides dental, vision and life insurance benefits to all Agency employees.
- The Agency is a partner, through MOU, in the Morongo Basin Alliance for Water Awareness and Conservation ("AWAC"). The mission of AWAC is to promote the efficient use of water and increase the communities' awareness of conservation as an important tool to help ensure an adequate water supply.
- The Agency works closely with the Open Space Group, a collaborative effort between all of the towns, the Morongo Basin Open Space Group, the U.S. Marine Corps, Joshua Tree National Park, Mojave Desert Land Trust, Defenders of Wildlife, and the Wildlands Conservancy among others.

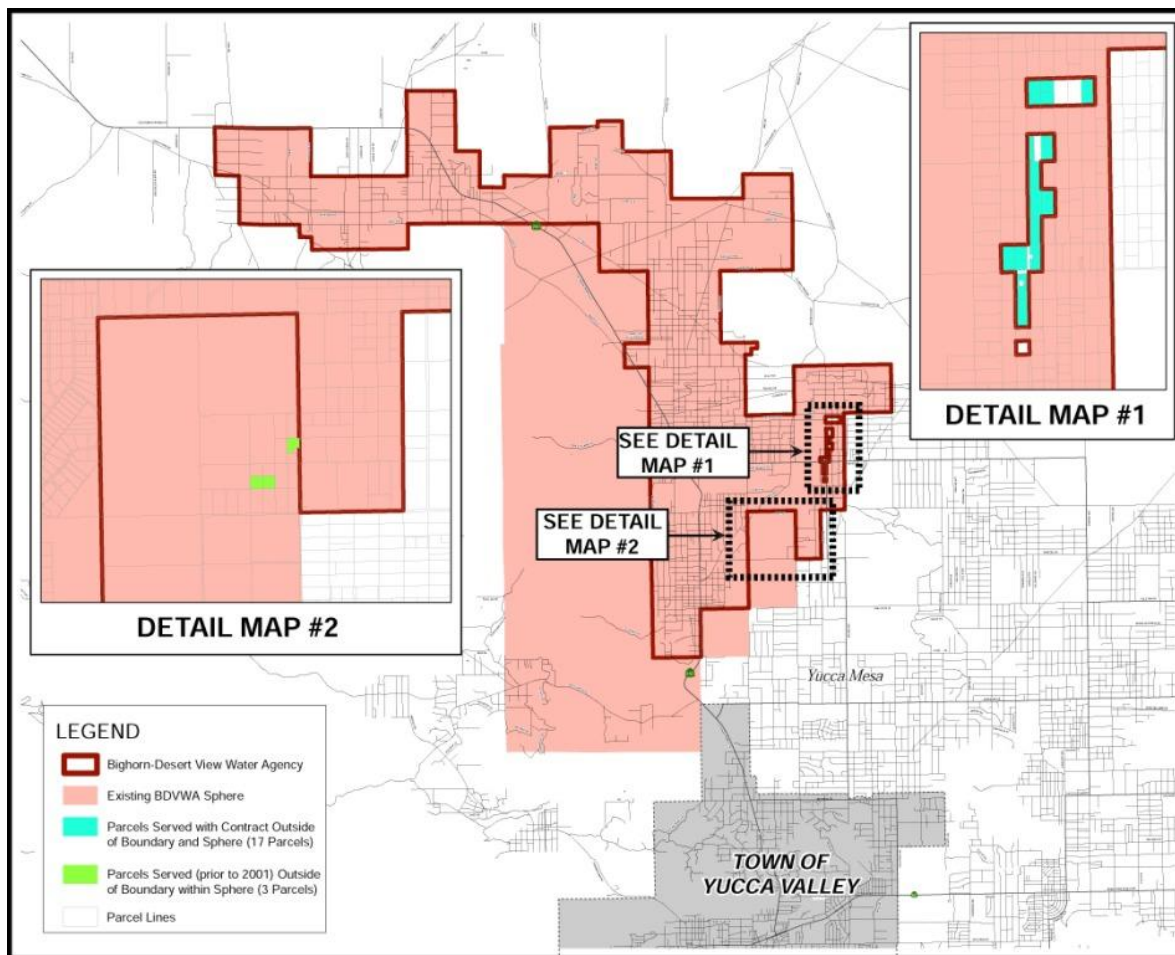
### **C. Government Structure Options**

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, LAFCO is charged with the responsibility for reviewing and taking action on any city or district contract to extend service outside of its jurisdiction. Correspondence from the District in 1994, on file at the LAFCO office, identifies that the Agency did not have any out-of-agency service contracts at that time. However, amendments to Section 56133 (subsection e) effective January 2, 2002, indicate the provision of this subsection do not apply to an extended service that a city or district was providing on or before January 1, 2001. For this review, the Agency has notified LAFCO that it serves three connections outside of its boundaries located in Section 24. Agency records identify that service was provided before 2001, and therefore further review by LAFCO is not required. The map below (refer to Detail Map #2) shows the location of the three parcels that the Agency served prior to January 1, 2001.



BDVWA provides retail water outside of its boundaries to approximately 17 customers within the boundaries of County Service Area 70 Zone W-1 (refer to Detail Map #1 shown above). The arrangement for this service is between the Agency and the County (as the governing body for CSA 70 Zone W-1) through a contract signed in December 1997. This contract is exempt from LAFCO review since it is solely between two public agencies. At this time, BDVWA does not charge a special rate to these customers that are outside of the Agency's boundaries. There are four additional parcels within this area that are undeveloped at this time. Service to these parcels by the Agency would require either: 1) an amendment to the December 1997 contract, or 2) an out-of-agency service contract approved by LAFCO since the four parcels are to be within the Agency sphere of influence.

As noted in the Water section of this report, Johnson Valley does not have a pressurized water system. Johnson Valley has a standalone water hauling station supplied by a single groundwater well and a 10,000 gallon storage reservoir operated by the Agency. This site serves approximately 30 residential hauling customers and approximately three commercial water hauling customers who deliver water to an unknown number of customers. The Agency has no current plans to extend pipeline service to the Johnson Valley area. Population densities are so low that there are not enough customers to

financially support the construction of a water line. At issue is if the water is hauled outside of the Agency's sphere of influence. Government Code Section 56133 limits the provision of service to within an agency's sphere. With a pressurized system with pipes in the ground, it is easy to ascertain the location of the recipient. However, with hauled water, it is difficult to ascertain the final destination from a hauler. Furthermore, this single well is the sole public source of water for the Johnson Valley. Given this circumstance, the Agency's parent law and policies do allow for water to be delivered outside of its boundaries. Section 15, Item 7, of the Agency's operating law does allow the Agency to sell water to anyone if it finds that there is a surplus of water above that which may be required by consumers within the agency. Expanding on Section 15, Item 7, the Agency's Rules and Regulations (Section 1.6 – Service Outside Agency Boundaries) provide a mechanism to supply bulk water to properties located outside of the Agency's boundaries.

### **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<sup>45</sup>. 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, a plan for service, fiscal impact analysis, and any other required studies.

- **Expansion of boundaries.**
  - In 1995 the Agency submitted a proposal to detach approximately eight square miles from its boundaries in the Landers area (LAFCO 2792). The Commission approved the proposal because it eliminated an overlap of similar-purpose agencies and could possibly lead to a less contentious relationship between the residents of the two agencies.

The current staff of the Agency has expressed desire to explore the option of returning this area to the boundaries of the Agency. At this time, the Agency serves 17 customers within the area through contract with the County. The Agency, residents, or landowners could submit an application to expand the boundaries of the Agency to the east to include the Goat Mountain area. Such

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<sup>45</sup> State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

an application would be processed to include the dissolution of CSA 70 W-1 with the Agency identified as the successor agency. The Agency would then be responsible for extending its services to the area, including continuing the services of the dissolved CSA 70 zone.

Including the area of CSA 70 W-1 would allow those that the Agency currently serves within the area the opportunity to participate in Agency elections and have a voice in Agency matters. The Agency would obtain additional tax revenue and be able to allocate any cost savings to all of its customers. Before the detachment, these properties were within the Agency's Improvement District 1 and contributed to the Improvement District 1 bond debt for the Bighorn water system. Currently, these properties outside of Agency's boundaries pay the same amount for the water but do not contribute to the debt repayment that provided funding for the water infrastructure.

- The Proposed Ames Valley Recharge Facility is located in the Pipes Wash area of Section 24 which is within the BDVWA Sphere of Influence. The Agency has stated that eventual annexation of this area as well as Sections 25 and 35 would be best to manage and protect the underlying water resources and promote continuity in institutional arrangements. Should any Agency facilities be located within these areas, annexation would provide the opportunity for the facilities to be removed from the tax rolls.
- Consolidation with one of the bordering water districts. Consolidation with the neighboring Joshua Basin Water District and/or Hi-Desert Water District would allow for economies of scale and allow for a more consolidated voice to address water issues and potentially future wastewater treatment issues. Given the historical sentiment in the areas, this option is unlikely at this time, even if it would pose benefits to the customers and citizens of the area.
- Wastewater Services provided by the Agency. There is no wastewater service in the area; all the properties are on septic systems. Should the Regional Water Quality Control Board require the community to install a sewer system to handle wastewater, the Agency would be best suited to provide wastewater collection and transportation.
- Joint Powers Agency for Sewer Treatment. The Mojave Water Agency ("MWA") is authorized by LAFCO an active sewer function (although it does not actively provide such a service at this time), and being a regional entity it could help shepherd the development of a regional wastewater treatment facility.

A similar situation occurred in the late 1970s in the Victor Valley region of the County. To meet the requirements of the federal Clean Water Act and provide wastewater treatment for the growing population, the communities of the Victor Valley requested that the MWA, being a regional entity, help shepherd the development of a regional wastewater treatment facility. In accepting the request, MWA was designated by the Lahontan Regional Water Quality Control Board as the responsible entity for the design of the Victor Valley Regional Wastewater Reclamation Project. A few years later, the communities of the Victor Valley

completed the creation of the joint powers authority, which became known as the Victor Valley Wastewater Reclamation Authority ("VWRA"). VWRA was expressly created for the purpose of providing the operation and management of the treatment of wastewater through a regional facility and the ultimate disposal of effluent and solids. On June 1, 1978, VWRA assumed the assets and authority for the Project, and MWA divested itself from the Project and the provision of sewer service.<sup>46</sup>

A similar response could occur in the Morongo Basin portion of MWA. In February 2010, the LAFCO Commission approved the Hi-Desert Water District's request to expand the service description of its sewer function in order to actively provide for development of a regional wastewater treatment plant. The District is undertaking a project titled "Hi-Desert Water District Water Reclamation Facility, Wastewater Treatment Plant, and Sewer Collection System Project". The project anticipates a treatment facility to treat the collected effluent within the project's boundaries. Both agencies, and more, could form a joint powers agency for treatment of wastewater from within each agency. In general, each agency would collect wastewater within its own boundaries through collection systems owned independently, and transport the collected wastewater to a regional treatment plant. Governance of the joint powers agency would be the participating agencies. Such an agreement could reduce duplication of treatment plants and provide the opportunity for economies of scale while maintaining the independence of each agency.

- Detachment of the Johnson Valley area from the Agency and formation of an independent Community Services District. The historical record reveals those within the Johnson Valley area expressing dissatisfaction with their water situation. Those within Johnson Valley directly (through special taxes) or indirectly (as a share of the general tax levy) pay for the State Water Project, Mojave Water Agency, MWA Improvement District M, and Bighorn-Desert View Water Agency. With all the payments, they still lack a pressurized water system. At this time, the Agency has no current plans to extend pipeline service to the Johnson Valley area. However, population densities are so low that there are not enough customers to financially support the construction of a water system.

In this scenario, the Johnson Valley area would detach from the Agency and form a community services district. The new agency would have local control over board representation and any operational matters to include assumption of the well that is currently used for water hauling. However, with a population of less than 500 and being sparsely developed, it is questionable if the tax base is adequate to fund not only a new district but also construction of a pressurized water system.

- Maintenance of the status quo. This option would maintain the existing governmental structure of the Agency.

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<sup>46</sup> For more information, see the service reviews for the Mojave Water Agency ([http://www.sbclafco.org/service\\_review/regional\\_agencies\\_north\\_desert.htm](http://www.sbclafco.org/service_review/regional_agencies_north_desert.htm)) and the Victor Valley Wastewater Reclamation Authority (Agenda Item 9, October 2009).

At this time, the agency, landowners, or residents have not formally expressed interest in any of the options outlined above. As stated above, movement towards these scenarios would include, but not be limited to, a plan for service, fiscal impact analysis, and any other required studies.

The preamble to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000<sup>47</sup> reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities. Further, the law states that the Commission may recommend governmental reorganizations to particular agencies using the spheres of influence as the basis for those recommendations.

At this time, LAFCO staff is not recommending any reorganization be considered. However, in the “Sphere of Influence Update” section of this report staff is recommending modifications to the Agency’s sphere of influence to address the Homestead Valley community.

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<sup>47</sup> Government Code Section 56001 et seq. Local Agency Formation Commissions (LAFCOs) in each county are governed by and are responsible for implementation of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000.

## ***BIGHORN-DESERT VIEW WATER AGENCY SPHERE OF INFLUENCE UPDATE***

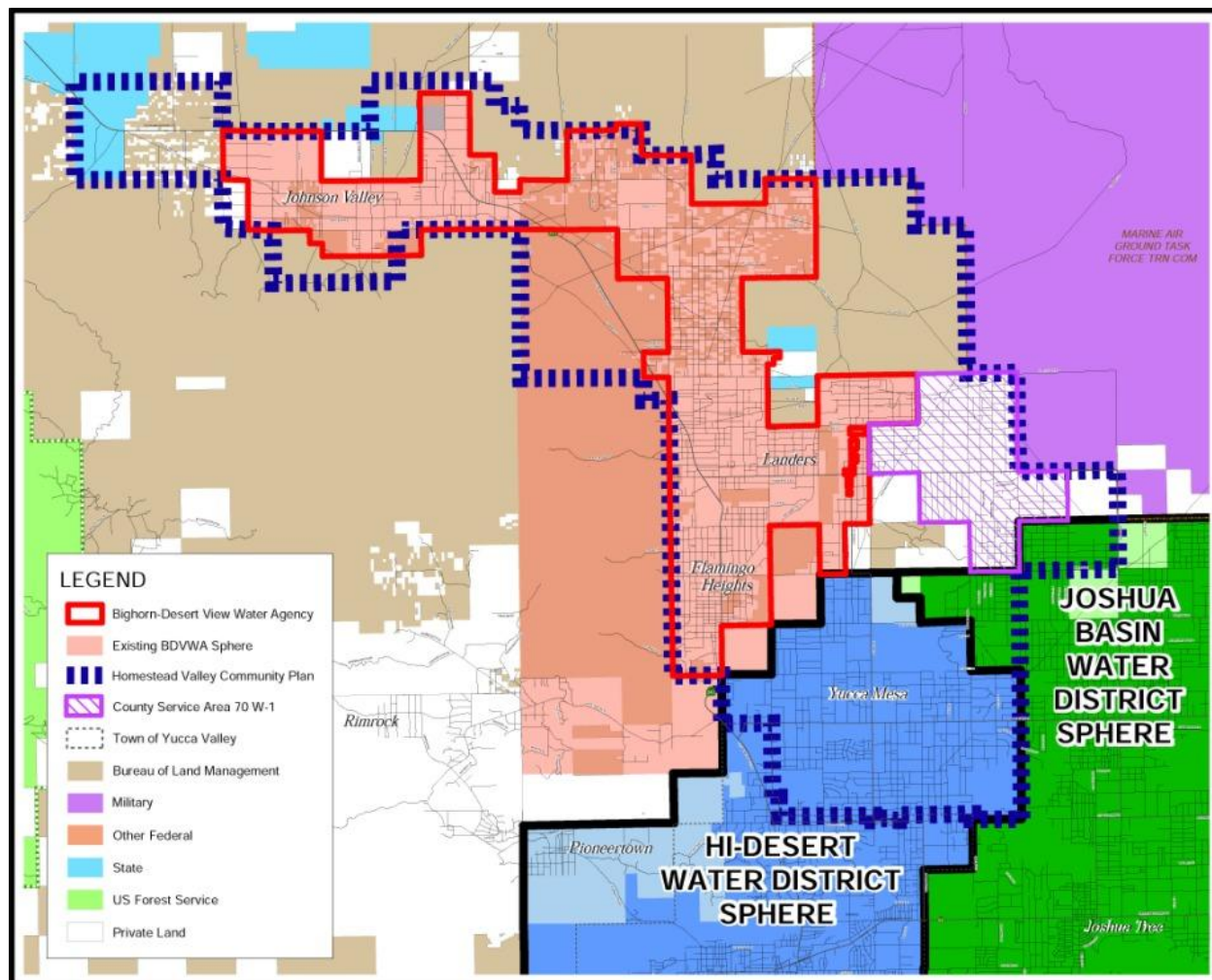
The Commission is required by Government Code Section 56425 to 1) review and update each sphere of influence within the county; 2) establish the nature, location, and extent of any functions or classes of services provided by the district; and 3) make four specific determinations related to a sphere of influence update.

### **Sphere of Influence**

Since the time Bighorn Mountains Water Agency and Desert View Water District boundaries and spheres were consolidated, there have been few changes to the Agency's sphere.

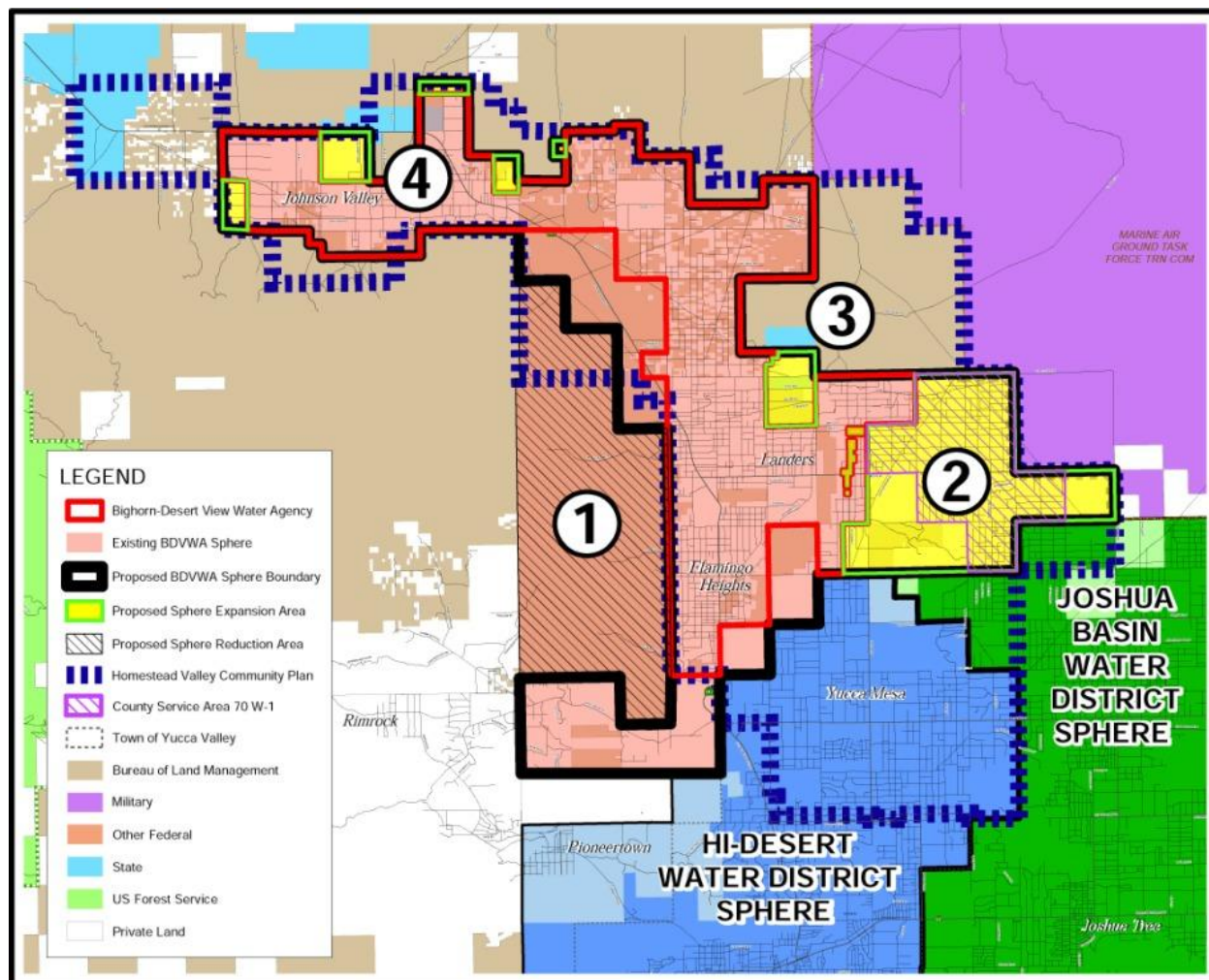
To reflect the Commission's policy direction to address its sphere of influence program on a community-by-community approach and to address actual service provision within the Homestead Valley community, the Commission could determine to define the community by using the County's Homestead Valley Community Plan boundaries. The map below illustrates the existing sphere of influence for the Agency including of the location of the community plan boundaries.





However, as staff has identified on numerous occasions, when the County developed its community plans, it did not take into account the boundaries of existing service providers within the areas. In fact, the Homestead Valley Community Plan area includes vast amounts of public lands that will not require municipal services now nor in the future. Therefore, utilizing the County's Homestead Valley Community Plan boundary does not adhere to Commission policy and practice or the directives of LAFCO law. Based on this premise, LAFCO staff is not recommending that the Agency's sphere be coterminous with the County's Homestead Valley Community Plan boundaries.

Other Parameters Used to Define the Agency's Sphere of Influence



1. The majority of the Agency's existing western sphere was added in the late 1980s as a means to monitor the groundwater quality of the area (identified as #1 in the map above). The Agency has expressed its desire to retain these areas in its sphere to allow continued local management and protection of its watershed and to protect the area from another water agency from coming into the area seeking other water resources. Given that most of the area is public (federally-owned) lands which lack the need for municipal services, LAFCO staff is recommending that its western sphere be reduced to include only the sections of land that fall along the State Route 247, which also include all the private landholdings in the area. Even with the sphere reduction, the Agency will still be able to continue to manage and protect its groundwater quality.
2. BDVWA had asked that LAFCO staff consider the expansion of its sphere over the existing CSA 70 W-1 service area, which is a logical step for BDVWA since it already serves a portion of the area through out-of-agency service agreements (identified as

a portion of #2 in the map above). LAFCO staff concurs that the area should be in the Agency's sphere since these lands were originally in the Agency's boundaries and contributed to the bond debt that provided funding for the water infrastructure. The County Special Districts Department does not agree with this conclusion as this appears to be a redundancy that is not necessary (a copy of the Special Districts Department letter included as a part of Attachment #2).

In addition, LAFCO staff also recommends expanding the Agency's sphere to include a section of land (Section 13, T2N, R6E) that has the potential to develop in the future but is not within a sphere of influence of an existing water provider (identified as a portion of #2 in the map above).

LAFCO staff is also recommending expansion of the Agency's sphere to include the area referred to as part of "the cross" by LAFCO staff that was not within a sphere of influence among the surrounding water agencies. Portion of this cross area were given to Hi-Desert Water District and Joshua Basin Water District. The remaining portion LAFCO staff is recommending to be a part of the Agency's sphere (Sections 17, 20, 21, 29 and the eastern half of Section 19, T2N, R6E) will make the spheres of all three water providers adjacent to each other (identified as a portion of #2 in the map above).

3. LAFCO staff is also recommending that the Agency's sphere be expanded along the northeast to include the island pocket of private landholdings north and south of Linn Road, east of Sage Avenue (identified as #3 in the map above).

LAFCO staff is aware that a land owner within the area, Mr. Hans Gubler of Gubler Orchids, opposes the expansion of the Agency's sphere into the area. Mr. Gubler and the Agency have reached a mutual understanding whereby both parties have expressed a desire to have the Gubler properties excluded from any further consideration with respect to the expansion of the Agency's sphere. Mr. Gubler, the Agency, and the Third District Supervisor have submitted letters requesting that the Commission honor this agreement and not include the properties in the Agency's sphere. Copies of the letters are a part of Attachment #2.

However, as a planning boundary, the sphere of influence does not change the property owner's operation or use of its water. It is also unlikely that the Agency would annex his properties unless it was at the request of Mr. Gubler. Again, the intent of the sphere expansion is to provide a planning tool to allow for a future means to receive water service from the Agency and the ability to connect to its system, if needed. Even if the sphere expansion led to an annexation in the future, BDVWA cannot force a property owner to be connected to its system.

LAFCO staff's recommendation remains to include these properties within the Agency sphere for the reasons identified above. Should the Commission not include these properties within the sphere, then the adjacent private properties would not be included as well in order to maintain a clear and identifiable sphere boundaries.

4. LAFCO staff is also recommending that the Agency's sphere be expanded along the north to include five separate areas within the Homestead Valley Community Plan that include private landholdings (identified as #4 in the map above). This does not include the private lands west of Pony Road due to the inability of the Agency to provide pressurized water into the area.

Specifically, within this recommended sphere expansion is Area 8, described below and identified on the following map. This area contains only three developed parcels, all of which are residential, and the property owners have provided written opposition to inclusion within the Agency's sphere (letters included as a part of Attachment #2). In general, the letters state that they do not desire to be in the Agency's sphere as they have no future desire to be within the Agency's boundaries.

It is difficult to ascertain the location of the recipients of the water hauled from the Agency's Well #10. However, it is likely that some or all of these properties receive water from the Agency from this source. If not, inclusion within the sphere would allow for the Agency to plan for the possibility of a future water system to the area. Therefore, LAFCO staff's recommendation to include Area 8 within the Agency's sphere remains.

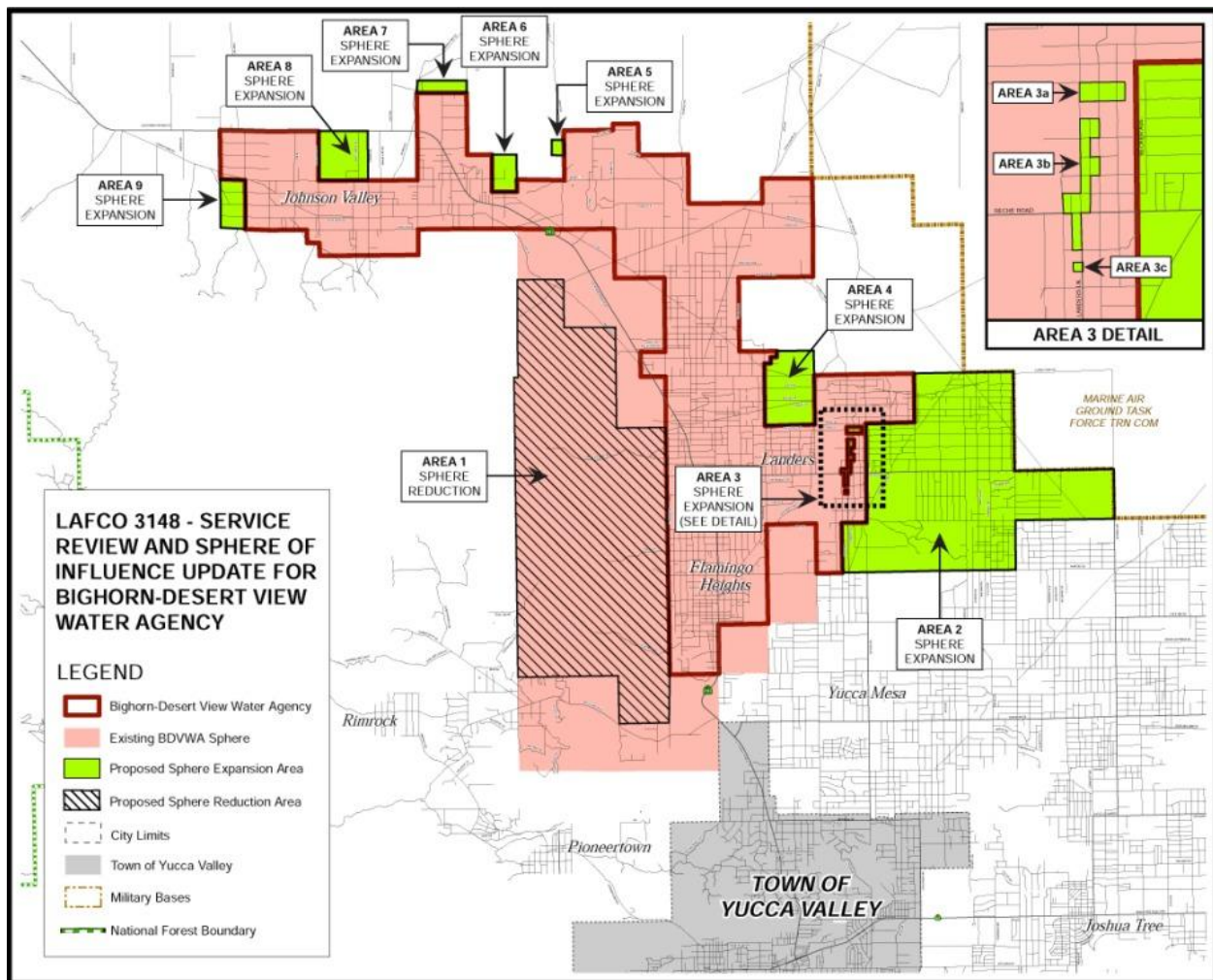
#### Sphere Recommendation:

Based on the discussion identified above, LAFCO staff is recommending the following sphere of influence amendments:

- Reduce the Agency's existing sphere by approximately 11,882.36 acres (Area 1) to exclude the public lands west and south of Old Woman Springs Road (SR 247);
- Expand the sphere for the Agency along the east by approximately 8,697.36 acres (Area 2) to include the entirety of CSA 70 W-1, a section west of CSA 70 W-1, and the area referred to as "the cross" that abut the existing spheres of influence for Hi-Desert Water District and Joshua Basin Water District;
- Expand the sphere for the Agency by a total of approximately 85.68 acres (Areas 3a, 3b, and 3c) to include three totally surrounded islands along Landers Lane, north of Reche Road;
- Expand the sphere for the Agency along the east by approximately 937.70 acres (Area 4) to include the area north and south of Linn Road, east of Sage Avenue;
- Expand the sphere for the Agency along the north by approximately 49.95 acres (Area 5) to include the area west of the natural extension of Ghost Road;
- Expand the sphere for the Agency along the north by approximately 241.80 acres (Area 6) to include the area north and south of Joshua Tree Road, east of Oleta Road;



- Expand the sphere for the Agency along the north by approximately 161.22 acres (Area 7) to include the area north of Armelino Road, west of Barnes Road;
- Expand the sphere for the Agency along the north by approximately 639.39 acres (Area 8) to include the area southeast of Old Woman Springs Road (SR 247) and Valley Vista Road; and,
- Expand the sphere for the Agency along the west by approximately 314.74 acres (Area 9) to include the area west of Big Horn Road, south of Joshua Tree Road and north of Cholla Road.



Government Code Section 56076 defines a sphere of influence as a “plan for the probable physical boundaries and service area of a local agency, as determined by the Commission”. Inclusion within the Agency’s sphere would not affect its current boundary or service delivery as no change in jurisdiction would take place. Any change in jurisdiction would through a future application to LAFCO to be ultimately decided by the voters and/or landowners of the affected area, as required by law.

### Authorized Powers

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). LAFCO staff and the Agency recommend no changes to its service descriptions to its Water function, identified below.

<b>FUNCTION</b>	<b>SERVICE</b>
Water	Acquisition, retail, distribution

As a part of this sphere of influence update, the Agency originally requested that the Commission activate its latent power to collect and treat wastewater. Unfortunately, legislative changes no longer allow the Commission to initiate the activation or divestiture of a function from a special district. Further, the changes in law consider activation of a function as a change of organization requiring a complete proposal. This would require the Agency to initiate and submit a formal application for any new function that it desires to provide including the identification of how it is proposed to be funded and whether or not it is sustainable.

### **FACTORS OF CONSIDERATION**

Government Code Section 56425 requires the Commission to make four specific determinations related to a sphere of influence update. The staff's responses to those factors are as follows:

#### **I. Present and Planned Uses in the Area, Including Agricultural and Open-Space Lands.**

##### Land Ownership

The land ownership distribution and breakdown within the Agency's boundary and current sphere are identified on the map below. Within its entire sphere, roughly 46% of the land is privately owned and the remainder, 54%, is public, which are devoted primarily to resource protection and recreational use.

Approximately 53 percent of the County of San Bernardino land use designations is designated Rural Living (RL, RL-5, and RL-40), 45 percent is Resource Conservation, and the remainder of the land use designations comprises two percent (Special Development-Commercial, Neighborhood Commercial, Rural Commercial, General Commercial, Service Commercial, and Institutional). The commercial developments within the Agency are generally located along State Route 247 and Reche Road.

By 2040, the population within the Agency's boundaries is estimated to reach 6,154. This represents a projected annual growth rate of approximately 2.4 percent between 2010 and 2040, which also represents a total population increase of 49 percent from 2010.

The population projections identified earlier indicates that the population within the Agency's boundaries will be 6,154 by 2040. Based on the maximum residential build-out within the Agency's boundaries, the projected maximum population is anticipated to reach 11,759. Likewise, based on the projected population for 2040, it is anticipated that the number of households within the Agency's boundaries will be 2,619 with a maximum potential build-out to reach approximately 5,005. These imply that the study area will reach 52 percent of its potential household and population capacity by 2040.

## **II. Present and Probable Need for Public Facilities and Services in the Area.**

### Johnson Valley

The entire area known as Johnson Valley does not have a pressurized water system. Johnson Valley has a standalone water hauling station supplied by a single groundwater well and a 10,000 gallon storage reservoir. The single well in the community was constructed from grant funding obtained by the County and the Agency now operates this well. This site serves approximately 41 residential hauling customers and approximately four commercial water hauling customers who deliver water to an unknown number of customers. The Agency has no current plans to extend pipeline service to the Johnson Valley area. Population densities are so low that there are not enough customers to financially support the construction of a water line. The Agency states that redundancy in the Johnson Valley bulk system is needed.

### Ames Valley Recharge Project

The proposed Ames Valley Recharge project will deliver SWP water to the Ames Valley for recharge at the Pipes Wash Spreading Grounds to mitigate historical overdraft conditions in the Region. The recharge project will serve water agencies using groundwater in the basin including BDVWA, HDWD, and CSA 70 (through its zones W-1 and W-4). BDVWA, in cooperation with MWA, is implementing the project, which consists of a feasibility study, approximately 0.75 miles of conveyance pipeline to connect to the Morongo Basin Pipeline, recharge to the Pipes Wash, and the installation of monitoring wells. The initial recharge capacity is planned at 1,500 AFY.

The project envisions the banking of water from the State Water Project. Each participating entity would accrue water in a water storage account. The water would be purchased, and percolated into the groundwater basin. There would be no restrictions on the use of that water and inter-entity transfers could occur as well. This project is intended to mitigate impacts from over pumping of the Ames Valley Basin, provide for beneficial use of water and insure the conjunctive use of local groundwater and imported water from the State Water Project. This is a regional project with multiple beneficiaries including the piped area of the Agency, the Hi-Desert Water District, CSA 70 Zone W-1 (Landers), CSA 70 Zone W-4 (Pioneertown), and the Mojave Water Agency.

### **III. Present Capacity of Public Facilities and Adequacy of Public Services that the Agency Provides or is Authorized to Provide.**

#### **Current Supply and Demand**

##### Facilities and Connections

The agency has seven pressure zones in the primary water system. Well No. 10 in Johnson Valley serves as a stand-alone water system for the purposes of Department of Public Health Consumer Confidence Reporting. There are seven active production wells operated by the Agency. There are four separate bulk hauling station locations around the Agency, one being the Well No. 10 facility. The other three are located within the larger pressurized water system with two stations located in the predecessor Bighorn Mountains Water Agency area. The last station is located in Flamingo Heights is in the predecessor Desert View Water District area. The three hauling stations inside the pressurized system are supplied by the 6 active production wells (not by Well No. 10).

The agency's intertie with Hi-Desert Water District ("HDWD") is currently disconnected and isolated from cross-connection. The pump was removed many years ago. According to the Agency, with minimal effort a connection could be made whereby the Agency could receive water via gravity flow from HDWD. However, more work would be needed for the Agency to pump water into HDWD's system. The two agencies are actively seeking a new, permanent emergency intertie solution. In addition, the Agency has the ability to "high line" a connection between fire hydrants to create an emergency intertie with CSA 70 Zone W-1.

Many of the fire hydrants do not produce sufficient flow and pressure to meet the current County Fire Flow standard of 1,000 gallons per minute with a residual pressure of 20 pounds per square inch.

#### **Future Supply and Demand**

According to the MWA 2010 Urban Water Management Plan, the local groundwater supply available to BDVWA is estimated to be 500 acre-feet annually. It is estimated that during the current planning horizon the population could increase by 60 percent. BDVWA will need between 749 and 829 acre-feet per year in order to supply its current and future customers (an additional minimum of 249 acre-feet). The MWA 2010 UWMP further states that BDVWA will need facilities to produce about 2,388 gallons per minute to meet the maximum day plus-fire flow. With the potential for future reductions in the State Water Project allocation, the Agency may or may not be able to meet its future requirements with water from the State Water Project.

In April 2007, BDVWA adopted the Bighorn-Desert View Water Agency Water System Master Plan ("WSMP"). The master plan identified the following deficiencies in the existing infrastructure: heavy reliance on 6-inch and 8-inch water mains which do not provide adequate fire flow; inability of most reservoirs to refill overnight after a 500-gallons-per-minute (gpm) fire; need for spreading grounds for groundwater storage and recovery; a



groundwater management plan and the inefficient operation of portions of the system. Once the deficiencies were identified, the Agency prepared the Bighorn-Desert View Water Agency Water Infrastructure Restoration Program ("WIRP"). The WIRP outlines specific system improvements to remediate these deficiencies.

Two WIRP projects that are near completion include a Groundwater Management Plan ("GWMP") and the Ames Valley Recharge Project. Local groundwater is currently the sole source of its water supply, but BDVWA has annual nine percent capacity in the Morongo Basin Pipeline and may purchase SWP water from MWA. Although the infrastructure needed to deliver SWP water to the Ames Valley region already exists, additional facilities are needed to convey imported SWP water to spreading grounds for recharge, storage, and subsequent recovery. A Feasibility Study, including a groundwater model, is scheduled for completion in late 2011/early 2012 and documents the ability to store and recover SWP water in the basin. This document will also include assistance to Pioneertown (CSA 70/W-4) enabling them to secure a potable water supply. The GWMP will address the purchase of SWP water for recharge and pumping restrictions in the event that overdraft conditions are not controlled.

#### **IV. Existence of any Social or Economic Communities of Interest in the Area.**

The social communities of interest are the unincorporated areas of Landers, Flamingo Heights, and Johnson Valley. The Lucerne Valley Unified School District overlays Johnson Valley while the Morongo Unified School District overlays Landers and Flamingo Heights. There is a little commercial activity is along Highway 247.

#### **CONCLUSION:**

Staff is recommending that the Commission make the following determinations for the Bighorn-Desert View Water Agency:

##### **Service Review**

1. Determine that the Agency:
  - a. Is required by law to adopt an appropriations limit and annually adopt such a limit based upon the information outlined in this report;
  - b. Should include at least one year's worth of actual financial data in the budgets, as recommended by the *Best Practices* of the Government Finance Officers Association;
  - c. Should implement a policy that board members obtain periodic training on the requirements of the Brown Act due to previous ethical and Brown Act issues involving the Agency.

Sphere of Influence Update

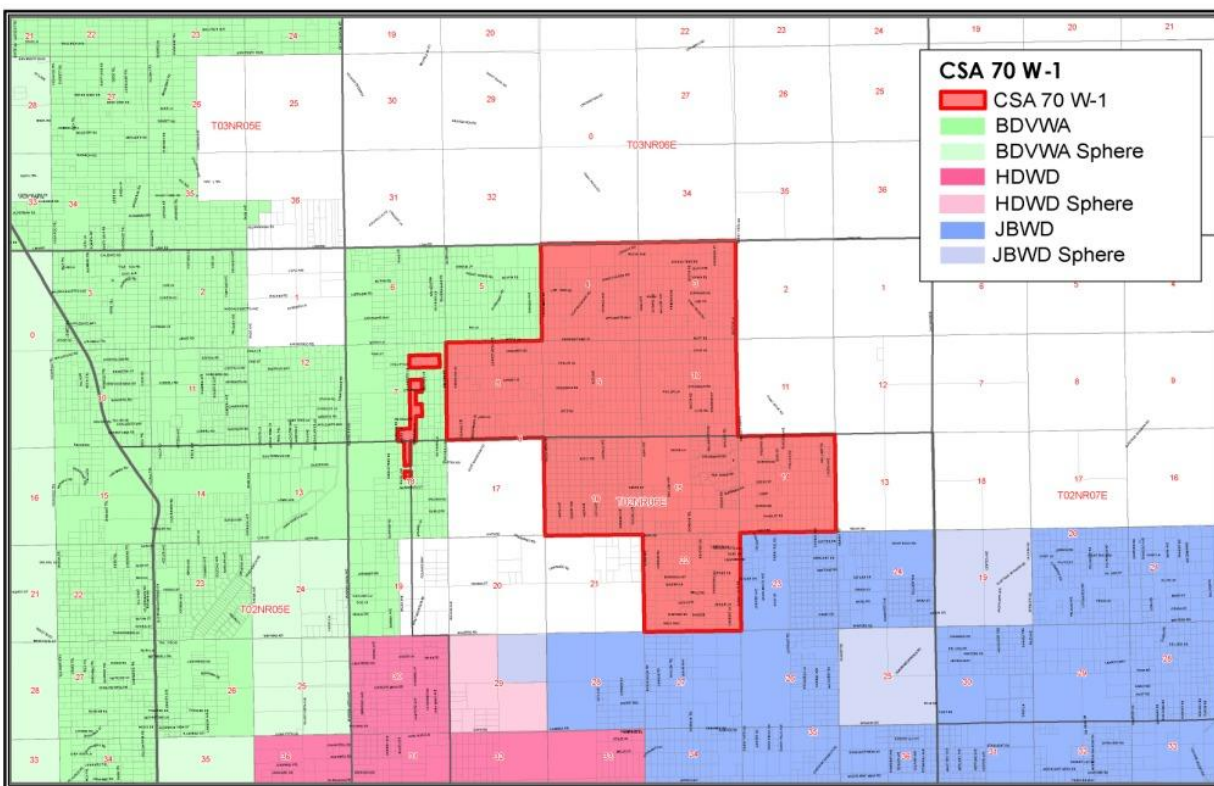
2. Reduce the Agency's existing sphere by approximately 13,754 acres by excluding Area 1;
3. Expand the sphere for the Agency by a total of approximately 11,128 acres to include Areas 2, 3a, 3b, 3c, 4, 5, 6, 7, 8, and 9;

## COUNTY SERVICE AREA 70 ZONE W-1 (GOAT MOUNTAIN) Service Review

### INTRODUCTION:

County Service Area 70 Zone W-1 ("CSA 70 W-1") provides retail water service to a portion of the Landers area called Goat Mountain. Zones to County Service Areas are not under the purview of the Commission; however, information was obtained to provide the Commission and the public an outline of the broad range of municipal-type services provided within the community. Only information related to a service review for CSA 70 W-1 is provided in this report. In addition, there is no sphere of influence assignment for a zone to a county service area..

CSA 70 W-1 was formed in 1973 by action of the County of San Bernardino Board of Supervisors at the request of landowners for the primary purpose of providing retail service to the Goat Mountain area. A map showing CSA 70 W-1 is shown below and is included as a part of Attachment #3.



### ***CSA 70 ZONE W-1 SERVICE REVIEW***

LAFCO has no direct jurisdiction over CSA 70 W-1; therefore, there is no sphere of influence designation. This report contains only service review information. The County Special Districts Department, administrators for board-governed special districts, prepared a

service review consistent with San Bernardino LAFCO policies and procedures. The Department's response on behalf of CSA 70 W-1 to LAFCO's original and updated requests for materials includes, but is not limited to, formation and financial information. The information submitted is included as a part of Attachment #3 and are incorporated in the information below.

### **I. Growth and population projections for the affected area.**

There are 646 active customers within CSA 70 W-1. Utilizing the County General Plan coefficient of 2.68 persons in the Desert region of the county, there are roughly 1,731 persons. Based on the County land use designations (roughly half Rural Living 2.5 and RL-5) and ownership of land, significant growth is not anticipated within CSA 70 W-1.

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

There are no studies or plans for CSA 70 W-1 other than a report from 2000, last updated in 2002, on the water system that was prepared to obtain USDA funding for projects.

The District provides funding for the operation and maintenance of water connections and maintains three wells, two booster stations and reservoir storage of 420,000 gallons.

In 1995 the Bighorn-Desert View Water Agency ("Agency") submitted a proposal to detach approximately eight square miles from its boundaries in the Landers area (LAFCO 2792). Since the formation of CSA 70 W-1, there were a number of disputes between the residents served by CSA 70 W-1 and those served by the Agency. LAFCO 2792 was a means of resolving these periodic disputes. The justification for the application was that residents of CSA 70 W-1 received no specific benefits from the Agency but that CSA 70 W-1 residents voted on the Agency's ballot measures, affected the Agency's board decisions, and the area could have representation on the Agency's board. The Commission approved the proposal because it eliminated an overlap of similar-purpose agencies and could possibly lead to a less contentious relationship between the residents of the two agencies.

However, BDVWA was best suited to continue providing retail water to approximately 17 customers within the boundaries of CSA 70 W-1 because the CSA 70 W-1 system for that area deteriorated and could not provide adequate water service and pressure. The arrangement for this service is between the Agency and the County (as the governing body for CSA 70 W-1) though a contract signed in December 1997 for the purpose of providing water service to specific properties located within the CSA 70 W-1 service area.<sup>48</sup> At this time, BDVWA does not charge a special rate to these customers that are outside of the Agency's boundaries.

### **III. Financial ability of agencies to provide services.**

CSA 70 W-1 utilizes the County Special Districts Department for management of its operations and transfers a proportional share to CSA 70 Countywide for salaries and

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<sup>48</sup> County Contract No. 97-1059

benefits and services and supplies support. The budget identifies the following activities which have had significant changes from the prior year:

- Operating expenses of \$536,356 include utilities, other professional and specialized services for tank inspections, system maintenance, maintenance of structures, and the allocation of management and operations support from CSA 70 Countywide. The increase of \$20,294 is primarily due to higher maintenance requirements.
- Contingencies of \$150,398 are decreasing by \$80,774 to fund current year operations.
- Total revenue of \$380,608 includes interest earnings and residential sales and is decreasing by \$1,500.
- Operating transfers in of \$134,089 represents funding from replacement reserves to support district operations and is decreasing by \$101,957 due to reduced operations and maintenance support requirements in 2011-12. Additionally, transfers fund operating expenses budgeted for emergencies and high maintenance and repair activity throughout the year and will be processed only if necessary.
- Capital expenditures are decreasing by \$63,000 as the district completed purchase of chlorinators in 2010-11.

### CSA 70 Zone W-1 Financial Activity

	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Estimate	2010-11 Modified Budget	2011-12 Recommended Budget
<b><u>Appropriation</u></b>						
Staffing Expenses	0	0	0	0	0	0
Operating Expenses	445,500	432,664	415,953	453,841	516,062	536,356
Contingencies	0	0	0	0	231,172	150,398
Total Exp Authority	445,500	432,664	415,953	453,841	747,234	686,754
Reimbursements	(740)	0	0	0	0	0
Total Appropriation	444,760	432,664	415,953	453,841	747,234	686,754
Depreciation	0	0	0	0	0	0
Operating Transfers Out	0	0	0	0	0	0
Total Requirements	444,760	432,664	415,953	453,841	747,234	686,754
<b><u>Departmental Revenue</u></b>						
Taxes	0	0	0	0	0	0
Realignment	0	0	0	0	0	0
State, Fed or Gov't Aid	0	0	0	0	0	0
Fee/Rate	339,948	344,266	353,226	354,920	373,033	374,908
Other Revenue	(31,479)	13,099	9,349	5,852	9,075	5,700
Total Revenue	308,469	357,365	362,574	360,772	382,108	380,608
Operating Transfers In	76,514	74,870	136,475	136,046	236,046	134,089
Total Financing Sources	384,983	432,235	499,049	496,818	618,154	514,697
Rev Over/(Under) Exp	(59,777)	(429)	83,096	42,977	(129,080)	(172,057)
				Budgeted Staffing	0	0
<b><u>Fixed Assets</u></b>						
Capital Expenditures	0	0	37,421	63,000	63,000	0
Total Fixed Assets	0	0	37,421	63,000	63,000	0

Additionally, the FY 2011-12 budget identifies reserves totaling \$801,993. This amount is comprised of \$488,241 in the Capital Replacement Reserve and \$313,752 in the Capital Expansion Reserve.

### Property Taxes and Special Assessments

The budget chart above identifies that CSA 70 W-1 does not receive any property taxes or assessments. However, a review of the financial statements and the County's Tax Rate publication identifies otherwise. As identified in the Audit for FY 2009-10, CSA 70 W-1 received \$105,573 as property taxes and \$74,140 from special assessments for bond repayment. The County Special Districts Department has responded to the draft staff report and states that CSA 70 W-1 does in fact receive a small amount of property taxes. The response provided the following breakdown of these revenues for fiscal year 2009-10, for clarification:

- i. Total apportioned property taxes received into the District \$24,500.98
- ii. Total standby charges received into the District \$56,734.95
- iii. Delinquent user charges (placed on tax role) \$1 1,470.64
- iv. Interest and penalties on delinquent user charges \$ 4,853.60
- v. Interest revenue \$ 8,302.83

In 1999, the County Special Districts Department implemented a procedure to allocate the property taxes and standby charges for the sanitation, sewer, and water districts into the capital replacement accounts, rather than in the operational accounts.<sup>49</sup> The procedure then requires a transfer of the taxes and charges from the capital replacement account into the operational account (shown as Operating Transfers In). The flow of taxes and charges is not transparent, and LAFCO staff recommends that the County indicate in its budgets the receipt of property taxes, standby charges, and assessments. The County Special Districts Department has responded to the draft staff report and states that it is in the process of implementing a budgeting/fiscal process to deposit these revenues directly into the operating account to provide for a clear understanding of the revenues attributable to the agency for service delivery.

### Appropriation Limit

Under Article XIIIB of the California Constitution (the Gann Spending Limitation Initiative), the district 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 XIIIB allows the district to designate a portion of the fund balance of general contingencies to be used in future years without limitation.

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<sup>49</sup> Memo dated May 10, 1999 from County Special Districts Department to County Auditor-Controller Recorder Office. Copy available at LAFCO staff office.

By action taken on June 28, 2011 the Board of Supervisors of the County of San Bernardino set the preliminary appropriation limit for CSA 70 W-1 at \$27,113. The Fy 2009-10 audit prepared for the District identifies that the annual property tax receipts as being over \$100,000. However, the financial statements included do not identify if the district exceeds its appropriations limit or designates a portion of the fund balance of general contingencies to be used in future years. As outlined above, the questions regarding property taxes received by the District need to be resolved so that the general public and agency understand the revenue stream for the provision of its services.

#### Long-term Debt

CSA 70 W-1 sold bonds during fiscal years 1978-79 and 1979-80 to provide construction capital. The bonds were issued at 5% interest, and all bonds are scheduled to be paid by December 1, 2019. The following is a schedule of debt service requirements to maturity as of June 30, 2010 for the CSA's bonds payable.

NOTE 5: BONDS PAYABLE (continued)		
Year ending June 30,	Zone W-1	
	Principal	Interest
2011	\$ 60,000	\$ 33,250
2012	65,000	30,250
2013	65,000	27,000
2014	70,000	23,750
2015	70,000	20,250
2016-2019	335,000	43,500
Total	<u>\$ 665,000</u>	<u>\$ 178,000</u>

#### **IV. Status of, and opportunities for, shared facilities.**

The Special Districts Department consolidates the administrative operations and facilities for county service areas and improvement zones under the auspices of CSA 70.

#### **V. Accountability for community service needs, including governmental structure and operational efficiencies.**

##### *Local Government Structure and Community Service Needs*

CSA 70 W-1 is governed by the County Board of Supervisors and administered by the County Special Districts Department; it is within the political boundaries of the Third Supervisorial District. CSA 70 W-1's budgets are prepared as a part of the County Special Districts Department's annual budgeting process. The annual budget is presented to the County Administrative Office and Board of Supervisors for review and approval. The district

does not utilize an Advisory Commission or Municipal Advisory Council. Meetings are held with residents as needed.

### *Operational Efficiency*

As a mechanism to control costs, the County of San Bernardino Special Districts Department has consolidated many of the administrative and technical functions necessary to manage the various services provided under County Service Area 70. Therefore, CSA 70 W-1 has no direct employees; it pays for a proportional share of salaries and benefits costs necessary to serve it and pays a proportional cost of the administrative functions of the County Special Districts Department.

Government Code Section 26909 allows a special district to conduct a biennial audit, conduct an audit covering a five-year period, or replace the annual audit with a financial review if certain conditions are met. This board-governed agency meets the conditions for one if not all of the above. Therefore, this agency has the potential to realize cost savings should it choose to undertake the necessary steps outlined in state law. This possibility would need to be discussed and decided between the County, its departments and the landowners and voters within the agency to maintain transparency.

### *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.

### *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<sup>50</sup>. 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

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<sup>50</sup> State of California. Governor’s Office of Planning and Research. “Local Agency Formation Commission Municipal Service Review Guidelines”, August 2003.



future. Movement towards these scenarios would include, but not be limited to, a plan for service, fiscal impact analysis, and any other required studies.

- In 1995 the Bighorn-Desert View Water Agency ("Agency") submitted a proposal to detach approximately eight square miles from its boundaries in the Landers area (LAFCO 2792). Since the formation of CSA 70 70 W-1, there were a number of disputes between the residents served by CSA 70 W-1 and those served by the Agency. LAFCO 2792 was a means of resolving these periodic disputes. The justification for the application was that residents of CSA 70 W-1 received no specific benefits from the Agency but that CSA 70 W-1 residents voted on the Agency's ballot measures, affected the Agency's board decisions, and the area could have representation on the Agency's board. The Commission approved the proposal because it eliminated an overlap of similar-purpose agencies and could possibly lead to a less contentious relationship between the residents of the two agencies.

The current staff of the Agency has expressed desire to explore the option of returning this area to the boundaries of the Agency. At this time, the Agency serves 17 customers within the area through contract with the County. The Agency, residents, or landowners could submit an application to expand the boundaries of the Agency to the east to include the Goat Mountain area. Such an application would be processed to include the dissolution of CSA 70 W-1 with the Agency identified as the successor agency. The Agency would then be responsible for extending its services to the area, including continuing the services of the dissolved CSA 70 zone.

Including the area of CSA 70 W-1 would allow those that the Agency currently serves within the area the opportunity to participate in Agency elections and have a voice in Agency matters. For the Agency, it would provide for additional tax revenue. Before the detachment, these properties were within the Agency's Improvement District 1 and contributed to the Improvement District 1 bond debt for the Bighorn water system. Currently, these 17 properties outside of Agency's boundaries pay the same amount for the water but do not contribute to the debt repayment that provided funding for the water infrastructure.

As detailed in the Sphere of Influence Update section for the Bighorn-Desert View Water Agency, LAFCO staff is recommending the inclusion of this area within the Agency's sphere.

## **CONCLUSION:**

Staff is recommending that the Commission make the following recommendation for Zone W-1 and that follow-up be submitted verifying the implementation of these recommendations:

- That the County provide identify in its budgets the receipt of property taxes, standby charges, and assessments, since the flow of taxes and charges is not

transparent.

- That the County provides a response on the appropriation limit questions raised in this service review.

# **Bighorn-Desert View Water Agency Application:**

- a. Application and Plan for Providing  
Services and Fiscal Impact Analysis  
Submitted by Bighorn**

**Attachment 3a**

Bighorn-Desert View Water Agency

RECEIVED  
APR 28 2014

**Board of Directors**

Judy Corl-Lorono, President  
J. Dennis Staley, Vice President  
Terry Burkhart, Secretary  
Michael McBride, Director  
J. Larry Coulombe, Director

Marina D West, P.G., General Manager



A Public Agency

**LAFCO**

San Bernardino County

**Agency Office**

622 S. Jemez Trail  
Yucca Valley, CA 92284-1440

760/364-2315 Phone

760/364-3412 Fax

[www.bdvwa.org](http://www.bdvwa.org)

April 28, 2014

Ms. Kathleen Rollings-McDonald, Executive Officer  
San Bernardino Local Agency Formation Commission  
215 North D Street, Suite 204  
San Bernardino, CA 92415-0490

3181

RE: Application requesting the Local Agency Formation Commission (LAFCO) to initiate proceedings for reorganization to include annexations to the Bighorn-Desert View Water Agency and dissolution of County Service Area 70 Zone W-1

Ms. Rollings-McDonald,

Bighorn-Desert View Water Agency is pleased to submit the enclosed application package to initiate proceedings for a reorganization to include annexations to the Bighorn-Desert View Water Agency and dissolution of CSA 70 Zone W-1.

In accordance with the attached Table 1 – Estimated LAFCO Application Submission Fees BDVWA is enclosing a check in the amount of \$28,804.00. BDVWA understands additional fees will be required later in the proceedings and has provided the minimum estimate of these fees in the attached Table 2.

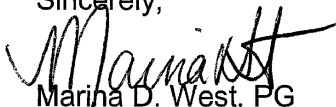
In addition to the required application elements, BDVWA would like the following to be considered as part of the overall application:

- Request for Filing Fee Reduction: BDVWA respectfully requests a reduction in the filing fees for the annexation of island areas depicted on the enclosed legal description/plat map as "Parcel 2", "Parcel 3" and "Parcel 4". Rather than assessing a filing fee per island, we request the three islands be considered as one area thus lowering the filing fee by \$10,000. BDVWA believes a fee reduction is warranted for the following reasons:
  - The islands are in close proximity to each other;
  - All islands are within the Sphere of Influence of BDVWA;
  - One island is a single property and the others are geographically small;
  - One Island contains several properties owned by W-1;
  - All properties within the three islands are within the existing boundaries of W-1;

- The process will ultimately result in a clean-up of the island areas.
- Individual Notices: In accordance with the footnote 6 of Table 1, BDVWA is hereby informing LAFCO that there are more than 1,000 parcels within the existing CSA 70/Zone W-1 to be notified. However, BDVWA prefers individual notices in lieu of advertisement in the local paper.
- Inventory of Capital Assets: The Plan for Service and Fiscal Impact Analysis includes discussion regarding capital assets owned by W-1. The information contained therein was derived from the audited financial statements for the period ending June 30, 2013 and also from BDVWA staff knowledge. An actual listing of capital assets belonging to W-1 was obtained for the fiscal year ending 2011 (Exhibit 1). This exhibit was not included in the Plan for Service and Fiscal Impact Analysis.
- Letters of Support: BDVWA has obtained resolutions in support of our application from the Morongo Basin Municipal Advisory Council and the Landers Community Association. Also, a letter of support has been received from California Senator Jean Fuller (District 18). These documents are included as appendices in the Plan for Service and Fiscal Impact Analysis.
- Support from San Bernardino Supervisor Ramos: Third District Supervisor James Ramos has indicated his support for BDVWA's application to annex W-1 and we have been communicating directly with Mr. Phil Paule, Chief of Staff, on this effort. He is aware that action by the County Board of Supervisors is a required "first step" in the proceedings and is prepared for the formal notification from LAFCO concerning such requirements.

We believe that our application package along with this letter of transmittal contain all the necessary elements to allow LAFCO to initiate proceedings but await input from LAFCO as to the overall completeness of the application.

Sincerely,

  
Marina D. West, PG  
General Manager

Attachments (3)

Enclosure – Application Package

## SAN BERNARDINO LAFCO APPLICATION AND PRELIMINARY ENVIRONMENTAL DESCRIPTION FORM

**INTRODUCTION:** The questions on this form and its supplements are designed to obtain enough data about the proposed project site to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. By taking the time to fully respond to the questions on the forms, you can reduce the processing time for your project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, or attach any relevant documents.

### GENERAL INFORMATION

1. NAME OF PROPOSAL: Reorganization to Include Annexations to the Bighorn-  
Desert View Water Agency and Dissolution of County  
Service Area 70 Zone W-1
  
2. NAME OF APPLICANT: Bighorn-Desert View Water Agency (BDVWA)  
MAILING ADDRESS: 622 Jemez Trail  
Yucca Valley, CA 92284  
PHONE: (760) 364-2315  
FAX: (760) 364-3412  
E-MAIL ADDRESS: bdvwa2@mindspring.com
  
3. GENERAL LOCATION OF PROPOSAL:  
The Bighorn Desert View Water Agency (BDVWA) proposes to annex four separate areas (one large area and three small island areas) in the Landers community into its existing boundary
  
4. Does the application possess 100% written consent of each landowner in the subject territory?  
YES ☐ NO ☒ If YES, provide written authorization for change.
  
5. Indicate the reasons that the proposed action has been requested.  
The proposed annexation would allow the BDVWA to take over the responsibility of providing water services within the County's CSA 70 Zone W-1 water service area, referred to as Annexation Area 1, 2, 3, and 4. BDVWA currently provides water service to 17 of these 24 parcels in the three island annexation areas (Areas 2, 3, and 4). These changes would not impact the BDVWA's existing sphere of influence (SOI) boundary; all four areas are currently located within the SOI. The three island areas – Areas 2, 3, and 4 – total 79 acres and are island areas surrounded by existing BDVWA boundary. Seventeen (17) of the 24 properties in these three (3) islands currently receive water services from BDVWA through a contract(s).  
An annexation of these four areas is strongly supported by current residents, who favor the lower rates and services already provided to their neighboring areas by the BDVWA.

The major reasons for the annexation include: 1) more transparency and local control over their water service; 2) more timely staff response to periodic problems or issues that may arise; and 3) lower and more stable water rates based on the BVDWA history of water service to its customers since 1990.

The following benefits for the dissolution of CSA 70 Zone W-1 and annexation into the BDVWA have been identified as:

- Improve system reliability
- Consolidation of assets
- Increasing the number of service connections (spreading overhead across a broader customer base)
- Potential increase in system income
- Improved credit status

6. Would the proposal create a totally or substantially surrounded island of unincorporated territory?  
YES \_\_\_\_ NO ☒ If YES, please provide a written justification for the proposed boundary configuration.

In fact, it would clean up the boundaries for the three small islands being annexed as a part of the reorganization process.

#### **LAND USE AND DEVELOPMENT POTENTIAL**

1. Total land area (defined in acres):

Total estimated acres of all the proposed annexation areas totals 5,071.

2. Current dwelling units in area classified by type (Single Family detached, multi-family (duplex, four-plex, 10-unit), apartments)

The 2010 Census estimated 659 housing units for the reorganization area.

3. Approximate current population in area:

The 2010 Census estimated 820 in population for the reorganization area.

4. Indicate the General Plan designation(s) of the affected city (if any) and uses permitted by this designation(s):

Not applicable

- I. San Bernardino County General Plan designation(s) – (RL – Rural Living, RL5 – Rural Living 5, and CR – Commercial) and other open space and governmental uses permitted by this designation(s):

Government (primarily BLM land)

Multi-Family Residential

Single-Family Residential

Commercial

Vacant – Other

5. Describe any special land use concerns expressed in the above plans. In addition, for a City Annexation or Reorganization, provide a discussion of the land use plan's consistency with the regional transportation plan as adopted pursuant to Government Code Section 65080 for the subject territory:

Not applicable

6. Indicate the existing land use.

Government – 965 acres

Multi-Family Residential – 116 acres

Single-Family Residential – 2,328 acres

Vacant – 2,287 acres

Unknown (not coded in County file) – 5 acres

What is the proposed land use?

No proposed land use changes

7. For a city annexation, State law requires pre-zoning of the territory proposed for annexation. Provide a response to the following:

Not applicable

a. Has pre-zoning been completed? YES \_\_\_\_ NO \_\_\_\_

b. If the response to "a" is NO, is the area in the process of pre-zoning? YES \_\_\_\_ NO \_\_\_\_

Identify below the pre-zoning classification, title, and densities permitted. If the pre-zoning process is underway, identify the timing for completion of the process.

Not applicable

8. Will the proposal require public services from any agency or district which is currently operating at or near capacity (including sewer, water, police, fire, or schools)? YES \_\_\_\_ NO X If YES, please explain.

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9. On the following list, indicate if any portion of the territory contains the following by placing a checkmark next to the item:

- |  |  |
|--|--|
| <input type="checkbox"/> Agricultural Land Uses  | <input type="checkbox"/> Agricultural Preserve Designation       |
| <input type="checkbox"/> Williamson Act Contract   | <input type="checkbox"/> Area where Special Permits are Required |
| <input type="checkbox"/> Any other unusual features of the area or permits required: _____ |  |

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10. If a Williamson Act Contract(s) exists within the area proposed for annexation to a City, please provide a copy of the original contract, the notice of non-renewal (if appropriate) and any protest to the contract filed with the County by the City. Please provide an outline of the City's anticipated actions with regard to this contract.



No Williamson Act Contracts exist within the annexation area, according to the Williamson Act map of San Bernardino County (south) from the California Department of Conservation, Division of Land Resource Protection.

11. Provide a narrative response to the following factor of consideration as identified in §56668(o):  
*The extent to which the proposal will promote environmental justice. As used in this subdivision, "environmental justice" means the fair treatment of people of all races, cultures, and incomes with respect to the location of public facilities and the provision of public services:*

The BDVWA currently practices environmental justice in providing water services. The Agency will continue to practice the principals of environmental justice upon annexation into the Agency.

### **ENVIRONMENTAL INFORMATION**

1. Provide general description of topography.

The reorganization area is located in a relatively level area of the High Desert region in San Bernardino County.

2. Describe any existing improvements on the site as % of total area.

Residential <sup>1</sup>	<u>42.87%</u>	Agricultural	<u>0.000%</u>
Commercial	<u>0.000%</u>	Vacant	<u>40.12%</u>
Industrial	<u>0.000%</u>	Other <sup>2</sup>	<u>17.01%</u>

1) This is the percentage of developed residential acres for 659 housing units.

2) Includes government land and parcels with unknown land use codes.

3. Describe the surrounding land uses:

NORTH	<u>Vacant</u>
EAST	<u>Residential and Vacant</u>
SOUTH	<u>Residential and Vacant</u>
WEST	<u>Residential and Vacant</u>

4. Describe site alterations that will be produced by improvement projects associated with this proposed action (installation of water facilities, sewer facilities, grading, flow channelization, etc.).

5. Will service extensions accomplished by this proposal induce growth on this site? YES \_\_\_\_  
 NO ☒ Adjacent sites? YES \_\_\_\_ NO ☒ Unincorporated \_\_\_\_ Incorporated \_\_\_\_

6. Are there any existing out-of-agency service contracts/agreements within the area? YES ☒  
 NO \_\_\_\_ If YES, please identify.

Annexation Area 1, the largest area of the proposed annexation, is San Bernardino County's CSA 70 Zone W-1 water service area. Currently, CSA 70 Zone W-1 provides water services to the 1,377 parcels within its boundary. Upon annexation, the BDVWA would provide water services to all parcels within its boundary.

7. Is this project a part of a larger project or series of projects? YES \_\_\_\_ NO X If YES, please explain.

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### NOTICES

Please provide the names and addresses of persons who are to be furnished mailed notice of the hearing(s) and receive copies of the agenda and staff report.

NAME Marina West, General Manager

TELEPHONE NO. (760) 364-2315

ADDRESS: 622 Jemez Trail  
Yucca Valley, CA 92284

### CERTIFICATION

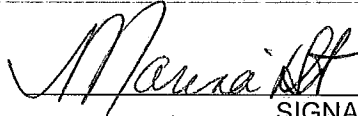
As a part of this application, the Bighorn Desert View Water Agency (the applicant) agrees to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I/We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

As the proponent, I/We acknowledge that annexation to the Bighorn Desert View Water Agency may result in the imposition of taxes, fees, and assessments existing within the district on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIID of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.

I hereby certify that the statements furnished above and in the attached supplements and exhibits present the data and information required for this initial evaluation to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE

4/23/2014



SIGNATURE OF APPLICANT

Marina Dee West

PRINTED NAME OF APPLICANT

General Manager

TITLE

PLEASE CHECK SUPPLEMENTAL FORMS ATTACHED:

- ☒ ANNEXATION, DETACHMENT, REORGANIZATION SUPPLEMENT
- ☐ SPHERE OF INFLUENCE CHANGE SUPPLEMENT
- ☐ CITY INCORPORATION SUPPLEMENT
- ☐ FORMATION OF A SPECIAL DISTRICT SUPPLEMENT
- ☐ ACTIVATION OR DIVESTITURE OF FUNCTIONS AND/OR SERVICES FOR SPECIAL DISTRICTS SUPPLEMENT

KRM-Rev. 8/15/2012

## SUPPLEMENT ANNEXATION, DETACHMENT, REORGANIZATION PROPOSALS

**INTRODUCTION:** The questions on this form are designed to obtain data about the specific annexation, detachment and/or reorganization proposal to allow the San Bernardino LAFCO, its staff and others to adequately assess the project. You may also include any additional information which you believe is pertinent. Use additional sheets where necessary, and/or include any relevant documents.

1. Please identify the agencies involved in the proposal by proposed action:

ANNEXED TO  
Bighorn Desert View  
Water Agency (BDVWA)

DETACHED FROM  
CSA 70 Zone W-1 (Dissolution)

2. Will the territory proposed for change be subject to any new or additional special taxes, any new assessment districts, or fees?

No.

3. Will the territory be relieved of any existing special taxes, assessments, district charges or fees required by the agencies to be detached?

No.

4. Provide a description of how the proposed change will assist the annexing agency in achieving its fair share of regional housing needs as determined by SCAG.

Not applicable

5. **PLAN FOR SERVICES:**

For each item identified for a change in service provider, a narrative "Plan for Service" (required by Government Code Section 56653) must be submitted. This plan shall, at a minimum, respond to each of the following questions and be signed and certified by an official of the annexing agency or agencies.

1. A description of the level and range of each service to be provided to the affected territory.
2. An indication of when the service can be feasibly extended to the affected territory.
3. An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.
4. The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.

5. An indication of whether the annexing territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.
6. If retail water service is to be provided through this change, provide a description of the timely availability of water for projected needs within the area based upon factors identified in Government Code Section 65352.5 (as required by Government Code Section 56668(k)).

The Plan for Service and Fiscal Analysis, Annexation Study, Bighorn Desert View Water Agency, County of San Bernardino, March 20, 2014, prepared by Stanley R. Hoffman Associates, Inc. is submitted with this application.

### **CERTIFICATION**

As a part of this application, the Bighorn Desert View Water Agency (the applicant) agree to defend, indemnify, hold harmless, and release the San Bernardino LAFCO, its agents, officers, attorneys, and employees from any claim, action, proceeding brought against any of them, the purpose of which is to attack, set aside, void, or annul the approval of this application or adoption of the environmental document which accompanies it. This indemnification obligation shall include, but not be limited to, damages, costs, and expenses, including attorney fees. The person signing this application will be considered the proponent for the proposed action(s) and will receive all related notices and other communications. I/We understand that if this application is approved, the Commission will impose a condition requiring the applicant to indemnify, hold harmless and reimburse the Commission for all legal actions that might be initiated as a result of that approval.

As the proponent, I/We acknowledge that annexation to the Bighorn Desert View Water Agency may result in the imposition of taxes, fees, and assessments existing within the district on the effective date of the change of organization. I hereby waive any rights I may have under Articles XIIIC and XIID of the State Constitution (Proposition 218) to a hearing, assessment ballot processing or an election on those existing taxes, fees and assessments.

I hereby certify that the statements furnished above and the documents attached to this form present the data and information required to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

DATE

4/23/2014

Maria

SIGNATURE OF APPLICANT

PORTIONS OF TOWNSHIP 2 NORTH, RANGE 6 EAST, S.B.M.

LINN RD

PARCEL 2  
SEE SHEETS 14-15

SECTION 7  
SECTION 8  
SECTION 9  
SECTION 10  
SECTION 11  
SECTION 12  
SECTION 13  
SECTION 14  
SECTION 15  
SECTION 16  
SECTION 17  
SECTION 18  
SECTION 19  
SECTION 20  
SECTION 21  
SECTION 22

PARCEL 3  
SEE SHEETS 16-19

PARCEL 4  
SEE SHEETS 20-21



SCALE: 1"=4000'

**INDEX MAP****LEGEND**

- ANNEXATION BOUNDARY  
 - - - - - EXISTING BDVWA LIMITS

**TABLE OF CONTENTS**

PAGE 1	INDEX MAP
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PAGE 4-13	PARCEL 1 PLAT
PAGE 14	PARCEL 2 LEGAL DESC.
PAGE 15	PARCEL 2 PLAT
PAGE 16-18	PARCEL 3 LEGAL DESC.
PAGE 19	PARCEL 3 PLAT
PAGE 20	PARCEL 4 LEGAL DESC.
PAGE 21	PARCEL 4 PLAT
PAGE 22-26	APN LISTING



*Benjamin D. Egan*  
 BENJAMIN D. EGAN  
 PLS 8756

4/14/2014

DATE:

**EXHIBIT "A" - PLAT**

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
 CSA 70 W-1  
 LAFCO 2014-\_\_-\_\_

**SECTION THIRTY SEVEN**

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
 PALM DESERT, CA 92211  
 (760) 469-9107  
 BEGAN@S-37.COM

SHEET 1 OF 26

DATE: APRIL 14, 2014 JN: 37-100102

**EXHIBIT "A"**  
**LEGAL DESCRIPTION**  
**ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY**  
**CSA 70 W-1**  
**LAFCO 2014-\_\_-\_\_**

**PARCEL 1**

**ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY**

Those portions of Township 2 North, Range 6 East, San Bernardino Meridian, more particularly described as follows:

**BEGINNING** at the northwest corner of Section 4 of said Township;

(1) thence easterly 5280 feet, along the northerly line of said Section 4 to the northeast corner of said Section 4;

(2) thence easterly 5280 feet, along the northerly line of Section 3 of said Township to northeast corner of said Section 3;

(3) thence southerly 5280 feet, along the easterly line of said Section 3 to the southeast corner of said Section 3;

(4) thence southerly 5280 feet, along the easterly line of Section 10 of said Township to the southeast corner of said Section 10;

(5) thence easterly 5280 feet, along the northerly line of Section 14 of said Township to the northeast corner of said Section 14;

(6) thence southerly 5280 feet, along the easterly line of said Section 14 to the southeast corner of said Section 14;

(7) thence westerly 5280 feet, along the southerly line of said Section 14 to southwest corner of said Section 14;

(8) thence southerly 5280 feet, along the easterly line of Section 22 of said Township to the southeast corner of said Section 22;

(9) thence westerly 5280 feet, along the southerly line of said Section 22 to the southwest corner of said Section 22;

(10) thence northerly 5280 feet, along the westerly line of said Section 22 to the northwest corner of said Section 22;

(11) thence westerly 5280 feet, along the southerly line of Section 16 of said Township to the southwest corner of said Section 16;



(12) thence northerly 5280 feet, along the westerly line of said Section 16 to the northwest corner of said Section 16;

(13) thence westerly 5280 feet, along the southerly line of Section 8 of said Township to the southwest corner of said Section 8;

(14) thence northerly 5280 feet, along the westerly line of said Section 8 to the northwest corner of said Section 8;

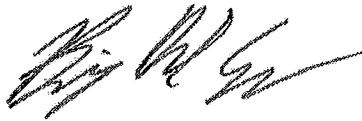
(15) thence easterly 5280 feet, along the northerly line of said Section 8 to the northeast corner of said Section 8;

(16) thence northerly 5280 feet, along the westerly line of Section 4 of said Township to the **POINT OF BEGINNING**.

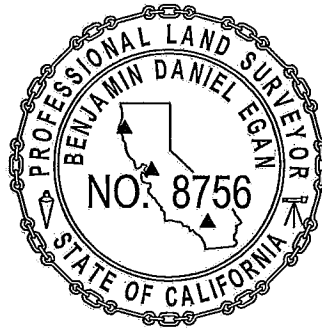
**CONTAINING: 5,773.4 acres, more or less.**

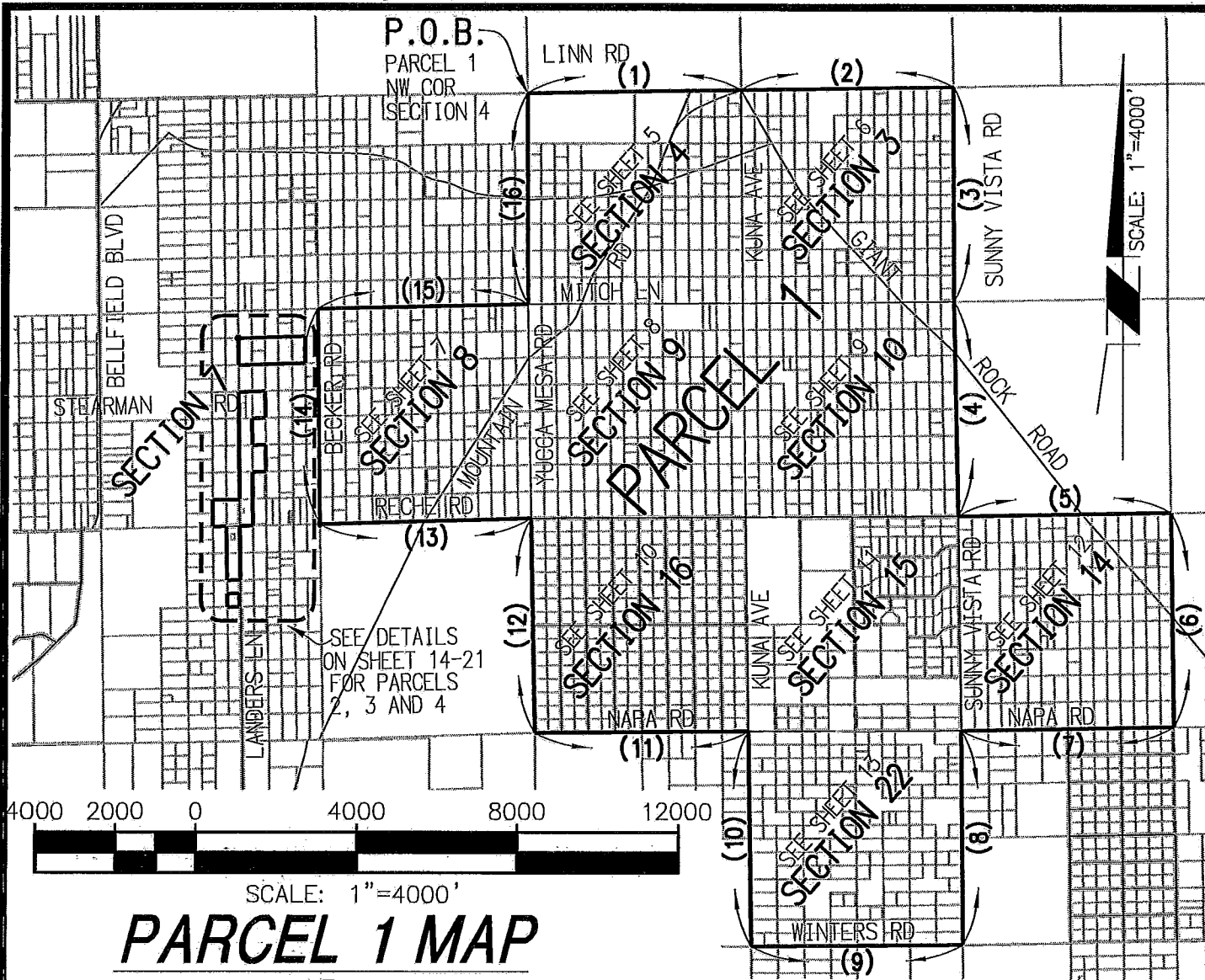
Graphically depicted on 'EXHIBIT "A" – PLAT – SHEET 4', attached hereto and by this reference made a part hereof.

This Legal Description and accompanying plat  
were prepared by me or under my direction.



Benjamin Daniel Egan, PLS 8756  
Prepared: 4/14/2014





## PARCEL 1 MAP



*Benjamin Daniel Egan*

4/14/2014

DATA TABLE					
(1)	EASTERLY	5280'	(9)	WESTERLY	5280'
(2)	EASTERLY	5280'	(10)	NORTHERLY	5280'
(3)	SOUTHERLY	5280'	(11)	WESTERLY	5280'
(4)	SOUTHERLY	5280'	(12)	NORTHERLY	5280'
(5)	EASTERLY	5280'	(13)	WESTERLY	5280'
(6)	SOUTHERLY	5280'	(14)	NORTHERLY	5280'
(7)	WESTERLY	5280'	(15)	EASTERLY	5280'
(8)	SOUTHERLY	5280'	(16)	NORTHERLY	5280'

## EXHIBIT "A" - PLAT

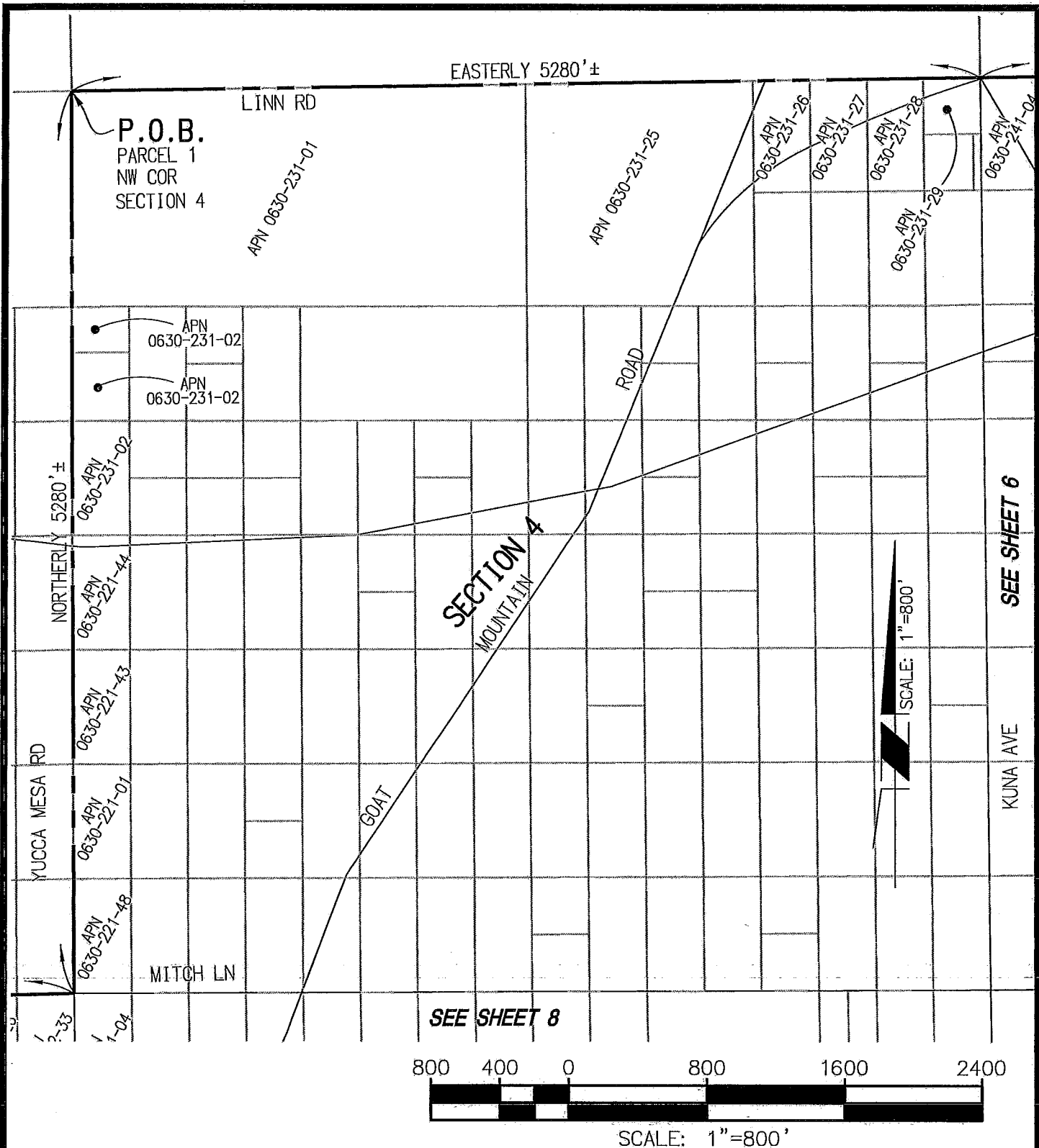
ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

## SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGAN@S-37.COM

SHEET 4 OF 26

DATE: APRIL 14, 2014 JN: 37-100102



## PARCEL 1 - SECTION 4 DETAIL

### EXHIBIT "A" - PLAT

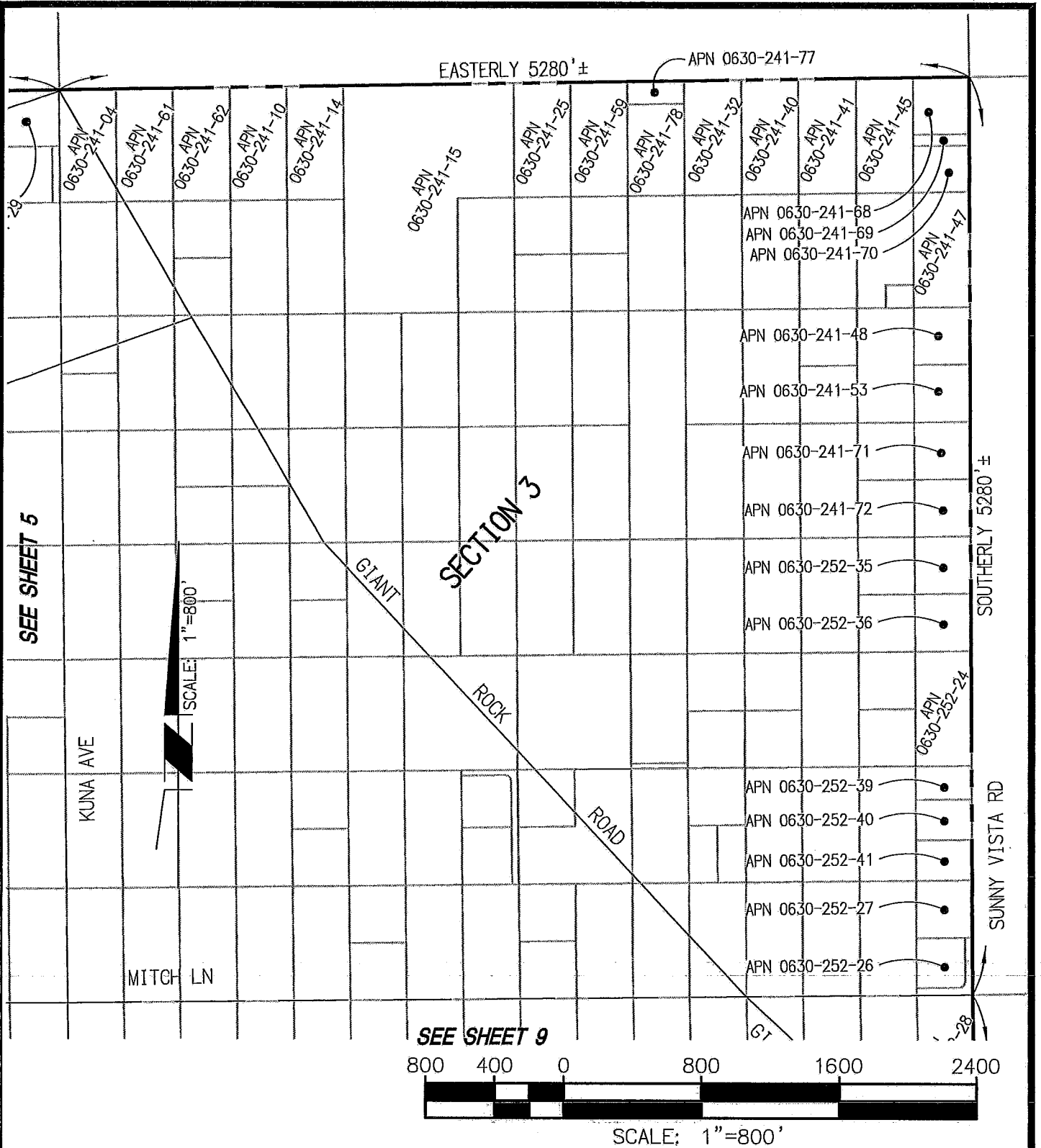
ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

### SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGAN@S-37.COM

SHEET 5 OF 26

DATE: APRIL 14, 2014 JN: 37-100102



## PARCEL 1 - SECTION 3 DETAIL

### EXHIBIT "A" - PLAT

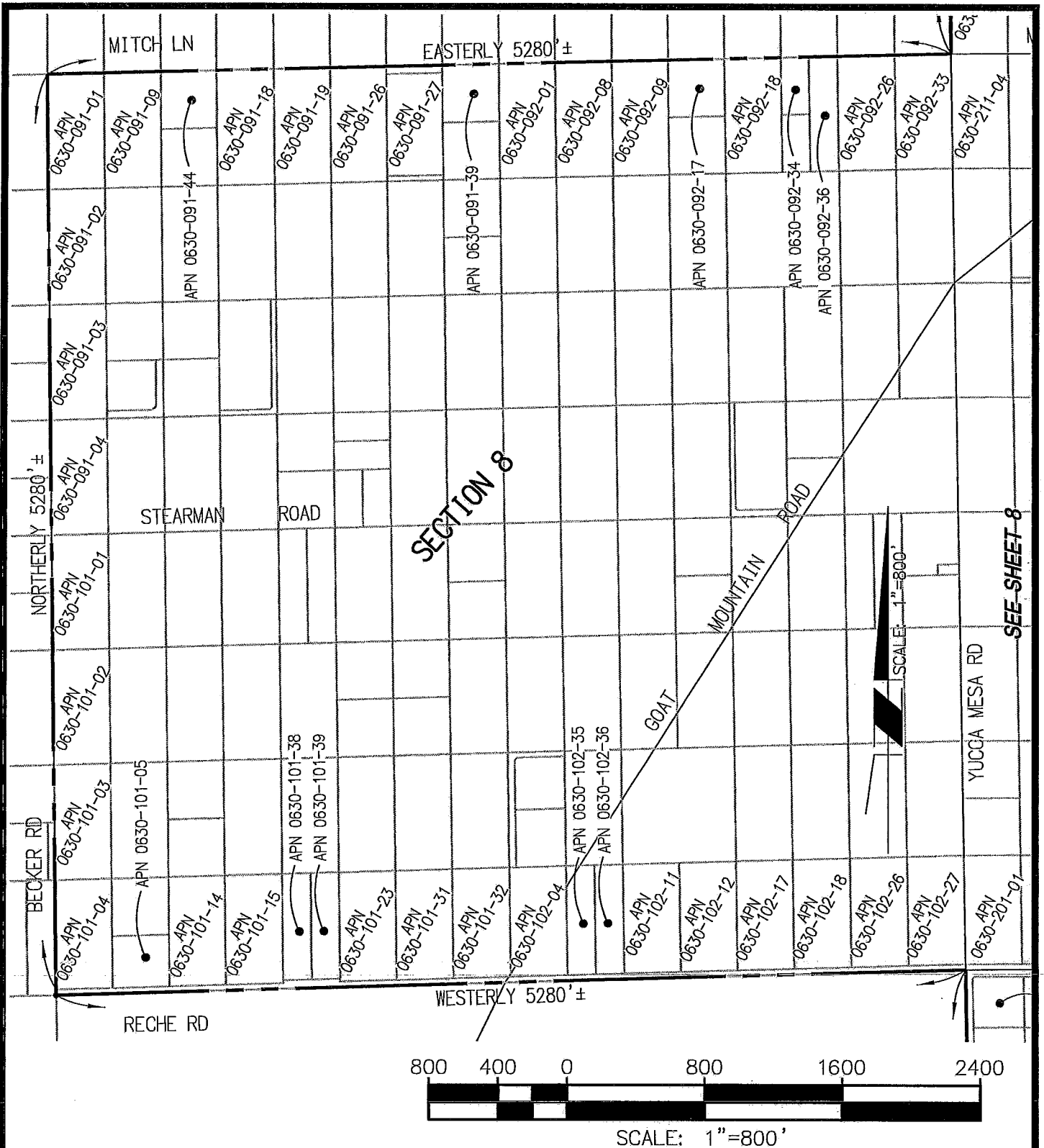
ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCD 2014-\_\_-\_\_

### SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGAN@S-37.COM

SHEET 6 OF 26

DATE: APRIL 14, 2014 JN: 37-100102



## PARCEL 1 - SECTION 8 DETAIL

### EXHIBIT "A" - PLAT

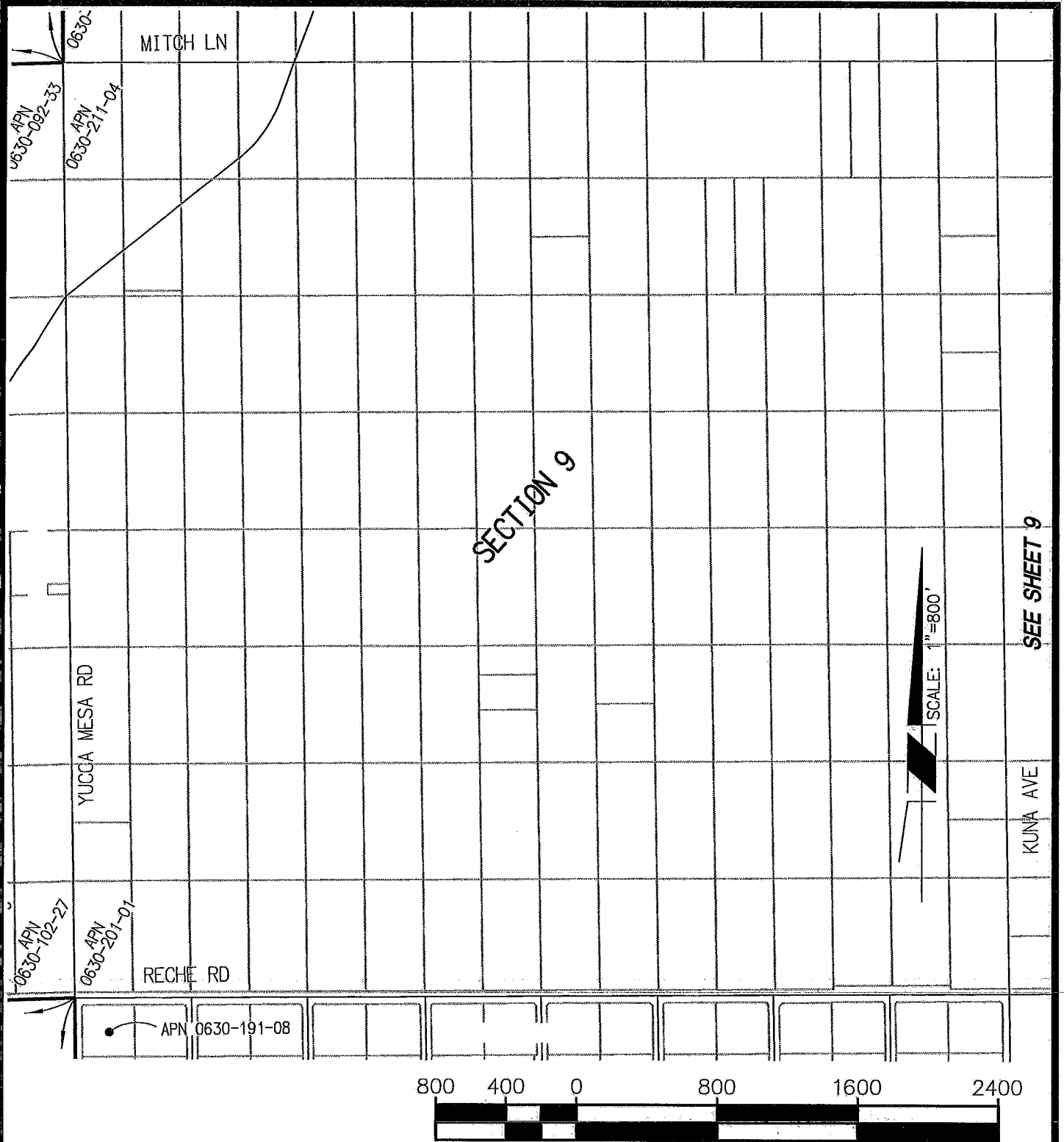
ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

### SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 489-9107  
BEGANOS-37.COM

SHEET 7 OF 26

DATE: APRIL 14, 2014 JN: 37-100102



## ***PARCEL 1 - SECTION 9 DETAIL***

### ***EXHIBIT "A" - PLAT***

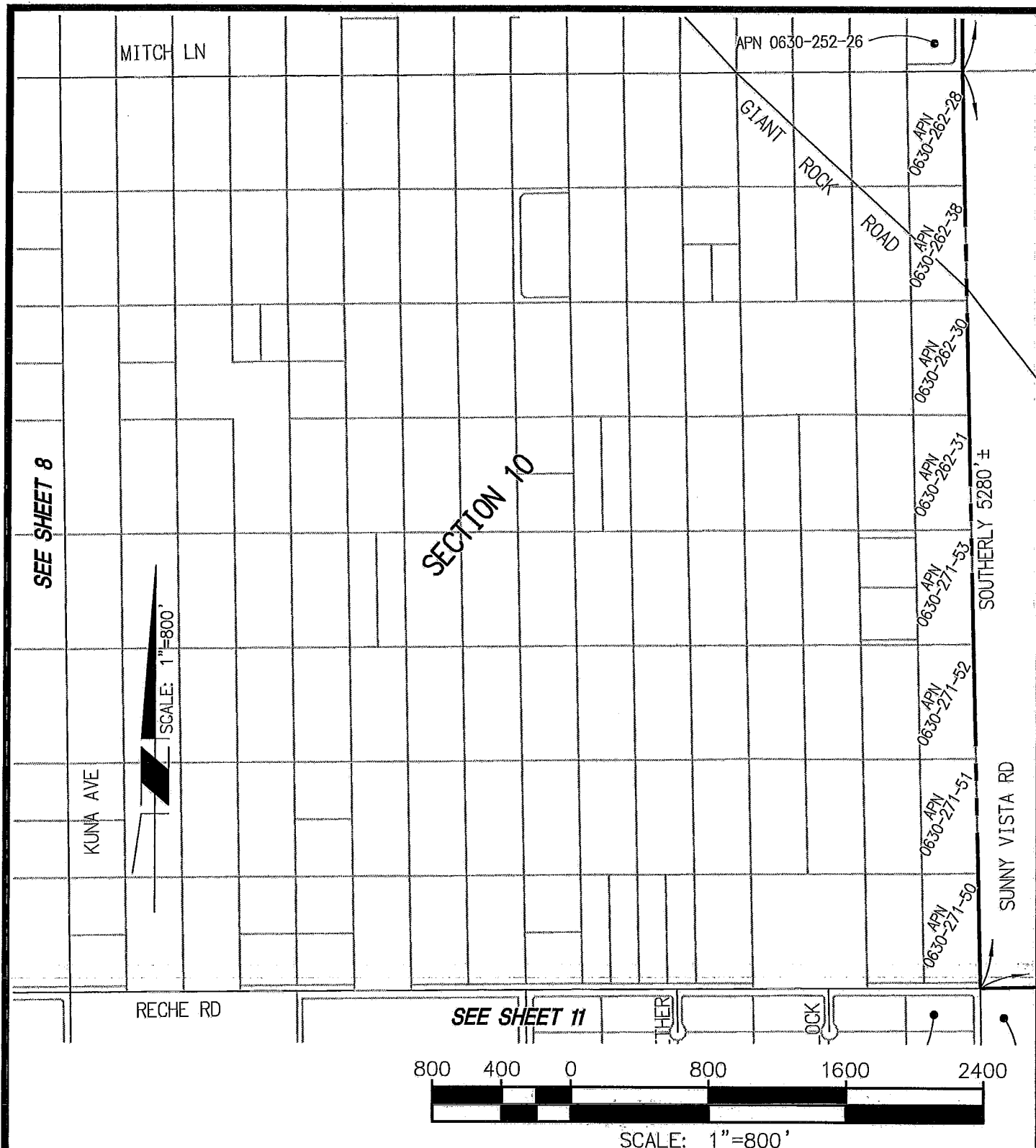
ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

### **SECTION THIRTY SEVEN**

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGAN@S-37.COM

**SHEET 8 OF 26**

**DATE: APRIL 14, 2014 JN: 37-100102**



## ***PARCEL 1 - SECTION 10 DETAIL***

### ***EXHIBIT "A" - PLAT***

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

#### **SECTION THIRTY SEVEN**

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGANOS-37.COM

**SHEET 9 OF 26**

**DATE: APRIL 14, 2014 JN: 37-100102**

SEE SHEET 8

RECHE RD

SEE SHEET 11

SCALE: 1"=800'

SECTION 16

NORTHERLY 5280' ±

YUCCA MESA RD

NAPA RD

WESTERLY 5280' ±

KUNA AVE

800 400 0 800 1600 2400

SCALE: 1"=800'

## PARCEL 1 - SECTION 16 DETAIL

### EXHIBIT "A" - PLAT

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

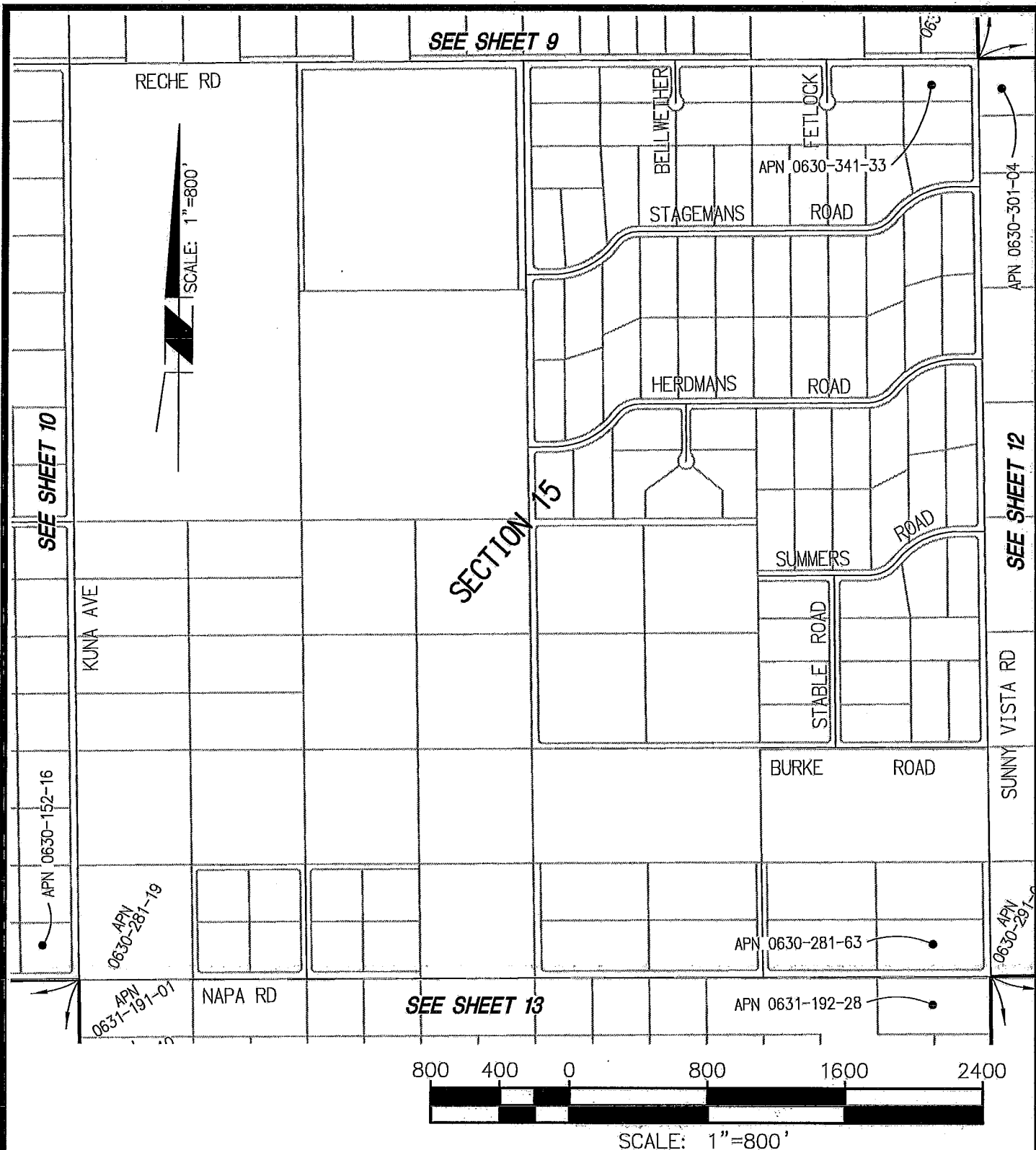
### SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGAN@S-37.COM

SHEET 10 OF 26

DATE: APRIL 14, 2014 JN: 37-100102





## ***PARCEL 1 - SECTION 15 DETAIL***

### ***EXHIBIT "A" - PLAT***

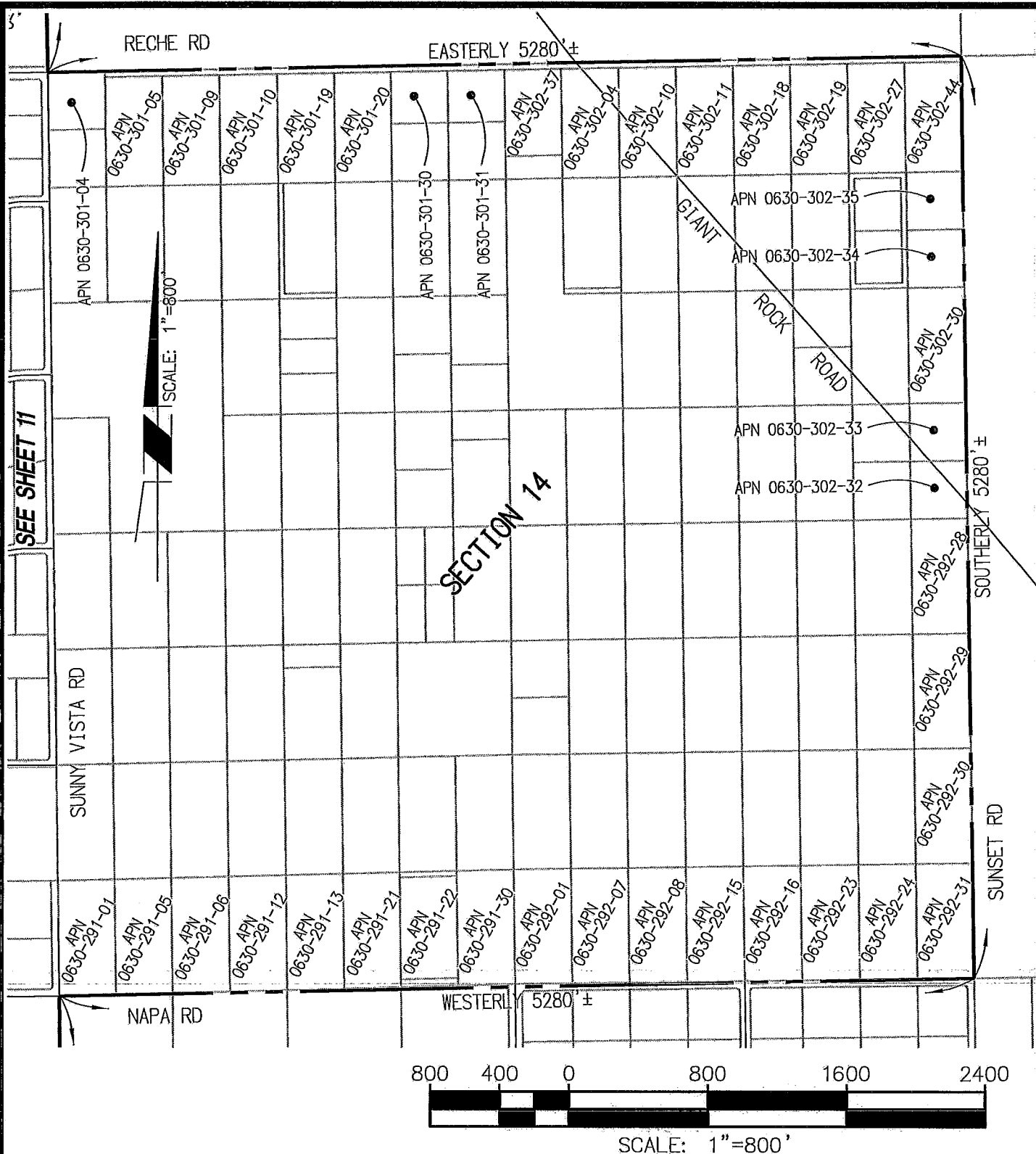
ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

#### **SECTION THIRTY SEVEN**

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGANOS-37.COM

**SHEET 11 OF 26**

**DATE: APRIL 14, 2014 JN: 37-100102**



## PARCEL 1 - SECTION 14 DETAIL

### EXHIBIT "A" - PLAT

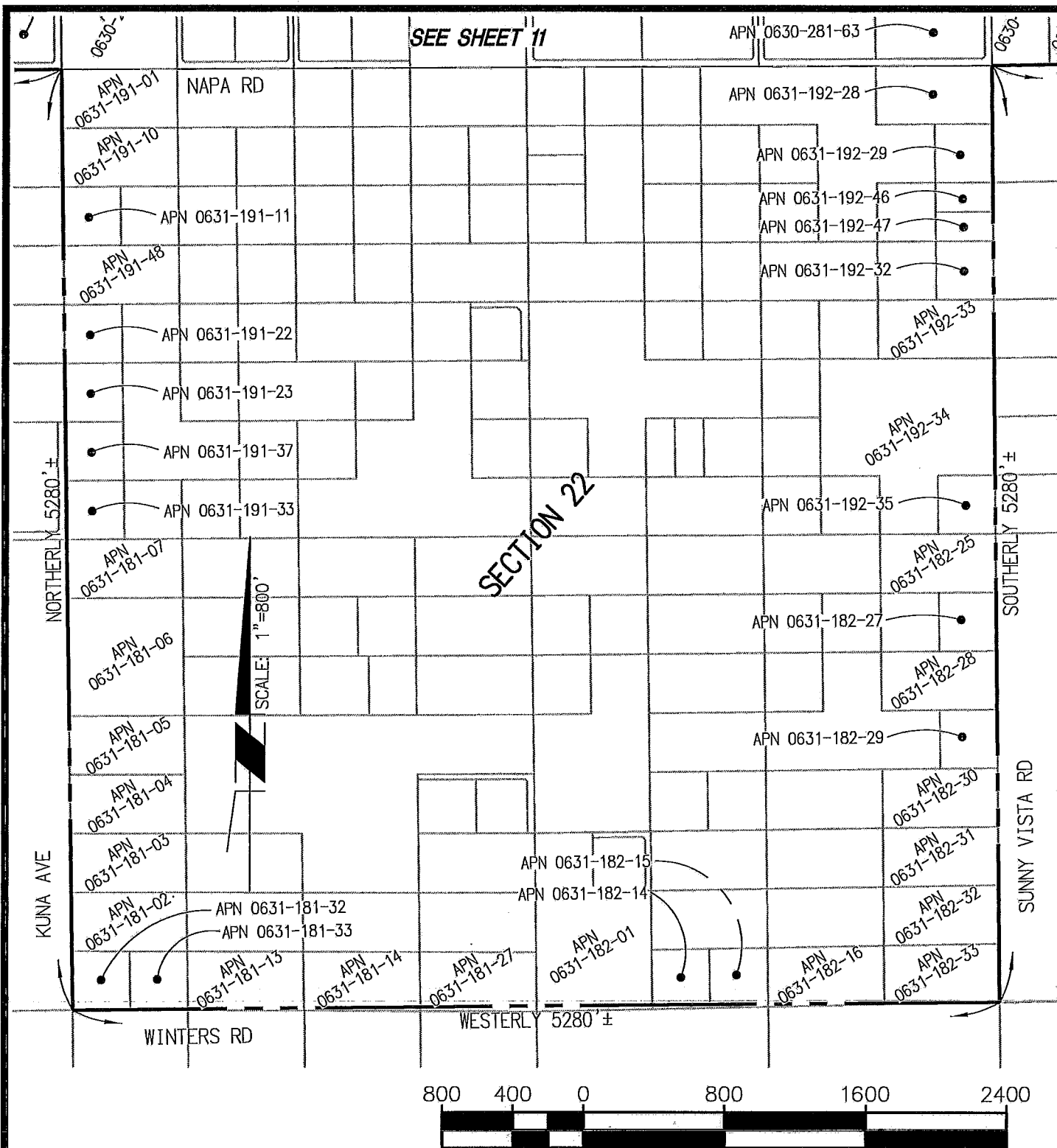
ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

### SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGAN@S-37.COM

SHEET 12 OF 26

DATE: APRIL 14, 2014 JN: 37-100102



## PARCEL 1 - SECTION 22 DETAIL

### EXHIBIT "A" - PLAT

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

### SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGAN@S-37.COM

SHEET 13 OF 26

DATE: APRIL 14, 2014 JN: 37-100102

**EXHIBIT "A"**  
**LEGAL DESCRIPTION**  
**ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY**  
**CSA 70 W-1**  
**LAFCO 2014-\_\_-\_\_**

**PARCEL 2**

**ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY**

Those portions of the south half of the north half of the northeast quarter of Section 7, Township 2 North, Range 6 East, San Bernardino Meridian, more particularly described as follows:

**BEGINNING** at the northwest corner of the southeast quarter of the northwest quarter of said northeast quarter of Section 7;

(1) thence easterly 1650 feet, along the northerly line of the south half of the north half of the northeast quarter of said Section 7 to the northeast corner of the west half of the southeast quarter of the northeast quarter of the northeast quarter of said Section 7;

(2) thence southerly 660 feet, along the easterly line of said west half to the southeast corner of said west half;

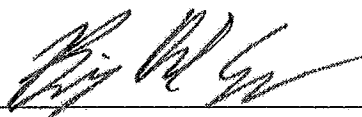
(3) thence westerly 1650 feet, along the southerly line of the aforementioned south half of the north half of the northeast quarter of Section 7 to the southeast corner of the aforementioned southeast quarter of the northwest quarter of said northeast quarter of Section 7;

(4) thence northerly 660 feet, along the easterly line of said east half to the **POINT OF BEGINNING**.

**CONTAINING: 25.2 acres, more or less.**

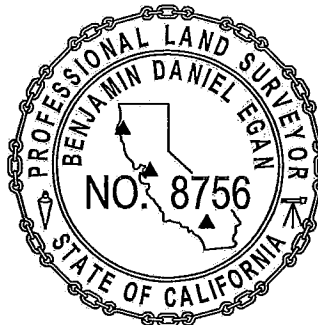
**Graphically depicted on 'EXHIBIT "A" – PLAT – SHEET 6', attached hereto and by this reference made a part hereof.**

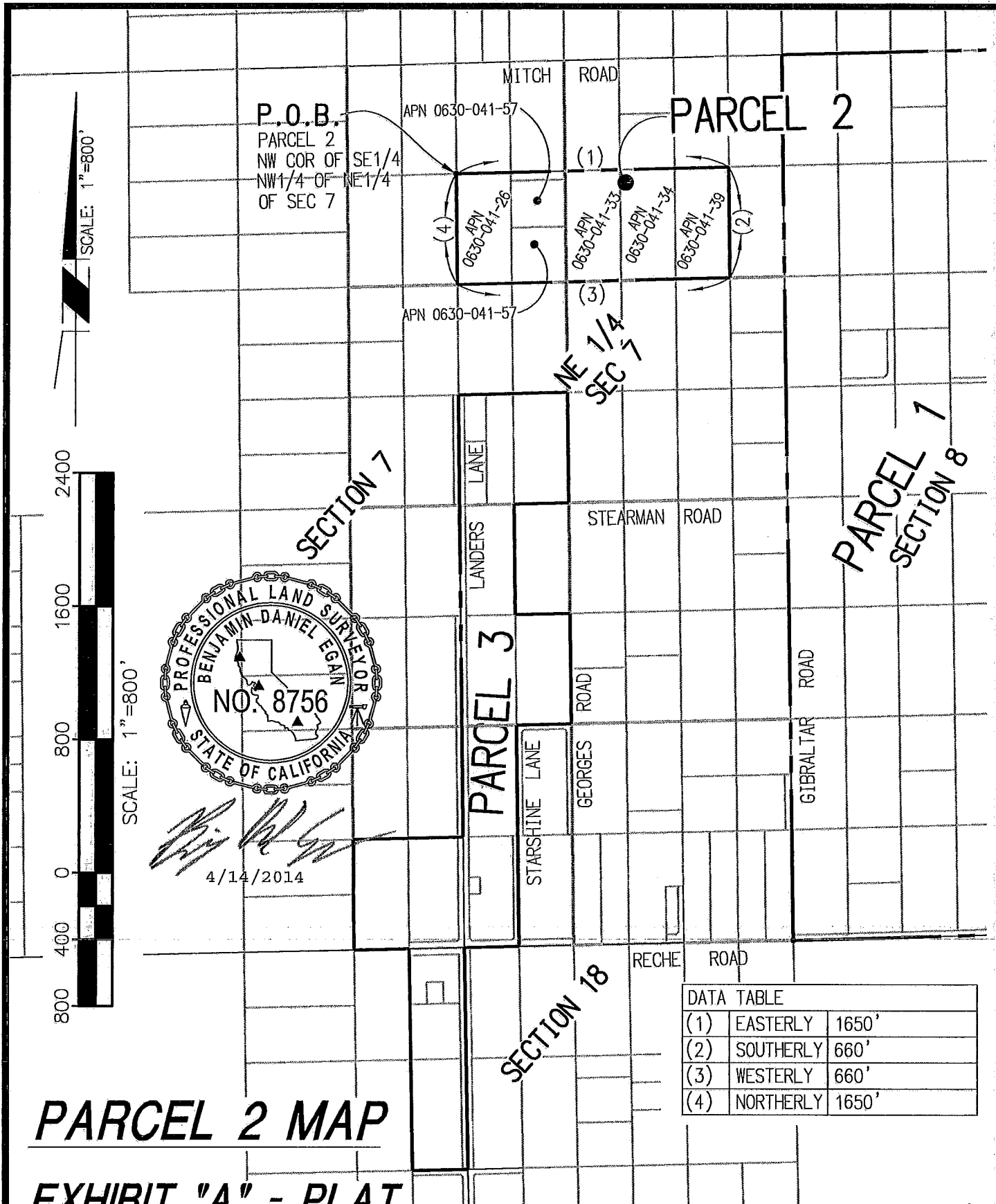
This Legal Description and accompanying plat  
were prepared by me or under my direction.



Benjamin Daniel Egan, PLS 8756

Prepared: 4/14/2014





# **PARCEL 2 MAP**

## **EXHIBIT "A" - PLAT**

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
 CSA 70 W-1  
 LAFCO 2014-\_\_-\_\_

### **SECTION THIRTY SEVEN**

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
 PALM DESERT, CA 92211  
 (760) 469-9107  
 BEGANS-37.COM

**SHEET 15 OF 26**

**DATE: APRIL 14, 2014 JN: 37-100102**

**EXHIBIT "A"**  
**LEGAL DESCRIPTION**  
**ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY**  
**CSA 70 W-1**  
**LAFCO 2014-\_\_-\_\_**

**PARCEL 3**

**ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY**

Those portions of the east half of Section 7 and the northeast quarter of Section 18, Township 2 North, Range 6 East, San Bernardino Meridian, more particularly described as follows:

**BEGINNING** at the northwest corner of the southeast quarter of the southwest quarter of said northeast quarter of Section 7;

(1) thence easterly 660 feet, along the northerly line of said southeast quarter of the southwest quarter of said northeast quarter of Section 7 to the northeast corner of said southeast quarter of the southwest quarter of said northeast quarter of Section 7;

(2) thence southerly 660 feet, along the easterly line of said southeast quarter of the southwest quarter of the northeast quarter of Section 7 to the southeast corner of said southeast quarter of the southwest quarter of the northeast quarter of said Section 7;

(3) thence westerly 330 feet, along the southerly line of said southeast quarter of the southwest quarter of the northeast quarter of said Section 7 to the northeast corner of the west half of the northeast quarter of the northwest quarter of the southeast quarter of said Section 7;

(4) thence southerly 660 feet, along the easterly line of said west half of the northeast quarter of the northwest quarter of the southeast quarter of Section 7 to northwest corner of the east half of the southeast quarter of the northwest quarter of the southeast quarter of said Section 7;

(5) thence easterly 330 feet, along the northerly line of said east half of the southeast quarter of the northwest quarter of the southeast quarter of Section 7 to the northeast corner of said east half of the southeast quarter of the northwest quarter of the southeast quarter of Section 7;

(6) thence southerly 660 feet, along the easterly line of said east half of the southeast quarter of the northwest quarter of the southeast quarter of Section 7 to the southeast corner of said east half of the southeast quarter of the northwest quarter of the southeast quarter of Section 7;

- (7) thence westerly 330 feet, along the southerly line of said east half of the southeast quarter of the northwest quarter of the southeast quarter of Section 7 to the northeast corner of the west half of the east half of the southwest quarter of the southeast quarter of said Section 7;
- (8) thence southerly 1320 feet, along the easterly line of said west half of the east half of the southwest quarter of the southeast quarter of Section 7 to the southeast corner of said west half of the east half of the southwest quarter of the southeast quarter of Section 7;
- (9) thence westerly 330 feet, along the southerly line of said west half of the east half of the southwest quarter of the southeast quarter of Section 7 to the northeast corner of the east half of the west half of the northwest quarter of the northeast quarter of the aforementioned Section 18;
- (10) thence southerly 1320 feet, along the easterly line of said east half of the west half of the northwest quarter of the northeast quarter of Section 18 to the southeast corner of said east half of the west half of the northwest quarter of the northeast quarter of Section 18;
- (11) thence westerly 330 feet, along the southerly line of said east half of the west half of the northwest quarter of the northeast quarter of Section 18 to the southwest corner of said east half of the west half of the northwest quarter of the northeast quarter of Section 18;
- (12) thence northerly 1320 feet, along the westerly line of said east half of the west half of the northwest quarter of the northeast quarter of Section 18 to the southeast corner of the west half of the southwest quarter of the southwest quarter of the southeast quarter of the aforementioned Section 7;
- (13) thence westerly 330 feet, along the southerly line of said west half of the southwest quarter of the southwest quarter of the southeast quarter of Section 7 to the southwest corner of said west half of the southwest quarter of the southwest quarter of the southeast quarter of Section 7;
- (14) thence northerly 660 feet, along the westerly line of said southwest quarter of the southwest quarter of the southeast quarter of Section 7 to the northwest corner of said southwest quarter of the southwest quarter of the southeast quarter of Section 7;
- (15) thence easterly 660 feet, along the northerly line of said southwest quarter of the southwest quarter of the southeast quarter of Section 7 to the southwest corner of the west half of the northeast quarter of the southwest quarter of the southeast quarter of said Section 7;
- (16) thence northerly 660 feet, along the westerly line of said west half of the northeast quarter of the southwest quarter of the southeast quarter of said Section 7 to the southwest corner of the east half of the northwest quarter of the southeast quarter of said Section 7;


(17) thence northerly 1320 feet, along the westerly line of said east half of the northwest quarter of the southeast quarter of said Section 7 to the southwest corner of the aforementioned southeast quarter of the southwest quarter of the northeast quarter of said Section 7;

(18) thence northerly 660 feet, along the westerly line of said southeast quarter of the southwest quarter of the northeast quarter of Section 7 to the **POINT OF BEGINNING**.

**CONTAINING: 55.5 acres, more or less.**

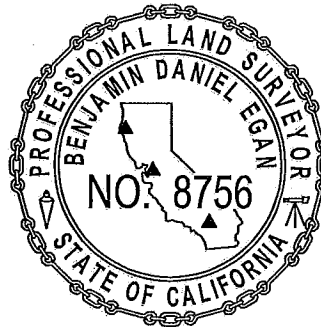
**Graphically depicted on 'EXHIBIT "A" – PLAT – SHEET 10', attached hereto and by this reference made a part hereof.**

This Legal Description and accompanying plat  
were prepared by me or under my direction.



Benjamin Daniel Egan, PLS 8756

Prepared: 4/14/2014







PARCEL 2

P.O.B.  
PARCEL 3  
NW COR OF SE1/4  
SW1/4 OF NE1/4  
OF SEC 7

APN 0630-041-24  
APN 0630-041-42  
  
APN 0630-041-54  
APN 0630-041-55

4/14/2014

SECTION 7

PARCEL 3

PARCEL 1  
SECTION 8

STEARMAN ROAD

GIBRALTAR ROAD

GEORGES ROAD

RECHE ROAD

SECTION 18

DATA TABLE

(1)	EASTERLY	660'	(10)	SOUTHERLY	1320'
(2)	SOUTHERLY	660'	(11)	WESTERLY	330'
(3)	WESTERLY	330'	(12)	NORTHERLY	1320'
(4)	SOUTHERLY	660'	(13)	WESTERLY	330'
(5)	EASTERLY	330'	(14)	NORTHERLY	660'
(6)	SOUTHERLY	660'	(15)	EASTERLY	660'
(7)	WESTERLY	330'	(16)	NORTHERLY	660'
(8)	SOUTHERLY	1320'	(17)	NORTHERLY	1320'
(9)	WESTERLY	330'	(18)	NORTHERLY	660'

# PARCEL 3 MAP EXHIBIT "A" - PLAT

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_

PARCEL 4

SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGANOS-37.COM

SHEET 19 OF 26

DATE: APRIL 14, 2014 JN: 37-100102

**EXHIBIT "A"**  
**LEGAL DESCRIPTION**  
**ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY**  
**CSA 70 W-1**  
**LAFCO 2014-\_\_-\_\_**

**PARCEL 4**

**ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY**

That portion of the northeast quarter of Section 18, Township 2 North, Range 6 East, San Bernardino Meridian, more particularly described as follows:

**BEGINNING** at the northwest corner of the southeast quarter of the northwest quarter of the southwest quarter of the northeast quarter of said Section 18;

(1) thence easterly 330 feet, along the northerly line of said southeast quarter of the northwest quarter of the southwest quarter of the northeast quarter of Section 18 to the northeast corner of said southeast quarter of the northwest quarter of the southwest quarter of the northeast quarter of Section 18;

(2) thence southerly 330 feet, along the easterly line of said southeast quarter of the northwest quarter of the southwest quarter of the northeast quarter of Section 18 to the southeast corner of said southeast quarter of the northwest quarter of the southwest quarter of the northeast quarter of Section 18;

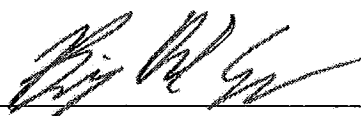
(3) thence westerly 330 feet, along the southerly line of said southeast quarter of the northwest quarter of the southwest quarter of the northeast quarter of Section 18 to the southwest corner of said southeast quarter of the northwest quarter of the southwest quarter of the northeast quarter of Section 18;

(4) thence northerly 330 feet, along the westerly line of said southeast quarter of the northwest quarter of the southwest quarter of the northeast quarter of Section 18 to the **POINT OF BEGINNING**.

**CONTAINING: 2.5 acres, more or less.**

Graphically depicted on 'EXHIBIT "A" – PLAT – SHEET 12', attached hereto and by this reference made a part hereof.

This Legal Description and accompanying plat were prepared by me or under my direction.

  
Benjamin Daniel Egan, PLS 8756  
Prepared: 4/14/2014





2400

1600

800

0

400

800

SCALE: 1"=800'

P.O.B.  
PARCEL 4  
NW COR OF SE1/4  
OF NW1/4 OF  
SW1/4 OF NE1/4  
OF SEC 18

SECTION 18

SECTION 7

LANDERS LANE

PARCEL 3

STARSHINE LANE

GEORGES ROAD

STEARMAN ROAD

RECHE ROAD

BARTER ROAD

FORDHAM AVE

LANDERS LANE

MARGARITA ST

(1)

(4)

(3)

(2)

BURKE ROAD

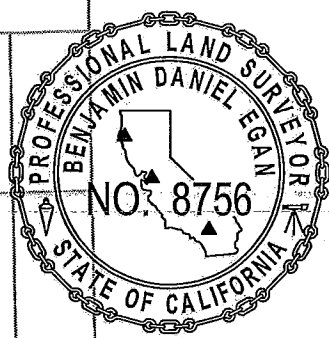
NE 1/4  
SEC 18

PARCEL 4

APN 0630-021-048

DATA TABLE

(1)	EASTERLY	660'
(2)	SOUTHERLY	660'
(3)	WESTERLY	660'
(4)	NORTHERLY	660'



4/14/2014

# PARCEL 4 MAP EXHIBIT "A" - PLAT

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_\_

SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGAN@S-37.COM

SHEET 21 OF 26

DATE: APRIL 14, 2014 JN: 37-100102

# PARCEL 1 APN LIST

0630-301-01	0630-262-22	0630-271-08	0630-241-18	0630-211-67	0630-123-03	0630-221-20
0630-231-22	0630-211-33	0630-221-03	0630-091-05	0630-302-16	0630-142-12	0630-351-20
0630-091-11	0630-241-64	0630-221-30	0630-271-72	0630-141-14	0630-351-05	0630-121-02
0630-101-42	0630-281-37	0630-361-09	0631-181-09	0630-132-17	0630-302-32	0630-251-03
0630-101-25	0630-171-10	0630-292-31	0630-193-06	0630-182-16	0630-221-02	0630-252-28
0631-192-20	0630-252-07	0630-211-20	0630-252-46	0630-181-08	0630-141-13	0630-262-06
0631-181-05	0630-261-30	0630-201-30	0630-252-39	0630-301-31	0631-192-41	0630-102-00
0630-201-08	0630-091-09	0630-101-12	0630-101-40	0630-121-15	0630-302-12	0630-141-01
0630-102-30	0630-211-15	0631-181-11	0630-292-23	0630-211-19	0630-291-14	0630-102-27
0630-091-39	0630-292-33	0630-301-18	0630-231-49	0631-192-26	0630-123-05	0631-181-35
0630-181-02	0630-252-40	0630-191-09	0631-181-19	0630-091-44	0630-221-67	0630-102-43
0630-221-75	0630-231-33	0630-191-08	0630-292-19	0631-182-01	0630-092-05	0631-192-10
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0631-182-18	0631-191-49	0630-231-18	0631-181-23	0630-152-04	0630-251-32	0630-241-20
0630-231-28	0630-122-05	0630-221-54	0630-252-12	0630-221-16	0630-251-34	0630-151-13
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0630-252-04	0630-231-42	0630-193-02	0630-092-38	0630-132-06	0630-101-26	0631-192-24
0630-192-07	0630-271-42	0630-211-08	0630-231-54	0630-351-21	0630-252-02	0630-092-13
0630-221-10	0630-351-10	0631-191-23	0630-291-29	0630-292-07	0630-262-05	0630-201-63
0630-251-10	0631-192-31	0630-241-58	0630-291-33	0630-231-11	0630-123-08	0630-091-12
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0630-351-01	0630-221-44	0630-292-27	0631-181-26	0630-252-11	0630-241-04	0630-241-24
0630-211-02	0630-201-67	0630-351-12	0630-341-32	0630-201-13	0630-291-19	0630-231-07
0630-261-22	0630-091-15	0630-131-03	0630-151-11	0630-241-03	0630-102-42	0630-123-01
0630-201-16	0630-271-78	0630-241-36	0630-211-18	0630-182-11	0630-221-74	0630-291-04
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0630-221-28	0630-251-31	0630-341-11	0630-172-08	0630-211-07	0630-221-66	0630-262-14
0631-191-17	0630-341-21	0630-252-05	0630-231-23	0630-101-20	0630-291-09	0630-201-23
0630-201-73	0630-361-06	0630-251-22	0630-142-10	0630-201-27	0631-182-09	0631-182-35
0631-181-13	0630-152-16	0630-221-57	0630-302-36	0630-091-14	0630-301-20	0630-152-09
0630-261-23	0630-251-19	0630-231-48	0630-152-01	0630-292-20	0630-241-50	0630-241-80
0630-262-17	0630-091-18	0630-201-14	0630-121-01	0630-141-04	0630-291-32	0630-351-18
0630-161-11	0630-262-26	0630-302-43	0631-191-33	0630-231-05	0630-261-11	0630-162-10
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0630-092-33	0631-181-16	0630-091-37	0630-182-15	0630-211-50	0630-241-37	0630-091-17
0630-102-23	0630-201-09	0630-142-15	0631-182-01	0630-281-58	0630-102-31	0630-101-31
0630-292-29	0630-262-03	0630-351-15	0630-241-06	0630-152-12	0630-191-14	0631-191-20

## EXHIBIT "A" - PLAT

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

## SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
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SHEET 22 OF 26

DATE: APRIL 14, 2014 JN: 37-100102

# PARCEL 1 APN LIST

0630-261-33	0630-231-14	0630-302-34	0630-261-14	0630-102-14	0630-292-06	0630-271-27
0630-211-57	0630-201-21	0630-101-28	0630-102-07	0630-101-27	0631-192-33	0630-101-07
0630-252-42	0631-181-30	0630-292-11	0630-221-76	0631-182-10	0630-271-50	0630-281-63
0630-201-03	0630-281-46	0630-301-22	0631-191-22	0630-241-74	0630-271-76	0630-351-02
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0630-341-05	0630-151-14	0630-252-08	0630-092-28	0630-251-37	0630-211-66	0630-231-15
0630-341-33	0630-201-20	0630-292-04	0631-181-22	0630-221-46	0630-262-32	0630-092-40
0630-251-15	0630-292-22	0630-281-35	0630-271-55	0631-192-01	0630-122-11	0630-271-47
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0630-211-27	0630-152-02	0630-192-01	0631-181-12	0630-151-12	0631-191-50	0630-092-02
0630-231-20	0631-192-38	0630-251-24	0630-361-05	0630-142-01	0631-182-20	0630-241-10
0630-301-07	0630-262-41	0630-252-41	0631-192-28	0630-221-48	0630-291-08	0630-341-16
0630-161-07	0630-161-04	0630-241-65	0630-271-22	0630-211-21	0630-271-14	0630-201-59
0631-192-47	0630-262-20	0630-262-36	0631-191-31	0630-092-41	0630-122-07	0630-271-56
0630-351-08	0630-271-06	0630-191-01	0631-191-35	0630-231-21	0630-261-26	0630-302-10
0630-201-47	0630-262-37	0630-271-57	0630-361-12	0630-302-33	0631-181-15	0630-271-13
0630-262-07	0630-301-03	0630-152-15	0630-302-00	0630-341-13	0630-281-54	0630-193-05
0630-211-52	0630-182-12	0630-262-08	0630-182-09	0630-211-53	0630-102-15	0630-271-69
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0630-241-79	0630-361-16	0630-291-10	0630-211-62	0630-301-15	0630-172-11	0631-182-29
0630-201-54	0630-221-13	0630-123-02	0630-092-09	0630-241-67	0630-152-10	0630-241-55
0631-182-33	0630-361-02	0630-092-32	0630-201-41	0630-281-61	0630-092-39	0630-241-08
0631-181-18	0630-252-18	0630-201-58	0630-281-04	0630-302-20	0630-271-64	0631-192-21
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0630-092-17	0630-141-12	0631-191-47	0630-192-11	0630-192-14	0630-121-07	0630-102-04
0630-351-03	0630-251-36	0630-271-49	0630-162-01	0630-161-09	0631-181-03	0630-211-28
0631-182-24	0630-101-08	0630-211-54	0630-221-52	0630-162-03	0630-122-06	0630-221-25

## EXHIBIT "A" - PLAT

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

## SECTION THIRTY SEVEN

77-570 SPRINGFIELD LANE, SUITE M CONSULTANTS  
PALM DESERT, CA 92211  
(760) 469-9107  
BEGANOS-37.COM

SHEET 23 OF 26

DATE: APRIL 14, 2014 JN: 37-100102

# PARCEL 1 APN LIST

0630-101-36	0630-201-72	0630-201-42	0630-252-00	0630-092-23	0630-171-04	0630-101-37
0630-241-25	0630-102-35	0630-271-19	0630-211-71	0630-271-11	0630-122-04	0630-271-21
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0630-091-04	0630-193-01	0630-161-02	0630-291-20	0630-162-09	0630-091-20	0631-182-06
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0630-241-69	0630-122-14	0630-231-34	0631-191-16	0630-292-09	0630-102-10	0630-271-23
0630-271-16	0630-151-02	0630-261-18	0631-192-09	0630-262-27	0630-092-18	0630-251-29
0630-151-05	0630-142-08	0631-191-36	0630-221-01	0630-201-01	0630-302-01	0630-241-54
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0630-211-29	0630-252-33	0630-131-04	0630-241-47	0630-162-15	0630-262-23	0630-221-55
0630-201-44	0630-281-27	0630-092-31	0630-192-12	0631-181-10	0630-231-01	0630-221-23

## EXHIBIT "A" - PLAT

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## SECTION THIRTY SEVEN

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SHEET 24 OF 26

DATE: APRIL 14, 2014 JN: 37-100102

# PARCEL 1 APN LIST

0630-241-28	0630-221-72	0630-131-08	0630-292-05	0630-281-60	0630-101-23	0630-123-06
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0630-102-02	0630-192-08	0630-301-10	0630-271-70	0630-101-16	0630-302-41	0630-091-31
0630-102-28	0630-182-04	0630-211-26	0630-132-05	0630-351-19	0630-211-25	0630-211-09
0630-271-60	0630-262-16	0630-132-18	0630-341-30	0630-172-03	0630-092-15	0630-261-05
0630-302-27	0630-221-07	0630-271-77	0631-182-08	0630-262-39	0630-341-09	0630-201-66
0630-241-75	0630-241-72	0630-171-16	0630-171-05	0630-231-06	0630-221-43	0630-271-74
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0630-252-29	0630-122-15	0630-241-02	0630-351-04	0630-201-28	0630-251-14	0630-271-36
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0630-221-34	0630-142-06	0630-221-42	0630-102-09	0630-201-46	0630-171-09	0630-291-12

## EXHIBIT "A" - PLAT

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

## SECTION THIRTY SEVEN

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DATE: APRIL 14, 2014 JN: 37-100102

## ***PARCEL 1 APN LIST***

0630-191-02  
0630-101-10  
0630-271-43  
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0630-251-07  
0630-221-18  
0630-221-12  
0630-201-61  
0630-092-36  
0630-162-06  
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0630-102-16  
0630-281-40  
0630-271-63  
0630-291-13

## ***PARCEL 2 APN LIST***

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0630-041-33  
0630-041-39  
0630-041-00

## ***PARCEL 3 APN LIST***

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0630-041-42  
0630-021-18  
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0630-032-49  
0630-032-10  
0630-032-04  
0630-032-15  
0630-041-30  
0630-041-55  
0630-021-67  
0630-032-09

## ***PARCEL 4 APN LIST***

0630-021-48

## ***EXHIBIT "A" - PLAT***

ANNEXATION TO BIGHORN DESERT VIEW WATER AGENCY.  
CSA 70 W-1  
LAFCO 2014-\_\_-\_\_

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***SHEET 26 OF 26***

***DATE: APRIL 14, 2014 JN: 37-100102***



3181

# Plan for Service and Fiscal Impact Analysis Reorganization to include Annexations to the Bighorn-Desert View Water Agency, Formation of Improvement District of BDVWA and Dissolution of County Service Area 70 Zone W-1

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Prepared for:

Bighorn Desert View Water Agency  
622 Jemez Trail  
Yucca Valley, CA 92284  
Attn: Marina West, General Manager

April 18, 2014

SRHA Job # 1268

---

**STANLEY R. HOFFMAN**  
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## CERTIFICATION

The Bighorn Desert View Water Agency (BDVWA) hereby certifies that this document presents the data and information required for the Plan for Service and Fiscal Impact Analysis for the reorganization to include BDVWA Annexations (Areas 1, 2, 3, and 4), Formation of Improvement District of BDVWA, and dissolution of County Service Area 70 Zone W-1 to the best of my ability, and that the facts, statements, and information presented herein are true and correct to the best of my knowledge and belief.

4/28/2014  
Date

  
Signature of Application

Marina D. West, General Manager  
Bighorn Desert View Water Agency

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## EXECUTIVE SUMMARY

**Proposed Reorganization.** The Bighorn Desert View Water Agency (BDVWA) proposes to annex four separate areas (one large area and three small island areas) into its existing boundary and dissolve County Service Area 70 Zone W-1, as shown in Figure 1. Annexation Area 1, the largest area at 5,624 acres, is currently being provided with water service by the County CSA 70 Zone W-1. The BDVWA currently provides water service to 17 of the 24 parcels within the island annexation areas 2, 3 and 4 through a contract with the County on behalf of CSA 70 Zone W-1.

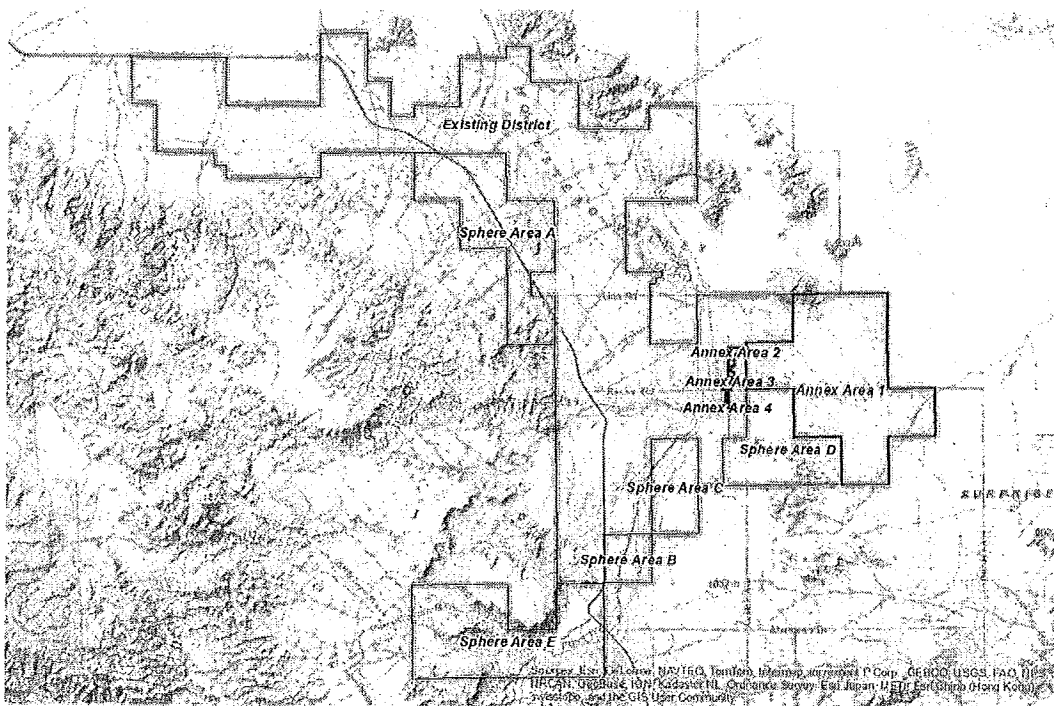
The Bighorn-Desert View Agency is a special district of the State of California which operates under the Bighorn-Desert View Water Agency Law, an Uncodified Act of the Statutes of 1969, Chapter 1175, effective August 31, 1969. The Agency Law was modernized under SB 246 (Fuller) effective January 1, 2014.

The Bighorn Desert View Water Agency is currently responsible for providing water services within its existing boundary. These services would be authorized to be extended by the Bighorn Desert View Water Agency to the four separate areas upon annexation.

The purpose of this study is to show that the proposed water services and necessary infrastructure improvements can be provided to developments within the proposed annexation areas as needed.

**Existing Development.** Table 1 shows total parcels and acres by land use for each annexation area. Based on 2013 data from the County of San Bernardino's Geographic Information System (GIMS), there are a total of 1,401 parcels and 5,701 acres in the four annexation areas; 1,377 parcels and 5,624 acres (over 98 percent) are located within Annexation Area 1. Most of the developed acres are for single-family residential uses, although a small amount is designated as duplex residential uses. About 965 acres in Annexation Area 1, or 17 percent of the total acres, are government lands (Bureau of Land Management). Vacant and unknown land uses comprise about 2,260 acres, or about 40 percent of the total acreage.

**Figure 1**  
**Overall Study Area**  
**Bighorn Desert View Water Agency**



Sources: Stanley R. Hoffman Associates, Inc.  
 County of San Bernardino, Geographic Information Systems (GIMS)

**Table 1**  
**Existing Land Uses**  
**Proposed Annexation Area**  
**San Bernardino County**

Land Use	Parcels	Building Sq. Ft.	% of Total Sq. Ft.	Parcel Acres	% of Total Acres
<b><u>Annexation Area 1</u></b>					
Duplex Residential	1	1,922	0.3%	5	0.1%
Government	147	0	0.0%	965	16.9%
Single-Family Residential	616	544,108	97.3%	2,394	42.0%
Unknown	1	0	0.0%	5	0.1%
Vacant	612	0	0.0%	2,255	39.6%
<b>Annexation Area 1 Subtotal</b>	<b>1,377</b>	<b>546,030</b>	<b>97.6%</b>	<b>5,624</b>	<b>98.6%</b>
<b><u>Annexation Area 2</u></b>					
Single-Family Residential	4	4,060	0.7%	15	0.3%
Vacant	2	0	0.0%	10	0.2%
<b>Annexation Area 2 Subtotal</b>	<b>6</b>	<b>4,060</b>	<b>0.7%</b>	<b>25</b>	<b>0.4%</b>
<b><u>Annexation Area 3</u></b>					
Single-Family Residential	11	7,311	1.3%	28	0.5%
Vacant	6	0	0.0%	22	0.4%
<b>Annexation Area 3 Subtotal</b>	<b>17</b>	<b>7,311</b>	<b>1.3%</b>	<b>50</b>	<b>0.9%</b>
<b><u>Annexation Area 4</u></b>					
Single-Family Residential	1	2,042	0.4%	2	0.0%
<b>Annexation Area 4 Subtotal</b>	<b>1</b>	<b>2,042</b>	<b>0.4%</b>	<b>2</b>	<b>0.0%</b>
<b>Total Annexation</b>	<b>1,401</b>	<b>559,443</b>	<b>100.0%</b>	<b>5,701</b>	<b>100.0%</b>

Sources: Stanley R. Hoffman Associates, Inc.  
 County of San Bernardino, Geographic Information Systems (GIMS)

**Projected Recurring Fiscal Impacts.** As shown in Table 2, the projected recurring fiscal impacts are positive for both the existing BDVWA properties being served and the properties within the proposed annexation areas. The recurring net operating surplus is estimated at \$172,062 with about 72 percent from properties within the existing water agency and 28 percent from the properties within the proposed annexation areas. As shown in Table 2, the estimated net surplus is about 9 percent of the total operating revenues. This assumes that the operating revenues and costs for the BDVWA and the proposed annexation areas were structured to represent approximately the same operating relationships in preparing the projection. It is also assumed that there is no significant new growth over the next five (5) years in the local area. This is based on reviewing the water connections over recent years that suggests a slowdown of new connections over this period.

**Table 2**  
**Projected Recurring Fiscal Impacts**  
**Bighorn Desert View Water Agency**

	BDVWA Totals	W-1 Totals	TOTAL
<b>TOTAL REVENUE - OPERATING</b>	<b>\$1,061,952</b>	<b>\$343,663</b>	<b>\$1,405,615</b>
ADMINISTRATION EXPENSE	625,160	162,236	787,396
OPERATION EXPENSE	415,730	219,582	635,312
NET Operating Revenue	21,062	-38,155	-17,093
<b>TOTAL REVENUE - NON-OPERATING</b>	<b>\$326,425</b>	<b>\$189,180</b>	<b>\$515,605</b>
DEBT-EXPENSE	224,300	102,150	326,450
NET Non-Operating Revenue	\$102,125	\$87,030	\$189,155
<b>TOTAL FY 13/14 PROJECTED RESERVES</b>	<b>\$123,187</b>	<b>\$48,875</b>	<b>\$172,062</b>
Total Operating and Non-Operating Revenues	\$1,388,377	\$532,843	\$1,921,220
% of Total Operating & Non-Operating Revenue	8.9%	9.2%	9.0%

Source: Bighorn Desert View Water Agency

# CHAPTER 1

## INTRODUCTION

### 1.1 Purpose of the Study

The Local Agency Formation Commission (LAFCO) for San Bernardino County requires a Plan for Service and Fiscal Impact Analysis be prepared and certified when the jurisdiction is affected by a proposed change in boundaries, formation, or change of organization. The Bighorn Desert View Water Agency (BDVWA) proposes to annex four areas into its existing boundary and dissolve CSA 70 Zone W-1, as shown in Figure 1-1. Annexation Area 1, the largest area at 5,624 acres, is currently being provided with water service by the County CSA 70 Zone W-1. The BDVWA also provides domestic water service to 17 of the 24 parcels within the island annexation areas 2, 3 and 4 by contract.

The BDVWA is currently responsible primarily for providing water services within its existing boundary. The County of San Bernardino provides other services, such as general government, selected countywide services, sheriff patrol, and land management and development services. In addition, various County special districts provide fire and emergency services, transportation and roads, libraries, flood control and school districts. These services provided by the County of San Bernardino and selected special districts are not proposed to change.

The purpose of this study is to show that the selected infrastructure improvements and services can be provided to developments within the annexation areas that meet the appropriate service criteria. Per the LAFCO August 2012 *Policy and Procedure* Manual, the Plan for Service must include the following components:

- a. *A description of the level and range of each service to be provided to the affected territory.*
- b. *An indication of when those services can feasibly be extended to the affected territory.*
- c. *An identification of any improvement or upgrading of structures, roads, water or sewer facilities, other infrastructure, or other conditions the affected agency would impose upon the affected territory.*
- d. *The Plan shall include a Fiscal Impact Analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The Fiscal Impact Analysis shall provide, at a minimum, a five (5)-year projection of revenues and expenditures. A narrative discussion of the sufficiency of revenues for anticipated service extensions and operations is required.*
- e. *An indication of whether the affected territory is, or will be, proposed for inclusion within an existing or proposed improvement zone/district, redevelopment area, assessment district, or community facilities district.*



- f. If retail water service is to be provided through this change of organization, provide a description of the timely availability of water for projected needs within the area based upon the factors identified in Government Code Ch3 65352.5.*

## **1.2 Rationale for the Proposed Annexation Areas**

**Background.** The Board of Directors first indicated a formal interest in reorganization (i.e. annexation) with County Service Area 70/Zone W-1 Landers/Goat Mountain (W1) operated by the County Special Districts Department (SDD) at a formal Goal Setting Workshop held February 10, 2012. By mid-2012, at the conclusion of its Service Review and Sphere of Influence Update mandated by State law, the Local Agency Formation Commission (LAFCO) had expanded the Sphere of Influence (SOI) of BDVWA to include the W1 service area. About the same time, staff received a series of questions from a W1 customer regarding operations and maintenance of BDVWA and associated costs. By July 2012, W1 had raised water rates and the cost between the two entities began to deviate.

Not long after the W1 rate increase was approved, a “citizen’s task force” of approximately ten (10) W1 customers assembled to begin more serious inquiries about an annexation into BDVWA. Staff advised that in order for the BDVWA Board of Directors to proceed they would need some sort of assurance that there was widespread support for the proposed reorganization. At the Board of Directors Special Meeting of November 19, 2013 the “citizen’s task force” submitted approximately 70 new signatures specifically in favor of the proposed reorganization. Following discussion, the Board voted 5/0 in favor of staff providing more information regarding procedures and costs to pursue annexation of W1 into BDVWA). The Board requested this information be presented at the January 28, 2014 meeting of the full board. As of this application, more than a hundred citizen petitions in favor of the annexation have been received.

**Rationale.** The proposed reorganization (annexation into BDVWA, formation of Improvement District and dissolution of W-1) would allow the BDVWA to take over the responsibility of providing water services in the County’s CSA 70 Zone W-1 water service area, labeled as Annexation Area 1, 2, 3, and 4 in Figure 1-1. These changes would not impact the BDVWA’s existing sphere of influence (SOI) boundary; all four areas are currently located within the SOI. The three island areas – Areas 2, 3, and 4– total 79 acres and are island areas surrounded by existing BDVWA boundaries. Seventeen (17) of the 24 properties in these three (3) islands currently receive water services from BDVWA including the US Postal Office, Landers, CA. Figure 1-2 presents a sub-regional map that shows the four (4) annexation areas in more detail; and Figure 1-3 illustrates the various island parcels based on the 2014 County Assessor parcel

file and the 17 parcels out of total 24 parcels that are currently receiving water service from the BDVWA. Those parcels that are the real property of CSA 70 Zone W-1 would be transferred to the BDVWA as a part of the annexation proceedings.

The reorganization of these four areas is strongly supported by current residents, who favor the local services and lower rates already provided to their neighboring areas by the BDVWA. The major reasons for the dissolution of CSA 70 Zone W-1 and annexation into BDVWA include:

- More transparency and local control over their water service
- More timely staff response to periodic problems or issues that may arise
- Lower and more stable water rates based on the BDVWA history of water service to its customers since 1990
- Local control of groundwater supplies
- Improved system reliability
- Consolidation of assets (e.g., equipment, property, cash)
- Increasing the number of service connections (spreading overhead across a broader customer base)
- Potential increase in system income
- Improved credit status

Appendix A presents resolutions of support from the Morongo Basin Municipal Advisory Council (3<sup>rd</sup> District Supervisor James Ramos) and the Landers Community Association.

### **1.3 Organization of the Report**

Chapter 1 explains the purpose of the study and the rationale for annexation of the proposed areas into the BDVWA and dissolution of CSA 70 Zone W-1. Chapter 2 provides a description of the existing residential and non-residential development within the area and the growth potential in the annexation area over a projected five-year period. Chapter 3 describes the water services provided both “before” and “after” the proposed annexation. Chapter 4 presents the fiscal impact analysis of the new services for the annexation areas. The report concludes with supporting appendices and a list of the project references used in the preparation of this report.

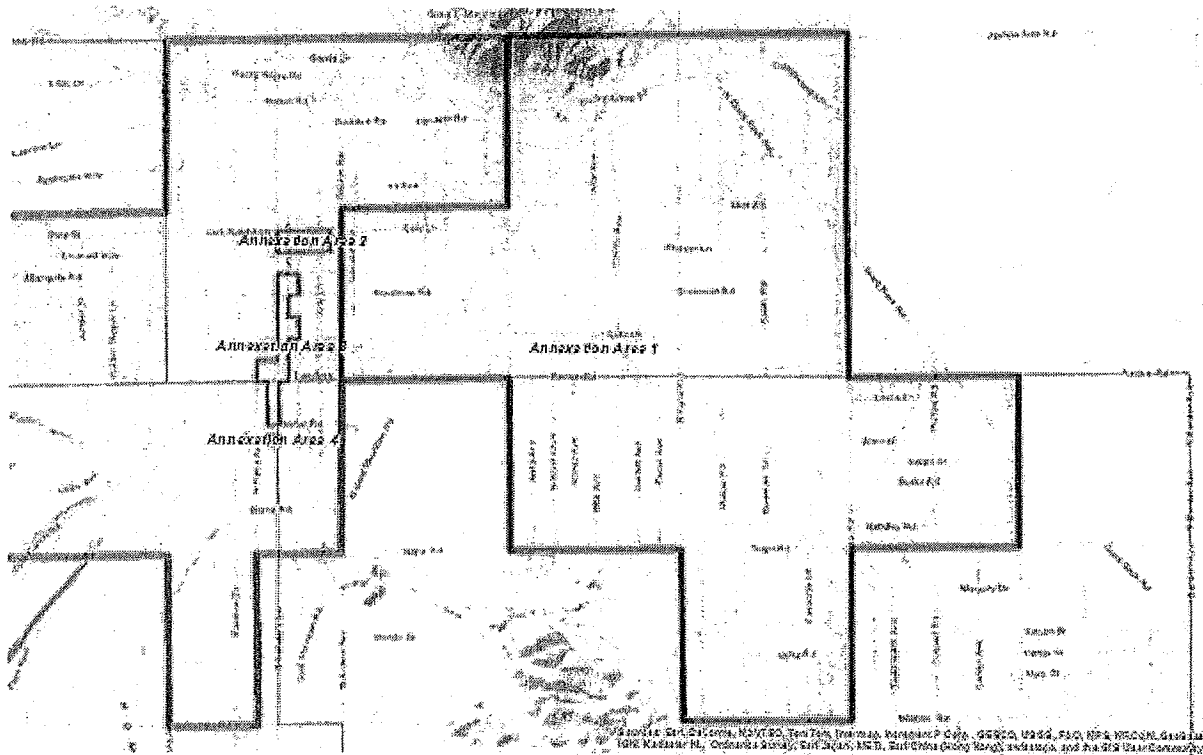
The map displays the study area with the following labeled regions:

- Existing District
- Sphere Area A
- Annex Area 2
- Annex Area 3
- Annex Area 4
- Annex Area 1
- Sphere Area D
- Sphere Area C
- Sphere Area B
- Sphere Area E

Other labels on the map include "Racka (3)", "1000 m", and "Araguay".

*Stanley R. Hoffman Associates, Inc.*  
April 18, 2014

**Figure 1-2**  
**Bighorn Desert View Water Agency Proposed Annexation Areas**  
**County of San Bernardino**



Sources: Stanley R. Hoffman Associates, Inc.  
 County of San Bernardino, Geographic Information Systems (GIMS)

[illegible]

*Stanley R. Hoffman Associates, Inc.*  
April 18, 2014

## CHAPTER 2 PROJECT DESCRIPTION

### 2.1 Existing Development

Table 2-1 shows existing land uses for the proposed annexation areas, based on information from the County of San Bernardino's Geographic Information Systems (GIMS) file. Annexation Area 1 is the largest with approximately 5,624 parcel acres, forming 98.6 percent of the total proposed annexation areas. Single-family residential uses within Annexation Area 1 comprise about 2,394 parcel acres, or 39.6 percent, of the total parcel acres in the proposed annexation area. Government land (965 acres) - which is mostly vacant and under the jurisdiction of the Bureau of Land Management -- forms about 16.9 percent of the total parcel acres in the proposed annexation. There is a category of "unknown" land uses, which represent parcels that were not coded with land uses in GIMS. Annexation Areas 2, 3 and 4 include 24 parcels and 77 parcel acres. These annexation areas primarily include single-family residential land uses and vacant parcels, as shown in Table 2-1. There is a total of about 559,443 building square feet for all of the annexation areas, with single-family residential in Annexation Area 1 forming about 97.3 percent of the total building square feet.

**Table 2-1  
Existing Land Uses  
Proposed Annexation Areas  
San Bernardino County**

Land Use	Parcels	Building Sq. Ft.	% of Total Sq. Ft.	Parcel Acres	% of Total Acres
<b><u>Annexation Area 1</u></b>					
Duplex Residential	1	1,922	0.3%	5	0.1%
Government	147	0	0.0%	965	16.9%
Single-Family Residential	616	544,108	97.3%	2,394	42.0%
Unknown	1	0	0.0%	5	0.1%
Vacant	612	0	0.0%	2,255	39.6%
<b><i>Annexation Area 1 Subtotal</i></b>	<b>1,377</b>	<b>546,030</b>	<b>97.6%</b>	<b>5,624</b>	<b>98.6%</b>
<b><u>Annexation Area 2</u></b>					
Single-Family Residential	4	4,060	0.7%	15	0.3%
Vacant	2	0	0.0%	10	0.2%
<b><i>Annexation Area 2 Subtotal</i></b>	<b>6</b>	<b>4,060</b>	<b>0.7%</b>	<b>25</b>	<b>0.4%</b>
<b><u>Annexation Area 3</u></b>					
Single-Family Residential	11	7,311	1.3%	28	0.5%
Vacant	6	0	0.0%	22	0.4%
<b><i>Annexation Area 3 Subtotal</i></b>	<b>17</b>	<b>7,311</b>	<b>1.3%</b>	<b>50</b>	<b>0.9%</b>
<b><u>Annexation Area 4</u></b>					
Single-Family Residential	1	2,042	0.4%	2	0.0%
<b><i>Annexation Area 4 Subtotal</i></b>	<b>1</b>	<b>2,042</b>	<b>0.4%</b>	<b>2</b>	<b>0.0%</b>
<b><i>Total Annexation</i></b>	<b>1,401</b>	<b>559,443</b>	<b>100.0%</b>	<b>5,701</b>	<b>100.0%</b>

Sources: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Geographic Information Systems (GIMS)

## 2.2 General Plan Land Uses

Table 2-2 presents General Plan land uses for the proposed annexation areas. Annexation Area 1 shows about 46.3 percent of total land use as Rural Living (minimum lot size of 2.5 acres) and 52.4 percent as Rural Living 5 (minimum lot size of 5 acres). The remaining 1.3 percent is formed by Rural Living and Commercial planned land uses in Annexation Areas 2, 3, and 4.

Table 2-2  
General Plan Land Uses  
Proposed Annexation Areas  
San Bernardino County

Land Use	Parcels	Parcel Acres	% of Total Acres
<b><u>Annexation Area 1</u></b>			
Rural Living	732	2,639	46.3%
Rural Living 5	<u>645</u>	<u>2,985</u>	<u>52.4%</u>
<b><i>Annexation Area 1 Subtotal</i></b>	<b><i>1,377</i></b>	<b><i>5,624</i></b>	<b><i>98.6%</i></b>
<b><u>Annexation Area 2</u></b>			
Rural Living	<u>6</u>	<u>25</u>	<u>0.4%</u>
<b><i>Annexation Area 2 Subtotal</i></b>	<b><i>6</i></b>	<b><i>25</i></b>	<b><i>0.4%</i></b>
<b><u>Annexation Area 3</u></b>			
Rural Living	6	14	0.2%
Commercial	<u>11</u>	<u>36</u>	<u>0.6%</u>
<b><i>Annexation Area 3 Subtotal</i></b>	<b><i>17</i></b>	<b><i>50</i></b>	<b><i>0.9%</i></b>
<b><u>Annexation Area 4</u></b>			
Rural Living	<u>1</u>	<u>2</u>	<u>0.0%</u>
<b><i>Annexation Area 4 Subtotal</i></b>	<b><i>1</i></b>	<b><i>2</i></b>	<b><i>0.0%</i></b>
<b><i>Total Annexation</i></b>	<b><i>1,401</i></b>	<b><i>5,701</i></b>	<b><i>100.0%</i></b>

Sources: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Geographic Information Systems (GIMS)

## 2.3 Projected Five-Year Growth

**Population and Households.** Table 2-3 shows population and households for 2010, according to the BDVWA and the Census. Data from the 2010 Census showed higher estimates for population and households, resulting in persons per household ratio of 2.16, versus the BDVWA's ratio of 2.13.

Table 2-4 shows active service connections, occupancy multiplier, and occupancy modifier, persons per household and estimated population. The BDVWA's estimates for fiscal year 2010 to 2011 were calibrated according to the U.S. Census, yielding an estimated population of 3,042 within the Agency's service area boundary.

**Table 2-3**  
**Population and Households: 2010**  
**Bighorn Desert View Water Agency**

	Population	Households	Persons per Household
BDVWA FY 2010-2011	2,572	1,207	2.13
Census 2010	3,042	1,409	2.16

Sources: Stanley R. Hoffman Associates, Inc.  
Bighorn Desert View Water Agency (BDVWA)  
U.S. Census Bureau, 2010

**Table 2-4**  
**Estimated Population: 2010**  
**Bighorn Desert View Water Agency**

	Active Service Connection	Occupancy Multiplier	Occupancy Modifier	Persons per Household	Estimated Population
FY 2010-2011 <sup>1</sup>	1,593	75.8%	1,207	2.13	2,572
Calibration According to U.S. Census <sup>2</sup>	1,593	88.5%	1,409	2.16	3,042

1. Estimated population was calculated by BDVWA staff using the number of active service connections on January 1 (prior to FY start July 1), multiplied by 75.8 percent, multiplied by the number of persons per household.
2. Estimated population was reported by the U.S. Census Bureau in 2010.

Sources: Stanley R. Hoffman Associates, Inc.  
Bighorn Desert View Water Agency (BDVWA)  
U.S. Census Bureau, 2010



Table 2-5 shows the number of census blocks, total population, housing units, and households for the annexation areas, district sphere, and existing water district. With total population estimated at 3,042 in the existing district and 820 population in the annexation areas, this would result in a 27.0 percent increase in population for the BDVWA upon annexation. Housing units and households would increase by about 26.2 percent upon annexation within the overall Bighorn-Desert View Water Agency. As shown in Table 2-5, Area 1 contains an estimated 97.3 percent of the total population and 96.2 percent of the total households in the four annexation areas.

Table 2-5  
Study Area Demographics: 2010  
San Bernardino County

Study Area	Census Blocks	Total Population	Housing Units	Households
Annexation Area 1	197	798	645	355
Annexation Area 2	1	6	3	3
Annexation Area 3	7	8	7	7
Annexation Area 4	<u>1</u>	<u>8</u>	<u>4</u>	<u>4</u>
<b>Annexation Subtotal</b>	<b>206</b>	<b>820</b>	<b>659</b>	<b>369</b>
District Sphere Area A	33	3	2	2
District Sphere Area B	1	0	0	0
District Sphere Area C	8	25	11	11
District Sphere Area D	10	2	2	1
District Sphere Area E	<u>22</u>	<u>61</u>	<u>52</u>	<u>36</u>
<b>District Sphere Subtotal</b>	<b>74</b>	<b>91</b>	<b>67</b>	<b>50</b>
Existing District	728	3,042	2,517	1,409
Total District	<u>728</u>	<u>3,042</u>	<u>2,517</u>	<u>1,409</u>
Total Annexation	206	820	659	369
% Increase after Annexation	28.3%	27.0%	26.2%	26.2%

Sources: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Geographic Information Systems (GIMS)  
U.S. Census Bureau, 2010

Table 2-6 shows active water service connections for fiscal years 1990 through 2014. From 1990 to 2014, 162 new service connections were added at an average of 6.75 connections per year. From 2000 to 2014, 119 service connections were added at an average of 8.5 connections per year. Over the past five years, from 2008 to 2014, only 5 total service connections were recorded, which is less than 1 service connection per year.

**Table 2-6**  
**Active Water Service Connections: FY 1990 to 2014**  
**Bighorn Desert View Water Agency**

Fiscal Year		Active Service Connections	% Annual Change
1990	1991	1,435	n/a
1991	1992	1,595	11.1%
1992	1993	1,634	2.4%
1993	1994	1,643	0.6%
1994	1995	1,651	0.5%
1995	1996	1,578	-4.4%
1996	1997	1,563	-1.0%
1997	1998	1,541	-1.4%
1998	1999	1,543	0.1%
1999	2000	1,507	-2.3%
2000	2001	1,478	-1.9%
2001	2002	1,505	1.8%
2002	2003	1,531	1.7%
2003	2004	1,514	-1.1%
2004	2005	1,525	0.7%
2005	2006	1,565	2.6%
2006	2007	1,597	2.0%
2007	2008	1,620	1.4%
2008	2009	1,592	-1.7%
2009	2010	1,592	0.0%
2010	2011	1,593	0.1%
2011	2012	1,594	0.1%
2012	2013	1,595	0.1%
2013	2014	1,597	0.1%
2014	2015	1,597	0.0%

Sources: Stanley R. Hoffman Associates, Inc.  
Bighorn Desert View Water Agency

## 2.4 Assessed Valuation

Table 2-7 shows assessed valuation (the sum of land values and improvement values) by annexation area. As the largest annexation area, Area 1 totals about \$35.6 million. The three islands are valued at about \$1.0 million, bringing the assessed valuation for all four annexation areas to about \$36.5 million.

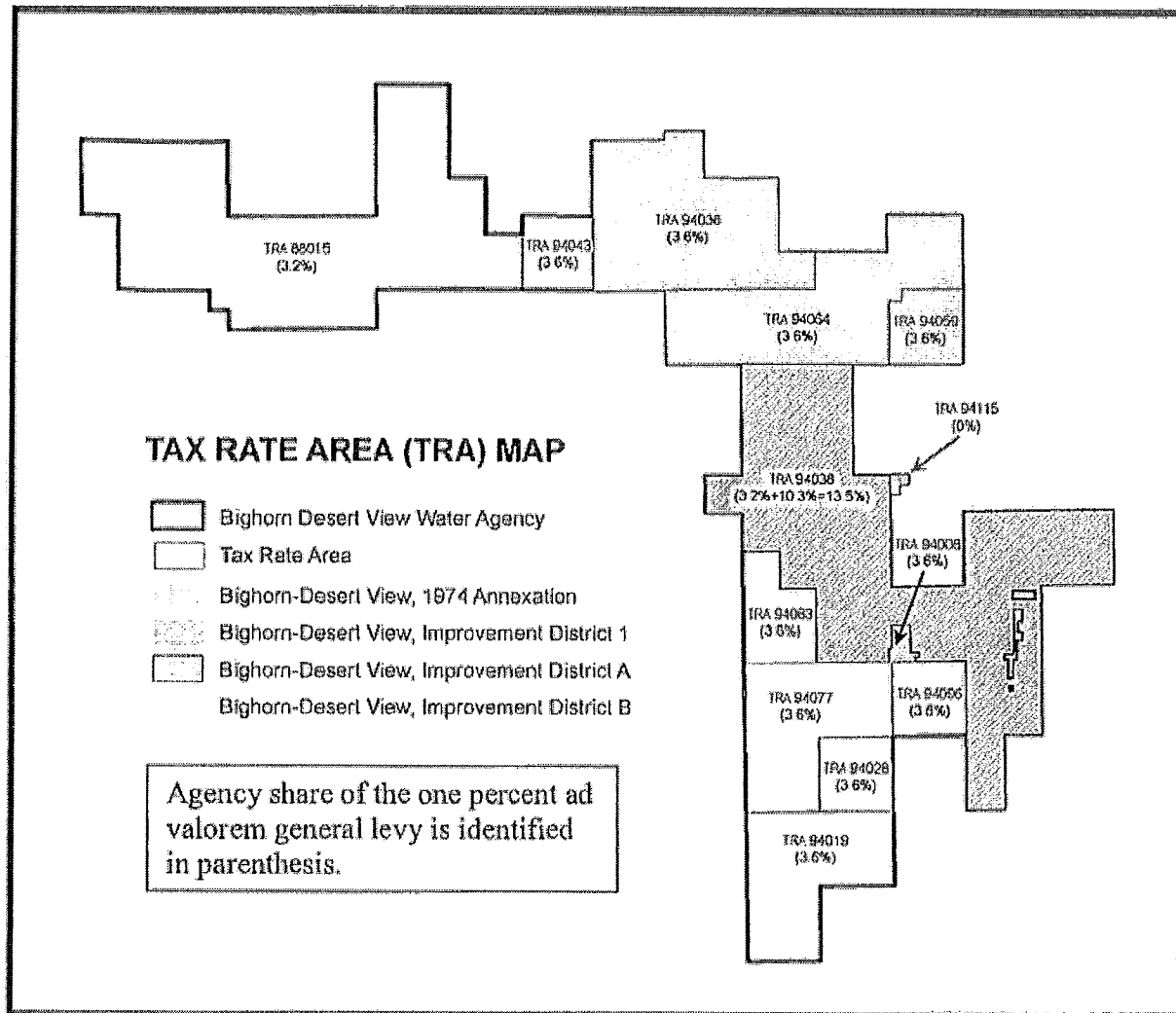
Figure 2-1 presents a map of the tax rate areas (TRAs) that within BDVWA's existing boundary. As shown in Table 2-8, the Annexation Areas 1 to 4 are within TRA 94027, 94029, and 94058, and are currently allocated about 6.08 percent of the 1.0 percent property tax; this property tax allocation would transfer to the BDVWA upon annexation. Based on the existing valuation, this would yield estimated property taxes of about \$22,180 being transferred to the BDVWA upon annexation, as shown in Table 2-9. Additionally, as shown in Table B-1, other revenues would be transferred upon annexation, such as Standby income from per acre charges estimated at \$74,000 for non-serviced parcels, and Debt Service revenues estimated at \$93,000 for voter approved ad valorem property tax allocations.

**Table 2-7**  
**Assessed Valuation: 2013**  
**San Bernardino County**  
(In Constant 2013 Dollars)

Study Area	Land Value	Improvement Value	Total
Annexation Area 1	\$13,965,850	\$21,602,520	\$35,568,370
Annexation Area 2	\$110,251	\$242,372	\$352,623
Annexation Area 3	\$176,622	\$271,874	\$448,496
Annexation Area 4	\$25,000	\$85,000	\$110,000
<b>Total</b>	<b>\$14,277,723</b>	<b>\$22,201,766</b>	<b>\$36,479,489</b>

Sources: Stanley R. Hoffman Associates, Inc.  
County of San Bernardino, Geographic Information Systems (GIMS)

Figure 2-1  
Tax Rate Area (TRA) Map for BDVWA  
San Bernardino County



Source: Homestead Valley Community

**Table 2-8**  
**Tax Rate Area (TRA) Allocations: 2013**  
**TRA 94027, 94029, and 94058**  
**San Bernardino County**

Agency Code	Agency	TRA 94027 Allocation	TRA 94029 Allocation	TRA 94058 Allocation
AB01 GA01	San Bernardino County General Fund	0.15376199	0.15386347	0.15386541
AB02 GA01	Educational Revenue Augmentation Fund (ERAF)	0.23284054	0.23299371	0.23299741
BF06 GA01	Flood Control, Zone 6	0.01213767	0.01213105	0.01212812
BF08 GA01	Flood Control District, Administration, Zones 3-6	0.00092951	0.00093017	0.00092962
BL01 GA01	San Bernardino County Free Library	0.01491180	0.01489967	0.01489676
BS01 GA01	County Superintendent of Schools, Countywide	0.00527623	0.00527968	0.00527959
BS01 GA02	County Superintendent, ROP	0.00090609	0.00090518	0.00090483
BS01 GA03	County Superintendent, Physically Handicapped	0.00207879	0.00207682	0.00207648
BS01 GA04	County Superintendent, Mentally Retarded	0.00166808	0.00166756	0.00166679
BS01 GA05	County Superintendent, Development Center	0.00054401	0.00054444	0.00054472
SC18 GA01	Copper Mountain Community College District	0.05740807	0.05737545	0.05736181
SU36 GA01	Morongo Unified School District	0.27899541	0.27883360	0.27876539
UD50 GA01	CSA 70	0.00000000	0.00000000	0.00000000
UD82 GA01	CSA 70, Zone W-1 - Big Horn 1	0.06080006	0.06076608	0.06075150
UF01 GA04	San Bernardino County Fire Protection District, South Desert Service Area	0.12513083	0.12506096	0.12502968
UF01 GA05	San Bernardino County Fire Protection District, Administration	0.02763483	0.02762165	0.02761538
WH02 GA01	Hi-Desert Memorial Hospital	0.01932517	0.01931421	0.01930935
WR03 GL01	Mojave Desert Resource Conservation District	0.00016393	0.00021389	0.00039403
WY20 GI01	Mojave Water Agency	0.00548699	0.00552241	0.00548313
	<b>Total</b>	<b>1.00000000</b>	<b>1.00000000</b>	<b>1.00000000</b>

1. Upon annexation, this property tax rate would transfer to the Bighorn Desert View Water Agency.

Sources: Stanley R. Hoffman Associates, Inc.

San Bernardino County Auditor-Controller, Property Tax Division, Report PI739DYL, Allocation Percentage Calculation, Tax Roll 2013  
San Bernardino County Auditor-Controller, Property Tax Division, Report PI120, Master Agency List, November 12, 2013

**Table 2-9**  
**Estimation of Property Taxes to be transferred to BDVWA upon Annexation**  
**San Bernardino County**

Calculation	Description
<del>\$36,479,489</del>	<del>Assessed Valuation</del>
1.00% Basic Property Tax Rate	
\$364,795	Basic 1% Property Tax Amount
6.08% CSA 70 Zone W-1's Share	
\$22,180	Estimated Property Taxes upon Annexation

Source: Stanley R. Hoffman Associates, Inc.

## 2.5 Summary of Assets of CSA 70/W-1

According to the FY 2013 financial audit, W1 has physical assets totaling \$2,472,825 minus accumulated depreciation. Most of the asset value is tied to “improvements to land” which is presumed to represent the “water system”. The “water system” would include distribution mainlines, water tanks, wells, booster stations, pressure reducing stations and all the appurtenances to them such as fire hydrants, pumps and valves. Other asset categories outlined in the audit are: land (\$3,500), structures and improvements (\$109,058), vehicles (\$82,936) and construction in progress (\$439).

It appears that since June 30, 2008 only one capital asset has been acquired by W1, a vehicle. The asset was added during fiscal year 2010-11.

According to the FY 2013 financial audit, W1 has cash and cash equivalents totaling \$1,278,068.

Other assets which belong to W1 include but are not limited to:

- Ames/Reche Groundwater Rights: On March 13, 2012 the County of San Bernardino Board of Supervisors executed, on behalf of CSA 70/Zone W-1, the *Ames/Reche Groundwater Storage and Recovery Program and Management Agreement* as well as a Monitoring Program Plan. The Agreement recognizes the production rights of the W-1 water system and provides a regional groundwater spreading grounds facility for the storage of State Water Project (SWP) deliveries. The specific terms of SWP deliveries and rights are outlined in the 1991 *Agreement for Construction, Operation and Financing of the Morongo Basin Pipeline* and associated amendments. BDVWA believes that this issue needs to be addressed as part of the dissolution/annexation proceedings and once finalized should be filed with the Court to supplement the Judgment now being processed on behalf of the parties.
- Morongo Basin Pipeline Rights: CSA 70/Zone W-1 is a party to the 1991 *Agreement for Construction, Operation and Financing of the Morongo Basin Pipeline* and associated amendments. Currently, W-1 has a 1% share in the MBP allocations and capacity rights. W-1 has an annual debt obligation to Mojave Water Agency of approximately \$8,100. BDVWA believes that the rights and obligations under the Agreement would transfer to BDVWA upon completion of the dissolution/annexation. LAFCO will have to review the contract obligations and debts during the process and BDVWA suggests that MWA be provided with appropriate notice as outlined in Section 18, paragraph (a), subparagraph (2) although LAFCO may be specifically exempt from such notices.
- Morongo Basin Pipeline Refund: Mojave Water Agency reports that a refund of approximately \$25,000 is owed to Zone W-1 and Zone W-4. These monies were collected based on the allocation percentages outlined in the 1991 MBP Agreement so in theory at least 4/5<sup>th</sup> of the amount is owed to W-1. This amount might be more considering that W-4 relinquished 100% of its pipeline allocations and debt service back

to MWA. In either event, as of April 10, 2014, MWA had not yet dispersed the funds and BDVWA believes it needs to be identified as an asset of W-1 which is still currently an outstanding "receivable" and the exact amount owed to W-1 must be reconciled as part of the dissolution/annexation proceedings.

- On November 19, 2013 the County of San Bernardino Board of Supervisors authorized the transfer of funds (\$2,300,000) from an "Augmentation Reserve Fund" to a CSA 70 "Operating Fund" for the specific purpose of purchasing water rights to be leased on an annual basis to those systems needing such rights. Since the Augmentation Reserve Fund could include funding from W-1 then any water rights purchased would be transferred to BDVWA and the exact amount must be reconciled as part of the dissolution/annexation proceedings.

The list of assets may not be complete and may be amended to include anything that LAFCO determines in the future may be the property of W1.

## **2.6 Plan for Transition to a New Water Service Provider**

BDVWA understands that a successful transition to a new service provider can be confusing and frustrating for the customer. Therefore, BDVWA has attempted to describe the various aspects of the transition and how they will be fulfilled. The outline of transition tasks is solely based on the assumption that change of ownership will occur on January 1, 2015.

### Administration

- The Bighorn-Desert View Water Agency is a special district of the state of California which operates under the Bighorn-Desert View Water Agency Law an Uncodified Act of the Statutes of 1969, Chapter 1175, effective August 31, 1969. The Agency Law was modernized under SB 246 (Fuller) effective January 1, 2014. The BDVWA is governed by a five member board elected at large which will continued to oversee the management of the annexed territory under the established governance structure.
- The BDVWA General Manager will provide day-to-day management oversight.
- Existing BDVWA employees will assume day-to-day operations and new employees will be added as necessary to accommodate the additional workload. The proposed budget contains funding for up to three full time equivalent positions for this purpose. Existing employees are also familiar with the geography of the W1 service area as well as features of system operations and physical facilities due to long-time participation in the Ames Valley Water Basin groundwater monitoring program.
- BDVWA will determine the appropriate time to advertise and recruit new employees to assist with the added workload.
- When appropriate, BDVWA will apply for change of ownership status with the CA Department of Public Health and work towards bringing the W1 water system into compliance with outstanding deficiencies summarized elsewhere in this report. The CA State Water Resources Control Board will also be contacted regarding a change in ownership with respect to the annual Notice of Groundwater Extraction.

- BDVWA would update its Emergency Response Plan to include W1.
- BDVWA would have to amend its property liability and automotive insurance to include the W1 system.
- Annually BDVWA performs a number of administrative functions related to the operation of the water system which would also apply to the W1 system. These functions would be integrated into the existing structure and include, but are not limited to the following: setting the Ad Valorem tax for the debt service; establishing the appropriation limit; adopting an annual budget; processing delinquent accounts for property tax lien; and completing an annual audit.

#### Accounts Receivable (AR)

- BDVWA uses the same billing software as W1 therefore transitioning customer account information will require little effort and will include populating the accounts with the historical details such as bill and payment history, customer account comments, water usage history, field work orders, etc. The software programmers have indicated that it will take about 30 days to get the data, integrate it into the BDVWA billing system and test the system prior to a “go live” date.
- About one-half of the new customers will assigned a slightly different account number which could lead to customer frustration but the billing system can identify a customer based on name, physical address, assessor’s parcel number or meter number if the exact account number is not known by the customer.
- BDVWA bills its customer’s bi-monthly as does the CSA. Assuming change of ownership is on January 1, 2015 the bi-monthly bill for November and December would have been mailed by on December 31, 2014 by the CSA. While the next regular bill would be scheduled for February 27, 2015. However, BDVWA will be splitting the customer base in half to integrate these new accounts with the existing billing framework leaving one half of the customer with a new meter/billing cycle. BDVWA intends to read the customer meters within the first week of acquiring the water system to record starting usage. It is envisioned that this will be very helpful should there be issues reconciling receipts owed to W1 vs. BDVWA following transition. BDVWA will also read ½ of the meters at the end of January and those customers will be billed for one-month of service from January 1 to January 31, 2015.
- As part of the transition timetable, BDVWA staff intends to post a billboard on Reche Road providing brief updates on the annexation process. During the annexation, this billboard might indicate progress to date. At the time of change in service provider, BDVWA will post the phone number on this bulletin board for emergency and routine calls indicating the annexation has been completed.
- At the time of change in service provider, BDVWA intends to send a notification to all property owners and customers of the change in service provider and contact information as well as a “Frequently Asked Questions” (FAQ) sheet.
- Following completion of proceedings, BDVWA will need to coordinate with the County on an orderly transfer of all fixed assets including transfer of title to all real property.



- Following completion of proceedings, BDVWA will need to coordinate with the DMV on the transfer of title to all transportation equipment acquired.
- Following completion of proceedings, BDVWA will have to coordinate with the auditor/controller's and treasurer's offices for a safe and timely transfer of all accounts including but not limited to debt service, general levy, stand-by assessments, liens for delinquent water bills.
- Following completion of proceedings, a final audit of W1 will be required to determine additional cash receipts owed to BDVWA to complete the transfer of cash from accounts including but not limited to cash reserves, customer deposit monies, customer account credit monies, and any customer account receivables that are inadvertently mailed to the County office.

#### Accounts Payable (AP)

- Following completion of proceedings, BDVWA will have to work with the County on the orderly transfer of all vendor responsibilities such as electrical service accounts with Southern California Edison for pumping plants.
- AP staff presumes that field materials for the operation and maintenance of the W1 can be acquired thorough existing vendors. Therefore, AP work load won't necessarily increase the number of transactions, just the total amount of each transaction. BDVWA has its own vendor base for acquisition of field and office materials and may not continue with any of the same vendors the County has been utilizing.
- Coordinate with County after January 1 to pay expenses incurred before December 31.
- Coordinate the transfer of existing public works contracts, if necessary.
- Reconcile payroll up to December 31.

#### Operations and Maintenance

- Once the transition is complete, BDVWA field staff will begin daily oversight of the W1 water system. The daily activities include checking all pumps and reservoirs, monitoring system chlorine residuals, and collecting routine samples for laboratory analysis in accordance with an approved Sampling Plan for both bacteriological and general chemistry.
- Field staff will initially be engaged in surveying the condition of the W1 water system to determine priority for replacement/refurbishment.
- Preventative maintenance programs would be initiated for valve maintenance, flushing, fire hydrant maintenance, pressure reducing stations, pumps, wells, reservoirs, etc.
- Water meters will be read on a routine basis in accordance with the billing schedule. Water meters will undergo testing and will be replaced as needed.
- Field staff will respond to customer inquiries and requests as necessary.

## CHAPTER 3 WATER SERVICES BEFORE AND AFTER ANNEXATION

### 3.1 Before Annexation

The BDVWA is located in the South Desert region of San Bernardino County north and east of the incorporated Town of Yucca Valley. Currently, the BDVWA provides water service to approximately 1,597 active residential customers, 400 infrequent/inactive customers, and 100 bulk-hauling customers within its forty-four (44) square-mile service area.

Figure 3-1 presents a map of Annexation Areas 1 to 4, and shows parcel boundaries and total acres for each area. CSA 70 W-1 land outlined in purple, totals about 5,858 acres. Government parcels, totaling about 966 acres and shaded gray, are owned by the Bureau of Land Management. These acreages differ slightly from the totals listed Tables 1 and Table 2-1 (Existing Land Uses), which is likely due to variance in right-of-way calculations.

**Area 1.** Annexation Area 1, the largest area of the proposed annexation, is San Bernardino County's CSA 70 Zone W-1 water service area. Of the 1,377 parcels in Area 1, the County provides water services to the developed parcels within its boundary.

**Areas 2, 3, and 4.** Areas 2, 3, and 4 are the island annexation areas within the existing BDVWA boundary. Seventeen (17) parcels out of 24 parcels that form these islands currently receive water services from the BDVWA.

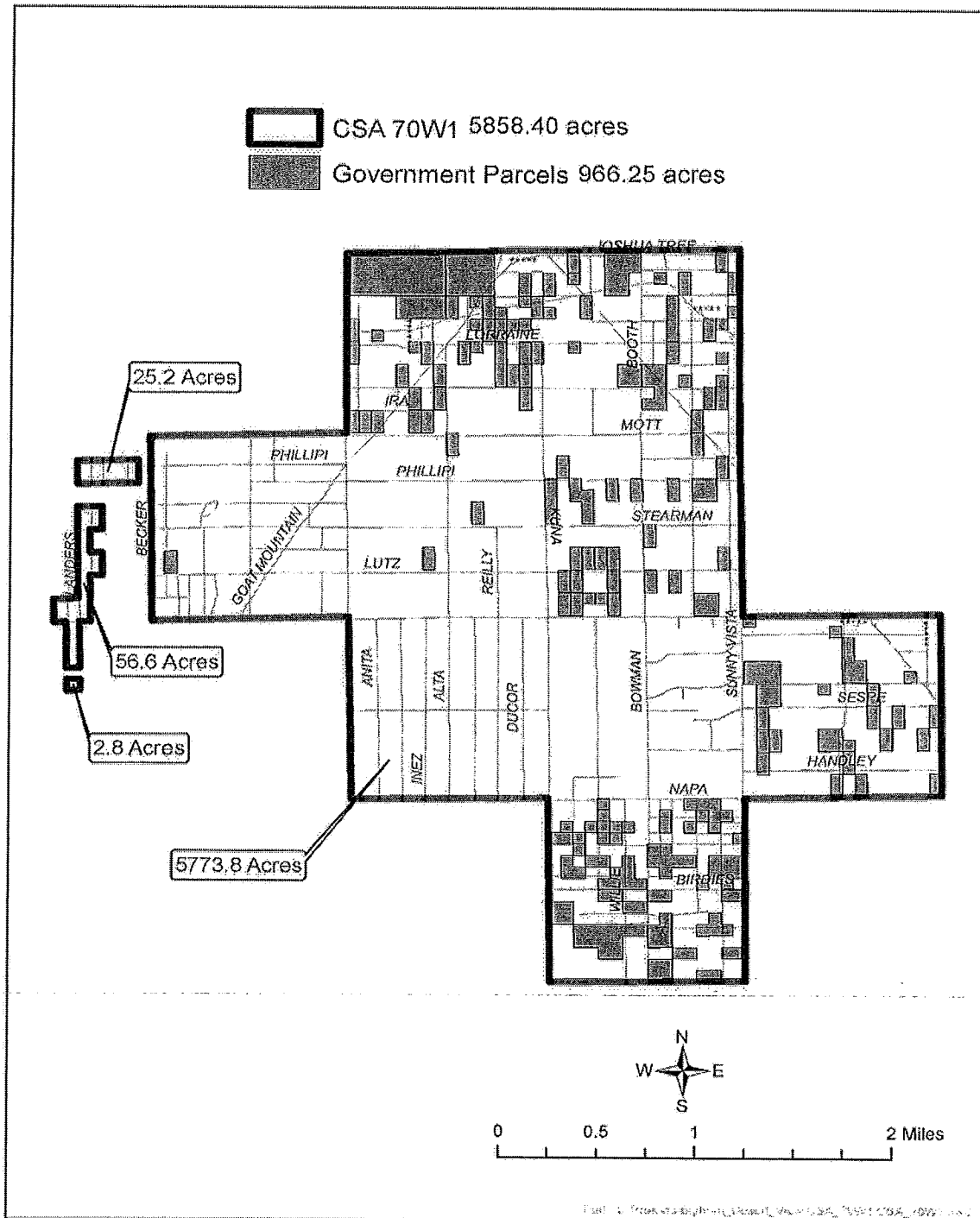
### 3.2 After Annexation

Upon annexation, the BDVWA would provide water services to all parcels within its boundary.

**Advantages.** For customers of W1 the consolidation results in a number of positive benefits to the community:

- **Local Control:** Citizens would enjoy a governance structure comprised of elected officials that reside within the boundaries of the new entity. BDVWA Board meetings are held locally within the community. Board agendas focus solely on the provision of water service within the boundaries of its service area.
- **More Oversight:** Citizens will have direct access to the governance of BDVWA operations via access to agendas, meetings, detailed budgets and detailed audits. They have the ability to keep a closer watch on expenditures and activities of the Board of Directors. They do not have this transparency with the Special Districts Department simply due to its size and governance structure beneath the County Board of Supervisors.

**Figure 3-1**  
**Government Parcels within Annexation Area**  
**San Bernardino County**



Source: County of San Bernardino Geographic Information System (GIMS)

- **Local Access:** The business office for BDVWA is located within the community making it more accessible for customers to pay their bill, ask questions, and execute public information requests.
- **Operational Efficiencies:** Following consolidation, BDVWA staff will be 100 percent dedicated to servicing the territory of BDVWA. Equipment and resources will not be “shared”, pooled or re-directed to other zones across the county.
- **Emergency Response:** BDVWA is active in all levels of emergency response planning within the Morongo Basin including partnerships with associated water agencies, participation with local associations’ emergency committees, federal NIMS compliance and formalized mutual aid MOU’s with CalWarn and the Emergency Response Network of the Inland Empire (ERNIE).
- With operational efficiencies comes cost savings for all customers through the concept of “economies of scale”. In this case, the cost advantages are gained by increasing the number of customers contributing to operations and maintenance while maintaining other overhead costs. For instance, rather than two governing boards, there will be only one. Rather than two separate transactions to a vendor for the same item, such as fuel or field materials, there will still be one transaction just of a larger total sum. Overhead is another area where cost savings will be achieved as insurance, electricity/propane for buildings, and legal fees are not necessarily increasing but are being spread across a broader customer base.
- **Cost Savings:** It is proposed that rates and charges for W1 customers be adjusted to the current BDVWA rates. This is an immediate savings of 6 percent (3/4-in meter) to 44 percent (1-in meter) on the Basic Service Charge and 37 percent (tier 1) to 52 percent (tier 3) on the water consumption charge.
- **Transaction Time:** The agency would be significantly smaller than the whole of the Special Districts Department which should result in increased response time as the phone and transaction traffic should be decreased.

For BDVWA customers, the benefits of a consolidation are as follows:

- **Operational Efficiencies:** The consolidation will require the addition of some staff which will result in more flexibility for the whole Agency in allocating resources day-to-day especially during emergencies.
- **Cost Savings:** Overhead costs will be distributed across a larger customer base keeping rates and charges stable than without the additional customer base.
- **Stability/Unification:** Enlarging the territory of the Agency may fend-off a takeover from a larger water agency. The communities of Landers, Flamingo Heights and Johnson Valley would be unified under BDVWA.

- No pension liability for existing SDD employees. SDD reports that W1 has zero employees. W1 is simply charged a fee for the labor resources allocated to it on a day-to-day basis.
- **Disadvantages.** The California Rural Water Association does not identify any disadvantages of consolidation, but BDVWA recognizes that for W1 customers, the disadvantages of the proposed reorganization could be:
  - Change in service provider usually means changes in procedure and communications and for a short period of time may cause confusion and frustration.
  - It is possible that some customers of W1 would not approve of a consolidation. If the consolidation is successful then these customers may have negative feelings towards it.

For BDVWA customers, the disadvantages of a consolidation are as follows:

- **Response Time:** A larger agency may take more time to respond to customer inquiries as phone and transaction traffic will increase.
- **Failure to succeed:** Process could fail by a majority vote of the LAFCO Commission or by a 50 percent+1 protest vote of the registered voters OR property owners. This would have a financial ramification for BDVWA as the cost to attempt annexation is currently estimated at \$60,000.

### 3.3 Other System Considerations

**Transfer and Disposition of W1 Assets and Liabilities.** By statute, all assets and liabilities of consolidating organizations accrue to the new entity. Thus BDVWA will receive title to all assets of W1 and will become responsible for subsequent capital improvements required to maintain water supply for ratepayers within W1. At this time, staff does not know the exact value of all assets that will transfer to BDVWA aside from the physical water system, and therefore has made some assumptions regarding routine maintenance, facility reimbursement, and capital equipment needs. BDVWA has retained Mr. Phillip H. Waller, CPA of Rogers, Anderson, Malody & Scott, LLP, to assist with this process. All cash transferred from W1 to BDVWA will be allocated into the existing reserve account structure according to the adopted BDVWA Financial Reserve Policy.

**Water Rights.** On March 13, 2012, W1 executed and became party to the Ames/Reche Groundwater Storage and Recovery Program and Management Agreement and by this agreement has an annual groundwater production allocation of 267 acre feet. A formal judgment is pending at this time. Due to conservation efforts within the W1 service area, W1 would need to increase demand by approximately 125 acre feet (nearly double) before importation of State Water

Project water would be mandated. This allows sufficient time for growth and rate adjustments to accommodate the added cost of imported water supplies. These production rights would be transferred to BDVWA upon completion of the dissolution and annexation proceedings.

W1 has a 1 percent share of the capacity in the Morongo Basin Pipeline. This share would transfer to BDVWA upon completion of the dissolution and annexation proceedings. BDVWA would become responsible for the annual debt service to MWA. The debt service of \$8,100 has been included in the expense budget.

**Foreseeable Capital Equipment.** At this time staff assumes that W1 does not own any equipment. Of course, assets will be determined at some point in the process. Therefore, staff expects equipment requirements to include, but not necessarily limited to the following:

- One new vehicle for each Distribution System Operator hired.
- Tools to equip each new Distribution System Operator for daily work.
- One new backhoe.

Based on the analysis that W1 would join BDVWA with a reserve account of approximately \$1.2 million then W1 would be able to provide the resources to acquire this equipment on behalf of the acquired system.

**Emergency Response.** Emergency response procedures for W1 will be integrated into BDVWA's existing Emergency Response and Emergency Chlorination Plans. BDVWA is a member of both Cal WARN and the Emergency Response Network of the Inland Empire (ERNIE). BDVWA is in compliance with the National Incident Management System (NIMS) and staff has been trained in compliance with both NIMS and the Standardized Incident Management System (SIMS). BDVWA has been awarded a Hazard Mitigation Planning Grant and will spearhead a regional stakeholder group to prepare this plan. BDVWA is working with Hi Desert Water District to re-activate an emergency tie-in between their water systems. W1 has a fixed emergency generator at its Landers facility.

**System Operations.** Staff proposes that the W1 water system be operated, initially, as a stand-alone water system until such time as BDVWA becomes proficient in its overall operation, condition and it has been brought into compliance by resolving outstanding deficiencies noted in the 2012 Department of Public Health, Facility Sanitary Survey Inspection Report. Thereafter, staff will be better able to assess the most efficient way to combine the systems, if at all. Under this scenario the DPH will require a simple "Change of Ownership Permit". BDVWA has

submitted a comprehensive project description for the engineering evaluation and construction of a system integration plan into the Mojave Water Agency Integrated Regional Water Management Plan in hopes of approval of the annexation and to gain access to available grant funding opportunities.

BDVWA has existing staff and expertise to assume operation of the W1 system. Agency employees possess distribution operator and water treatment certifications exceeding state requirements. Additional staff will need to be hired due to the increased preventative maintenance and customer service workload from the 30 percent size adjustment.

#### Water System General Information

- The DPH reports that AutoCAD system maps exist for the W-1 system. If this is not accurate, BDVWA retains the services of a CAD contractor who is capable of constructing such maps.
- The DPH reports that “wells, booster and storage facilities were found, in 2012, to be well maintained during the survey”.

#### System Operation and Maintenance

Routine activities will include monitoring the operation of the water distribution system, daily inspection of pumping and storage facilities, water quality sampling, meter reading, cross connection control program, education/safety training, security, record keeping, customer service, water conservation awareness and leak response/repair.

Preventative maintenance programs include valve exercising, fire hydrant maintenance, pumps (booster and well), wells, pressure regulating stations, reservoir and other inspections, flushing and meter testing, data gathering and reporting.

All routine and preventative maintenance activities will be incorporated into existing operations. The additional work load will be handled through the addition of at least one new staff position which has been included in the proposed budget.

Funds for the preventative maintenance will come from both the annual operating budget and unrestricted reserve funds.

#### System Deficiencies

Staff has prepared responses to those deficiencies noted in the 2012 DPH facility inspection.

### Water Quality

- Unless completed by the County Special Districts staff, BDVWA sees the need to immediately resolve all outstanding system deficiencies as defined in Dec. 2012 Dept. of Health Services Sanitary Survey of the W1 System. At a minimum this will include:
  - Submission of Bacteriological Sampling Plan in compliance with the Groundwater Rule. Estimated staff time of less than 40 hours.
  - Relocate wellhead sample spigots such that raw water samples are not contaminated with chlorine and thus unrepresentative of the groundwater system.
  - Installation of two to three additional sampling stations in the W-1 distribution system to insure proper chlorine residual at the furthest reaches of the system and to monitor for coliform bacteria in accordance with Best Management Practices to insure public safety as recommended in the DPH report.
  - Initiate an annual flushing program for the W1 system. DPH reports numerous deficiencies with water quality monitoring. Staff had already discovered errors in the preparation of the annual W1 Consumer Confidence Report (CCR). Staff concludes that verification of all water quality sampling requirements is required and that adjustments may be necessary but not difficult or time consuming.

### Routine Maintenance Programs

- Initiate maintenance programs for isolation valves, air vacuum valves, fire hydrants, and residential flow meters.

### Foreseeable Capital Improvements

- The BDVWA has submitted a formal project proposal list to the Mojave Water Agency as part of their Integrated Regional Water Management Plan process whereby BDVWA can be considered as part of their annual grant funding cycle. This allows BDVWA to gain access to State grant funding opportunities for small water systems/disadvantaged communities. In their proposal, BDVWA anticipated the need for the intertie between the two water systems, and capital refurbishment projects if the annexation proposal is approved.
- Pressure Reducing Stations. There are five Pressure Reducing Stations (PRV) in the W-1 system. CA DPH report (2012) states that “pressure reducing stations” were refurbished since 2002. The Special Districts Department Capital Improvement Budget identifies PRV’s for overhaul, but these improvements have yet to be made. Field inspections will be necessary to determine the status of the PRV’s but staff concludes that the W-1 PRV’s are of similar age to BDVWA’s and therefore will require overhaul on a routine interval for proper operation. The PRV stations that have not been overhauled will be placed on an overhaul schedule consistent with BDVWA’s program of 1 to 2 stations per year. The cost of a PRV overhaul is approximately \$5,000 to \$10,000 per station.



- **Water Meters.** County Special District's CIP reports that a meter replacement program is necessary but there is no evidence that this program has been implemented. BDVWA proposes to "pull and test" program on the existing meters to determine functionality/accuracy before undertaking a mass "pull and replace" program. Staff resources have been included in the budget for this purpose.
- **Reservoirs.** SDD CIP reports that the reservoirs require refurbishment. Given similar age and operation of BDVWA's reservoirs and given that SDD reservoirs are galvanized, BDVWA proposes that refurbishment is not as significant as that undertaken last fiscal year by BDVWA. Furthermore, the Department of Public Health (2012) reports that the reservoir R-2 Tank A was refurbished since 2002. They report that the remaining two reservoirs do not require coatings as do the BDVWA tanks and that the exteriors are in "good condition". The only issue was excessive dust on the tank surfaces which simply requires overflow.
- **Mainlines.** DPH report summarizes the condition of the system as follows: "...adequate pressure is maintained throughout the distribution system. Distribution mains are 29 years old, below the typical life expectancy estimate for well-maintained mains of 35-40 years. The number of mainline leaks does not indicate the distribution system is failing." Furthermore, W1 reports an insignificant number of mainline leaks (fewer than 5 since 2005).
- **Service Lines.** Staff concludes that due the similar age and construction materials of the W-1 system to BDVWA's service line construction (HDPE by Orangeburg) and leak experience would not be expected to exceed our own experience. Annually BDVWA repairs and replaces service lines as a matter of routine maintenance.
- **System Intertie.** There is no physical intertie between the BDVWA and the W1 system. DPH recommends emergency interties between adjoining systems. Staff envisions an engineering study will be necessary to determine if there should be an emergency intertie and where it should be located or if the systems should be physically integrated for overall enhanced distribution performance of the new system. If the systems become operationally integrated then an emergency intertie is not needed. However, there would still not be an emergency intertie to BDVWA. At this time, staff is in discussions with Hi Desert Water District to reactivate the intertie that was operational in the 1990's. HDWD is taking the lead on design of this bi-directional intertie and request for funding both projects has been approved for inclusion in the 2014 Mojave Water Agency (MWA) Integrated Regional Water Management Plan (IRWMP).
- **Master Planning.** Should BDVWA find that the County doesn't have a current water master plan then a request for funding has been approved for inclusion in the 2014 MWA IRWMP to address it.

**System Administration.** W1 uses the DataStream utility billing software as does BDVWA. Inquiries with DataStream reveal that integration of W1 into an existing billing and service order system will require minimum effort. Billing, customer service, and other administrative tasks will be integrated into existing operations. The additional workload may be absorbed due to other administrative changes occurring now such as outsourced billing. Nevertheless, the proposed budget does include one full-time staff position to accommodate any unforeseen administrative workload that may transpire after the consolidation and BDVWA has a complete understanding of the resources required to provide efficient and effective service.

**System Summary.** All information concerning the water distribution system was gleaned from either annual reports submitted to DPH by SDD or inspection reports of the DPH. The W1 water system is classified by the DPH as a “D2” system. The BDVWA water system is also classified as a “D2” system. This classification sets the criteria for operator certification/licensing. BDVWA staff possesses all required distribution certifications and treatment certifications that meet or exceed the requirements including D5, D3, D2, and T2 classifications.

To our knowledge, the W1 water system is approximately 32 years old as is the BDVWA water system. According to the DPH reports certified SDD staff, the W1 distribution system was constructed with 6- to 12-inch asbestos cement pipe with 323 isolation valves with associated air/vac valves and dry barrel fire hydrants. There are also 5 pressure regulating stations and 12 dead-ends. The water service laterals are hi density polyethylene (HDPE - Orangeburg). W1 also reports there are 6 backflow devices in its cross connection control plan. There are three production wells, three reservoirs and one booster station. The wells were drilled in 1963, 1979, and 1996. In 2012, W1 reported a production amount of 140 acre-feet per year compared to 420 acre-feet produced by BDVWA wells. This construction and operational configuration is similar in all ways to BDVWA. According to the 2012 evaluation by DPH the W1 system has enough storage capacity and well capacity to meet maximum day demand even with its largest well out of service. It should be noted that these calculations do not take into account fire flow as reported by the DPH.

**Conclusion.** Based on the research completed to date, staff concludes that BDVWA can provide increased transparency, local control of governance, a cost effective solution to the citizens of W1 consistent with the surrounding community while providing operational flexibility and rate stability to its own customers.

## CHAPTER 4

### FISCAL IMPACT ANALYSIS FOR THE PROPOSED ANNEXATION AREA

#### 4.1 Summary of Budget Analysis

The proposed budget demonstrates that BDVWA could operate and maintain the W1 system with as many as three new full time employees based on rates and charges consistent with BDVWA's current fee structure. The budget further demonstrates that a revenue surplus of about 9 percent would be generated annually which would be consumed for planned future capital improvements (CIP) and mid-term replacement/refurbishment (RR) needs over time.

**Projected Recurring Fiscal Impacts.** As shown in Table 2, the projected recurring fiscal impacts are positive for both the existing BDVWA properties being served and the properties within the proposed annexation areas. The recurring net operating surplus is estimated at \$172,062 with about 72 percent from properties within the existing water agency and 28 percent from the properties within the proposed annexation areas. As shown in Table 2, the estimated net surplus is about 9 percent of the total operating revenues. This assumes that the operating revenues and costs for the BDVWA and the proposed annexation areas were structured to represent approximately the same operating relationships in preparing the projection. It is also assumed that there is no significant new growth over the next five (5) years in the local area. This is based on reviewing the water connections over recent years that suggests a slowdown of new connections over this period.

**Table 4-1  
Budget Summary  
Bighorn Desert View Water Agency**

	BDVWA Totals	W-1 Totals	TOTAL
<b>TOTAL REVENUE - OPERATING</b>	<b>\$1,061,952</b>	<b>\$343,663</b>	<b>\$1,405,615</b>
<i>ADMINISTRATION EXPENSE</i>	625,160	162,236	787,396
<i>OPERATION EXPENSE</i>	415,730	219,582	635,312
<i>NET Operating Revenue</i>	21,062	-38,155	-17,093
<b>TOTAL REVENUE - NON-OPERATING</b>	<b>\$326,425</b>	<b>\$189,180</b>	<b>\$515,605</b>
<i>DEBT EXPENSE</i>	224,300	102,150	326,450
<i>NET Non-Operating Revenue</i>	\$102,125	\$87,030	\$189,155
<b>TOTAL FY 13/14 PROJECTED RESERVES</b>	<b>\$123,187</b>	<b>\$48,875</b>	<b>\$172,062</b>
<i>Total Operating and Non-Operating Revenues</i>	\$1,388,377	\$532,843	\$1,921,220
<i>% of Total Operating &amp; Non-Operating Revenue</i>	8.9%	9.2%	9.0%

Source: Bighorn Desert View Water Agency

## 4.2 Budget Assumptions and Highlights

A number of assumptions were made in preparation of the financial projections, as shown in Table 4-2 and discussed below:

- According to latest report submitted to the CA Department of Public Health (DPH) by SDD, W-1 had 647 meters (460 active and 187 inactive). BDVWA has approximately 1927 meters (1561 active and 366 inactive). Therefore, the W-1 system would increase the size of BDVWA by 34 percent.
- 1% General Ad Valorem Property Tax. The budget assumes that a portion of the 1% General Ad Valorem property tax levy will be reassigned to BDVWA and therefore this revenue, estimated at \$22,180 per year, has been assumed as “non-operating”. BDVWA assumes that the County Board of Supervisors will approve this reassignment so the revenue can be allocated for this purpose. The County Board of Supervisors must agendize and approve the reassignment of this share of the 1% General Ad Valorem property tax to Bighorn-Desert View Water Agency as the successor agency to CSA 70 Zone W-1 prior to the consideration of this proposal by the LAFCO Commission.
- Debt Service. The budget assumes that Bighorn-Desert View Water Agency would assume responsibility for the existing debt service, a bond sold to construct the existing W1 water system (e.g. via establishment of an Improvement District). The balance of the debt is approximately \$405,000 and the debt will be retired in 2019. The annual principal and interest is approximately \$94,000. The debt service is essentially covered by the special property tax assessments collected specifically for this purpose. BDVWA presumes that the dissolution/annexation process will reassign the property tax receipts to BDVWA so the debt can be paid using taxes allocated for that purpose.
- Stand-by Revenue. The budget assumes that the CSA 70/Zone W-1 per-parcel stand-by special property tax levied on parcels within W1 will be transferred to BDVWA. The amount is estimated as \$74,000 per year and the budget has assigned this income as “non-operating”. BDVWA assumes that the dissolution/annexation process will reassign the per-parcel stand-by special property tax receipts to BDVWA so the revenue can be allocated for this purpose.
- Delinquent Water Charges. The budget assumes that BDVWA will experience a delinquency rate similar to W1 due to non-payment of routine charges and annually will assess parcels through the property tax assessment process. Therefore, the budget projected a 20% delinquency rate when revenue was calculated. BDVWA assumes that delinquent water charges and/or special property tax assessments, including past, present and future receipts, be reassigned to BDVWA as the successor entity.
- Expense Budget. A base expense budget was prepared initially assuming all line items will increase by 30 percent with other conservative yet realistic assumptions as follows:
  - Some expense line items would not result in at least a 30 percent increase in costs to BDVWA such as governing board costs, building maintenance, workman’s

compensation and some consumables. Following further scrutiny, adjustments were made to some expense budget line items.

- Some expense line items are conservatively estimated to be greater than 30 percent such as labor with associated benefits, power, fuel, and routine maintenance supplies.
- The expense budget conservatively assumes three full-time equivalent employees will be required to operate and manage the W1 system. The expense budget is very conservative in the cost of these employees. It assumes two field employees and one administrative employee. It further assumes these positions are paid at the top of the second tier per the BDVWA Employee Handbook Range and Step Scale. It also presumes eligibility in the BDVWA retirement program (CalPERS 3 percent at 60) and that each employee would exercise their right to the medical and dental benefits for at least three dependents.
- Revenue Budget. The revenue budget assumes that only 80 percent of the customers are paying the Basic Service Charge consistent with BDVWA's experience. It further assumes that W1 is billed for 80 percent of the groundwater extracted as reported for the Ames Valley Water Basin Agreement monitoring plan. These are very conservative assumptions and exceed BDVWA's own experience in revenue collection.
  - Standby revenues for the W1 system were obtained from the County Tax Assessors office.
  - Delinquent water charges are assessed annually on the tax bill. Over the past five years the lien amount for W1 has been approximately \$25,000 per County of San Bernardino Auditor/Controller tax collector. The total amount of outstanding liens is currently unknown but estimated at less than \$100,000.

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AGENCY RECEIVABLES REPORT FOR TAX CHARGE YEAR: 12

Bighorn-Desert View Water Agency  
Plan of Service and Fiscal Impact Analysis

**Table 4-2**  
**Agency Receivables Report for Tax Charge Year: 12 (2 of 3)**  
**San Bernardino County**

P1772

SAN BERNARDINO COUNTY AUDITOR-CONTROLLER  
PROPERTY TAX DIVISION

PAGE 024  
30/31/33  
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AGENCY RECEIVABLES REPORT FOR TAX CHARGE YEAR 12

AGENCY: 0042 CWA 76 ZONE 4-1 - BLD BOND  
ADDRESS:

ACCOUNT/ STATISTICS TYPE	GROSS RECEIVABLES	BEGINNING DEDUCTION TYPE	DEDUCTION AMOUNT	NET RECEIVABLES	GROSS APPORTIONMENTS	YEAR - TO - DATE RECOVERY	DEDUCTION TYPE	DEDUCTION AMOUNT	NET APPORTIONMENTS	OUTSTANDING NET RECEIVABLES
APOR MTHD YR 1996					.01				.01	
APOR MTHD YR 1997					.01				.01	
APOR MTHD YR 1998					.01				.01	
APOR MTHD YR 1999					.01				.01	
APOR MTHD YR 2000					.01				.01	
APOR MTHD YR 2001					.01				.01	
APOR MTHD YR 2002					.01				.01	
APOR MTHD YR 2003					.01				.01	
APOR MTHD YR 2004					.01				.01	
APOR MTHD YR 2005					.01				.01	
APOR MTHD YR 2006					.01				.01	
APOR MTHD YR 2007					.01				.01	
APOR MTHD YR 2008					.01				.01	
APOR MTHD YR 2009					.01				.01	
APOR MTHD YR 2010					.01				.01	
APOR MTHD YR 2011					.01				.01	
APOR MTHD YR 2012					.01				.01	
DEL PEN-SUPP										
APOR MTHD YR 1996					.01				.01	
APOR MTHD YR 1997					.01				.01	
APOR MTHD YR 1998					.01				.01	
APOR MTHD YR 1999					.01				.01	
APOR MTHD YR 2000					.01				.01	
APOR MTHD YR 2001					.01				.01	
APOR MTHD YR 2002					.01				.01	
APOR MTHD YR 2003					.01				.01	
APOR MTHD YR 2004					.01				.01	
APOR MTHD YR 2005					.01				.01	
APOR MTHD YR 2006					.01				.01	
APOR MTHD YR 2007					.01				.01	
APOR MTHD YR 2008					.01				.01	
APOR MTHD YR 2009					.01				.01	
APOR MTHD YR 2010					.01				.01	
APOR MTHD YR 2011					.01				.01	
SUPP HOX										
APOR MTHD YR 2007					.01				.01	
APOR MTHD YR 2008					.01				.01	
APOR MTHD YR 2009					.01				.01	
APOR MTHD YR 2010					.01				.01	
APOR MTHD YR 2011					.01				.01	
SUPP HOX ADV										
APOR MTHD YR 2011					.01				.01	
<b>GRAND TOTAL</b>	<b>23,243.61</b>		<b>18.02</b>	<b>23,225.59</b>	<b>32,606.47</b>	<b>949.47</b>		<b>369.69</b>	<b>22,391.11</b>	<b>683.34</b>
<b>SECURED - BLD PER-REQ</b>										
<b>CURRENT ROLL</b>										
SECURED	25,520.34	PRCC COST	18.00	25,501.74	9,201.02		PRCC COST	18.00	9,182.42	16,319.32
<b>PRIOR ROLL</b>										
SECURED					17,764.55				17,764.55	
DEL PEN-REQ					6,128.92				6,128.92	
<b>GRAND TOTAL</b>	<b>25,520.34</b>		<b>18.00</b>	<b>25,501.74</b>	<b>23,894.49</b>			<b>18.00</b>	<b>23,876.49</b>	<b>16,319.32</b>
<b>SECURED - WATER STAND</b>										
<b>CURRENT ROLL</b>										
SECURED	74,520.00	PRCC COST	180.00	74,340.00	57,769.90		PRCC COST	180.00	57,589.90	16,750.10
<b>PRIOR ROLL</b>										
SECURED					8,002.35				8,002.35	
DEL PEN-REQ					4,530.78				4,530.78	
<b>GRAND TOTAL</b>	<b>74,520.00</b>		<b>180.00</b>	<b>74,340.00</b>	<b>71,292.03</b>			<b>180.00</b>	<b>71,062.03</b>	<b>16,750.10</b>

Source: San Bernardino County Auditor-Controller



**Table 4-2**  
**Agency Receivables Report for Tax Charge Year: 12 (3 of 3)**  
**San Bernardino County**

P177a

SAN BERNARDINO COUNTY AUDITOR-CONTROLLER  
PROPERTY TAX DIVISION

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22/21/18

AGENCY: 0002 CBA TO 2018 M-1 - BIG BORN  
ADDRESS:

AGENCY RECEIVABLES REPORT FOR TAX CHARGE YEAR: 12

ACCOUNT/ UNCLASSIFIED TYPE	DEBIT			CREDIT			Y E A R - T O - D A T E			C O N T I N U I N G	
	RECEIVABLES	DEFERRED	DEFERRED	DEFERRED	DEFERRED	DEFERRED	DEFERRED	DEFERRED	DEFERRED	DEFERRED	DEFERRED
AGENCY TOTAL	218,345.74		489.76	214,000.48	334,000.48	13,772.74		223.30	210,584.36	13,090.89	
										AGENCY LOAN BALANCE	
										.00	

Source: San Bernardino County Auditor-Controller

## APPENDIX A RESOLUTIONS OF SUPPORT

### Figure A-1 (1 of 4) Resolution of Support Morongo Basin Municipal Advisory Council

March 18, 2014

Third District County Supervisor James C. Ramos  
San Bernardino County Government Center  
385 N. Arrowhead Ave., Fifth Floor  
San Bernardino, CA 92415-0110

**RE: The people of Landers request your support  
for our bid to break away from Special Districts Water Service**

Dear Supervisor Ramos:

As your chairman for the Morongo Basin Municipal Advisory Council and I am writing on behalf of the MAC as well as the citizens of Landers to request your support for our initiative to break away from County Special Districts Water Service and become customers of our local provider, the Bighorn-Desert View Water Agency.

Enclosed please find:

- An original signed copy of the MB MAC resolution in support of the citizen initiated plan for the dissolution of County Service Area 70 Zone W-1 and the annexation to Bighorn-Desert View of all associated infrastructure and assets owned by the affected ratepayers.
- An original signed copy of a resolution in support of same from the Landers Association, along with a cover letter urging your support for the annexation.
- A packet from Bighorn-Desert View Water to me as chair of the MAC with details of the planned annexation including an executive summary and background report, a breakdown of projected annexation costs to the Water Agency, tables of the water rate histories from Bighorn-Desert View and CSA70W-1, and a map of the area of concern.
- A copy of a recent news report from the *HI-Desert Star* as further evidence of the overwhelming community support for the planned annexation.

A review of these materials will leave no doubt that under this proposal the people here will finally be represented by a local provider offering transparency, local governance, access to meetings and customer service, as well as significantly lower water rates. It is for these reasons that our citizen's delegation approached Bighorn-Desert View requesting the Agency bring us into their jurisdiction.

Figure A-1 (2 of 4)  
Resolution of Support  
Morongo Basin Municipal Advisory Council

Landers Water  
Page 2

We spent months lobbying them. LAFCO expanded their sphere of influence to include us, and last month their board voted to come to our rescue and begin plans for a takeover. A couple dozen of us attended that meeting and with their unanimous vote, we all stood and applauded. *(Rarely does one find that kind of public enthusiasm for a water board decision!)*

A delegation of CSA70 W-1 customers met with LAFCO's Kathleen Rollins-McDonald in December. She answered many of our questions and was encouraging. She suggested that your blessing of this plan would mitigate our most pressing concerns. Specifically, LAFCO's 8 to 12 month review process might be shortened, and more importantly, with word from your office, we could expect cooperation from County Special Districts as opposed to foot dragging and resistance.

James, we ask for your blessing and hope you will encourage Special Districts not to resist our effort to gain control of our water service. The people of Landers are united in solid support of what is a logical, workable plan. We know that its passage will improve the lives of countless people here who could really use a break. And we are grateful for your attention to this matter.

Sincerely,



Mike Lipsitz  
Chair, Morongo Basin MAC  
Landers Honorary Mayor  
CSA70 W-1 Ratepayer

Figure A-1 (3 of 4)  
Resolution of Support  
Morongo Basin Municipal Advisory Council

**RESOLUTION No. MB-MAC 003**

**A RESOLUTION OF THE BOARD OF THE MORONGO BASIN MUNICIPAL ADVISORY COUNCIL IN SUPPORT OF AN APPLICATION BY THE BOARD OF DIRECTORS OF THE BIGHORN-DESERT VIEW WATER AGENCY REQUESTING THE LOCAL AGENCY FORMATION COMMISSION TO INITIATE PROCEEDINGS FOR A REORGANIZATION TO INCLUDE ANNEXATION TO THE BIGHORN-DESERT VIEW WATER AGENCY AND DISSOLUTION OF COUNTY SERVICE AREA 70 ZONE W-1 AS MORE SPECIFICALLY DESCRIBED BELOW**

WHEREAS, The Morongo Basin Municipal Advisory Council is an advisory body of local citizens appointed by the San Bernardino County Board of Supervisors with the purpose of representing the community to the Board; and,

WHEREAS, The Bighorn-Desert View Water Agency is a special district of the state of California operating under the Bighorn-Desert View Water Agency Law and formed by the consolidation of agencies authorized pursuant to former Part 9.2 (commencing with Section 33300) of Division 12 of the Water Code; and

WHEREAS, the Bighorn-Desert View Water Agency has received correspondence from over one hundred (100) citizens receiving water service from the County Special Districts County Service Area 70/ Zone W-1 (Goat Mountain/Landers) requesting that Bighorn-Desert View Water Agency provide their water service; and

WHEREAS, a Landers Community Task Force assembled to research the specific requirements of detachment from the County Special Districts County Service Area 70/ Zone W-1 (Goat Mountain/Landers) and annexation into Bighorn-Desert View Water Agency and concluded that the most streamlined process would be for Bighorn-Desert View Water Agency to initiate the application because of its own experience in operating a water system; and

WHEREAS, on January 28, 2014 the Bighorn-Desert View Water Agency Board of Directors unanimously voted to proceed with annexation of the County Special Districts County Service Area 70/ Zone W-1 (Goat Mountain/Landers) service territory; and

WHEREAS, more specifically the Board of Directors of the Bighorn-Desert View Water Agency desires to initiate proceedings pursuant to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, commencing with Section 56000 of the California Government Code for a reorganization consisting of four (4) areas to be annexed to the Bighorn Desert View Water Agency for a total of approximately 5,858 acres, with the largest area at 5,773.8 acres, generally east of Landers Lane and intersected in an east/west direction by Reche Road. The other three (3) areas are relatively smaller and are 56.6, 25.2, and 2.8 acres, generally located south of Reche Road and along either side of Landers Lane; and,

WHEREAS, an Exhibit of the boundaries of the areas proposed to be annexed to the Bighorn Desert View Water Agency is attached hereto as Exhibit A and by this reference incorporated herein; and,

Resolution No. MB-MAC 003

Figure A-1 (4 of 4)  
Resolution of Support  
Morongo Basin Municipal Advisory Council

WHEREAS, the proposed reorganization is consistent with the negotiated and agreed upon boundaries of the Bighorn Desert View Water Agency sphere of influence; and

WHEREAS, the Bighorn Desert View Water Agency desires that the proposed reorganization be subject to the standard terms and conditions imposed by the Local Agency Formation Commission; and

WHEREAS, the Bighorn-Desert View Water Agency desires the support of the Morongo Basin Municipal Advisory Council in its role as representative body to the Board of Supervisors; and

WHEREAS, the reasons for the proposed annexation are as follows:


- a) To respond to landowner requests for local control; and
- b) To provide for increased transparency through focused governance; and
- c) To provide more cost-effective delivery of water services; and
- d) To plan responsibly for the future of the Bighorn Desert View Water Agency community

NOW THEREFORE, BE IT RESOLVED THAT THE BOARD OF THE MORONGO BASIN MUNICIPAL ADVISORY COUNCIL SUPPORTS AN APPLICATION BY THE BIGHORN-DESERT VIEW WATER AGENCY TO INITIATE PROCEEDINGS WITH THE LOCAL AREA FORMATION COMMISSION TOWARDS THE REORGANIZATION OF TERRITORY DESCRIBED AS COUNTY SERVICE AREA 70/ZONE W-1 (GOAT MOUNTAIN/LANDERS) INTO THE SERVICE AREA OF THE BIGHORN-DESERT VIEW WATER AGENCY.

PASSED AND ADOPTED by the Board of the Morongo Basin Municipal Advisory Council at a regular

meeting held on this 10 day of March 2014, by the following vote:

AYES: 8  
NOES: 1  
ABSENT: 1  
ABSTAIN: 0

By:  \_\_\_\_\_  
Mike Lipsitz, Chair

ATTEST:


  
\_\_\_\_\_  
Dr. Max Rossi, Secretary

Figure A-2 (1 of 2)  
Resolution of Support  
Landers Association, Inc.



March 16, 2014

Honorable James Ramos, 3<sup>rd</sup> District Supervisor  
385 N. Arrowhead Ave., Fifth Floor  
San Bernardino, CA 92415-0110

RE: Request your support for annexation of CSA 70/Zone W-1 (Goat Mountain/  
Landers) by Bighorn-Desert View Water Agency on behalf of Landers citizens of  
Zone W-1

Hon. James Ramos,

I am writing as President of the Landers Association and representative of the citizens of Landers to request your support for the annexation of County Special Districts W-1 service by the Bighorn-Desert View Water Agency (BDVWA).

On October 12,, 2013 the Landers Association unanimously voted in support for this plan. A copy of that resolution is attached. There is no doubt annexation is in the best interest of the people of Landers. We hope that we can count on your formal support for the annexation.

The citizens of W-1, a disadvantaged rural community, deserve lower rates like those enjoyed by our neighbors already being served by BDVWA, greater transparency and a stronger voice in the governance of their most precious and vital resource, water.

Sincerely,

Beverly Burkitt  
President, Landers Association

1 attachment

Figure A-2 (2 of 2)  
Resolution of Support  
Landers Association, Inc.

Statement of Support from the Landers Association  
for annexation of County Special Districts Service Area  
70 Zone W1 by the Bighorn-Desert View Water Agency

WHEREAS 640 water connections in the eastern part of Landers are served by County Service Area 70 Zone W-1 at a significantly higher rate than is enjoyed by the rest of the Landers Community, and

WHEREAS this service area was created to fill void when no other provider was available, and

WHEREAS that void no longer exists because Bighorn-Desert View Water Agency is ready, willing and able to provide water service to the 640 properties affected, and

WHEREAS the County Service Area 70 Zone W-1 maintains no local office, no community involvement, no lines of communication, no leak detection assistance, no transparency in their operations, no open board meetings, and no meaningful financial disclosures while Bighorn-Desert View Water Agency does offer all of the above, and

WHEREAS the County Service Area 70 Zone W-1 received a 20% rate hike this year and plans a 20% rate hike next year and a 10% rate hike in 2015, while Bighorn-Desert View Water Agency has no planned rate increases, and

WHEREAS the Local Agency Formation Commission has expanded the Bighorn-Desert View Water Agency's sphere of influence to include the area now served by County Special Districts

TH EREFORE BE IT RESOLVED that in the interest of this community's general welfare, economic stability and self-governance the Landers Association fully supports the annexation of Service Area 70 Zone W-1 by the Bighorn-Desert View Water Agency.

PASSED AND ADOPTED by the Board of the Landers Association at a regular meeting held on this 12<sup>th</sup> day of October 2013, by unanimous vote:

By   
Beverly Burkitt, President

ATTEST

  
Linda Willguet, Secretary

# California State Senate



**JEAN FULLER**

SENATOR, EIGHTEENTH DISTRICT

**BOARDS:**  
WILDLIFE CONSERVATION BOARD  
CALIFORNIA COMMISSION  
ON DISABILITY ACCESS

**CAUCUSES:**  
LEGISLATIVE WOMEN'S CAUCUS  
OUTDOOR SPORTING CAUCUS  
RURAL CAUCUS

**COMMITTEES:**  
RULES  
VICE CHAIR  
ENERGY, UTILITIES &  
COMMUNICATIONS  
VICE CHAIR  
NATURAL RESOURCES &  
WATER  
ENVIRONMENTAL QUALITY

**JOINT COMMITTEES:**  
LEGISLATIVE AUDIT  
RULES  
BUDGET

April 14, 2014

Kathleen Rollings-McDonald, Executive Officer  
San Bernardino Local Area Formation Commission  
215 North D Street, Suite 204  
San Bernardino, CA 92415-0490

**Re: Bighorn-Desert View Water Agency's application for annexation of CSA 70 Zone W1 from County Special Districts.**

Dear Ms. Rollings-McDonald:

I am writing to express my strong support for the Bighorn-Desert View Water Agency's application to annex County Service Area 70 Zone W1 from County Special Districts.

The County Special District has been providing water service for the Eastern part of Landers at a significant disproportionate rate than the rest of Landers. They raised Area 70 Zone W1's water rate 20% in 2013 and plan to further increase rates 20% this year and 10% more in 2015.

Bighorn-Desert View Water Agency has experience with successfully operating a water system and plans responsibly for the community's future water needs. Bighorn-Desert can provide a more cost-beneficial delivery of water services for the 640 properties affected.

I fully support Bighorn-Desert View Water Agency's application for annexation of CSA 70 Zone W1 and thank you for your consideration.

Sincerely,

Jean Fuller  
Senator, 18<sup>th</sup> District

JF:rc



## APPENDIX B BUDGETARY INFORMATION

Table B-1  
Revenue Summary  
Bighorn Desert View Water Agency

### REVENUE SUMMARY

Description	BDVWA Amount	W-1 Amount *	Total Amount
<u>OPERATING INCOME</u>			
Metered Water Sales	445,517	159,063	604,580
Basic Service Charge	576,235	171,600	747,835
Other Operating Income	37,200	13,000	50,200
Interest Income Unrestricted	3,000		3,000
Grants and Funding Partners			
<b>Subtotal</b>	<b>\$1,061,952</b>	<b>\$343,663</b>	<b>\$1,405,615</b>
<u>NON-OPERATING INCOME</u>			
BH Debt Income FMHA DA01	175,900		175,900
DV FMHA Revenue Bond (bill surcharge)	48,825		48,825
General Tax Income (1%) Imp. "A" GA02	51,600		51,600
General Tax Income (1%) BM/DV GA01	50,100		50,100
Stand-By Income		74,000	74,000
Debt Service W-1 Water System		93,000	93,000
General Tax Income (1%) W-1		22,180	22,180
<b>Subtotal</b>	<b>\$326,425</b>	<b>\$189,180</b>	<b>\$515,605</b>
<b>Total: Operating/Non-Operating Revenue</b>	<b>\$1,388,377</b>	<b>\$532,843</b>	<b>\$1,921,220</b>
<u>NON-OPERATING INCOME - New Services</u>			
Meter Connect Fees (SL Install Fees)	1,255	1,255	2,510
Basic Facilities Charge (Buy In)	4,098	4,098	8,196
Restricted Revenue: Capital Improvements	<b>Subtotal</b>	<b>\$5,353</b>	<b>\$5,353</b>
			<b>\$10,706</b>
<b>Total Revenue</b>	<b>\$1,393,730</b>	<b>\$538,196</b>	<b>\$1,931,926</b>

\* W-1 Metered water sales based on 80% of 3-yr. average reported production (2010 to 2012 = 121.7 AF)  
Basic Service Charge based on 20% delinquent customers or 520 meters.

Source: BDVWA

#### TOTAL FY 13/14 PROJECTED RESERVES

	\$123,187	\$48,875	\$172,062
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Source: Bighorn Desert View Water Agency

**Table B-2**  
**Administrative Expense**  
**Bighorn Desert View Water Agency**

<b><u>ADMINISTRATIVE EXPENSE *</u></b>				
<b>Account</b>	<b>Description</b>	<b>2013-2014</b>		<b>Total</b>
		<b>BDVWA Amount</b>	<b>W-1 Amount</b>	
56001	Directors Fees	37,000	3,700	40,700
56002	Director Meeting Expense		0	0
56003	Administrative Compensation	275,000	45,240	320,240
56005	Administrative Meeting Expenses	0	1,000	1,000
56006	Contractual Services- Auditor	30,000	8,884	38,884
56007	Contractual Services- Legal	15,000	5,000	20,000
56008	PERS	47,050	5,600	52,650
56009	Payroll Tax	10,150	2,919	13,069
56011	Telephone & Fax	6,700	0	6,700
56012	Mailing Expenses	4,360	0	4,360
56014	Contractual Services- Other	18,800	3,500	22,300
56016	Property/Liability Insurance	26,000	8,048	34,048
56017	Workers Comp. Insurance	6,500	3,000	9,500
56018	Dues & Subscriptions	10,050	2,876	12,926
56020	Power- Office & Yards	5,600	1,556	7,156
56022	Bad Debt Expense	2,000	348	2,348
56025	Propane	1,800	0	1,800
56030	Office Supplies	6,700	500	7,200
56100	Employee Benefits Insurance	95,400	66,000	161,400
56110	Employee Education	3,000	945	3,945
56200	Office Equipment Expense	8,500	0	8,500
56300	Customer Relations	9,050	1,988	11,038
56400	Other Administrative Expenses	1,500	0	1,500
58100	Elections Costs	5,000	1,132	6,132
	<b>Total Administrative Expense</b>	<b>\$625,160</b>	<b>\$162,236</b>	<b>\$787,396</b>

\* Administration expenses estimated from either 30% of BDVWA 3-yr average  
OR, applying a "Get Real Index" which increased or decreased amount accordingly

Source: Bighorn Desert View Water Agency

**Table B-3**  
**Operations Expense**  
**Bighorn Desert View Water Agency**

<b><u>OPERATIONS EXPENSE *</u></b>				
<b>Account</b>	<b>Description</b>	2013-2014		<b>Total</b>
		<b>BDVWA Amount</b>	<b>W-1 Amount</b>	
54102	Operations Compensation	154,565	115,000	269,565
54103	Uniforms	2,650	757	3,407
54105	Auto Controls	2,640	778	3,418
54106	Vehicle/Tractor/Equip Expense	6,000	3,185	9,185
54107	Vehicle Expense- Fuel	24,600	6,679	31,279
54109	Field Materials and Supplies	25,000	12,500	37,500
54111	Water Testing	4,525	1,688	6,213
54112	Contractual Services- Engineering	55,000	27,500	82,500
54114	Water System Repairs	25,000	12,500	37,500
54115	Building Maintenance/Repair	19,750	1,000	20,750
54117	Ames Basin Monitoring		-	0
54119	Communications Expense	1,500	859	2,359
54121	Disinfection Expense	5,000	1,636	6,636
54125	Power- Wells/Booster Pumps	63,000	32,000	95,000
54130	Other Operations Expense	15,000	3,500	18,500
55001	Bulk Pumping Plant Expense	6,500	-	6,500
55002	Bulk Operations and Maintenance	5,000	-	5,000
<b>Total Operations Expense</b>		<b>\$415,730</b>	<b>\$219,582</b>	<b>\$635,312</b>

\* Operations expenses estimated from either 30% of BDVWA 3-yr average  
OR, applying a "Get Real Index" which increased or decreased amount accordingly

Source: Bighorn Desert View Water Agency

**Table B-4  
Debt Expense  
Bighorn Desert View Water Agency**

**DEBT EXPENSE**

<b>Account</b>	<b>Description</b>	<b>BDVWA Annual Amount</b>	<b>W-1 Annual Amount</b>	<b>Total Debt</b>
22300	BH ID 1 Debt Principal	81,000		81,000
57000	BH ID 1 Debt Interest Payment	28,000		28,000
21101	DV Debt Principal	29,000		29,000
59100	DV Debt Interest Payment	13,000		13,000
57350	MWA Morongo Basin (ID M) Pipeline Debt	73,300		73,300
				-
	W1 Debt Service Prin/Interest		94,000	94,000
	Mojave Water Agency		8,150	8,150
				-
	<b>Total Debt Expense</b>	<b>\$224,300</b>	<b>\$102,150</b>	<b>\$326,450</b>

\*Assumes no debt service payments from LAIF reserves  
MWA Pipeline debt is paid from Operating Revenue.

Source: Bighorn Desert View Water Agency

## **APPENDIX C PROJECT REFERENCES**

**Bighorn Desert View Water Agency**  
(760) 364-2315  
Marina West, PG General Manager  
bdvwa2@mindspring.com

**San Bernardino County LAFCO**  
(909) 383-9900

Kathleen Rollings-McDonald, Executive Officer  
kmcdonald@lafco.sbcounty.gov

Sam Martinez, Assistant Executive Officer  
smartinez@lafco.sbcounty.gov

**Statistical Research, Inc.**  
Doug Mende, Director of Geographic Information Systems (GIS)  
(909) 335-1896  
dmende@sricrm.com

# **Bighorn-Desert View Water Agency Application:**

- b. Five-year Revenue and Expense Projections  
provided by District**

**Attachment 3b**



LAFCO No. 3181

5-Yr. Revenue & Expense Projections

For the Combined Entities

BIGHORN-DESERT VIEW WATER AGENCY

and

CSA 70/Zone W-1 (Goat Mountain)

LAFCO 3181  
5-Yr Revenue and Expense Projections

SUMMARY						
	Current FY Combined Base Projection	FY 2015/16  Year 1	FY 2016/17  Year 2	FY 2017/18  Year 3	FY 2018/19  Year 4	FY 2019/20  Year 5
<b>TOTAL REVENUE</b>	<b>\$1,912,886</b>	<b>\$1,912,886</b>	<b>\$1,989,159</b>	<b>\$2,026,393</b>	<b>\$2,064,613</b>	<b>\$1,834,949</b>
<b>OPERATING REVENUE</b>	<b>\$1,397,959</b>	<b>\$1,397,959</b>	<b>\$1,473,000</b>	<b>\$1,508,989</b>	<b>\$1,545,953</b>	<b>\$1,583,920</b>
ADMINISTRATION EXPENSE	\$714,121	\$744,165	\$757,479	\$785,963	\$806,404	\$838,216
OPERATION EXPENSE	\$610,514	\$633,782	\$657,971	\$683,116	\$709,257	\$736,436
NET Operating Revenue Projection	\$73,324	\$20,011	\$57,551	\$39,910	\$30,292	\$9,268
<b>NON-OPERATING REVENUE</b>	<b>\$514,927</b>	<b>\$514,927</b>	<b>\$516,159</b>	<b>\$517,403</b>	<b>\$518,660</b>	<b>\$251,029</b>
DEBT EXPENSE BDVWA	\$223,200	\$220,972	\$221,822	\$220,372	\$221,622	\$35,149
DEBT EXPENSE W-1	\$101,887	\$101,887	\$101,887	\$101,887	\$101,887	\$0
NET Non-Operating Revenue Projection	\$189,840	\$192,068	\$192,450	\$195,144	\$195,151	\$215,880
<b>ANNUAL PROJECTED NET REVENUE</b>	<b>\$263,164</b>	<b>\$212,079</b>	<b>\$250,001</b>	<b>\$235,055</b>	<b>\$225,443</b>	<b>\$225,149</b>
Total Operating and Non-Operating Revenue	\$1,912,886	\$1,912,886	\$1,989,159	\$2,026,393	\$2,064,613	\$1,834,949
Percentage Net Revenue after Expenses	13.8%	11.1%	12.6%	11.6%	10.9%	12.3%
<b>RESERVE BALANCE</b>						
BDVWA	\$1,363,164					
W-1 (from 7 25 2014 Rigney letter to LAFCO)						
Replacement Reserve	\$227,316					
Expansion Reserve	\$318,263					
BDVWA plus W-1(Combined Agency Contributions)		\$212,079	\$250,001	\$235,055	\$225,443	\$225,149
<b>TOTAL PROJECTED RESERVE BALANCE *</b>	<b>\$1,908,743</b>	<b>\$2,120,822</b>	<b>\$2,370,823</b>	<b>\$2,605,878</b>	<b>\$2,831,321</b>	<b>\$3,056,470</b>
* Reserve account used to fund annual projects which include new capital improvements, repair/replacement of existing infrastructure (eg. Pumps, Pressure Reducing Valves, chlorinators) and equipment replacement (eg. Service trucks).						



LAFCO No. 3181  
5-Yr Revenue and Expense Projections

REVENUE SUMMARY						
Description	Current FY Combined Base Projection	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
		year 1	year 2	Year 3	Year 4	Year 5
OPERATING REVENUE						
Metered Water Sales	\$586,679	\$586,679	\$606,039	\$626,039	\$646,698	\$668,039
Basic Service Charge	\$759,330	\$759,330	\$774,517	\$790,007	\$805,807	\$821,923
Other Operating Income	\$49,450	\$49,450	\$49,945	\$50,444	\$50,948	\$51,458
Interest Income Unrestricted	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
Water Sales from Ames	-	-	40,000	40,000	40,000	40,000
Grants and Funding Partners						
Subtotal	\$1,397,959	\$1,397,959	\$1,473,000	\$1,508,989	\$1,545,953	\$1,583,920
NON-OPERATING REVENUE						
Stand-By Income	\$74,000	\$74,000	\$74,000	\$74,000	\$74,000	\$74,000
Debt Service BDVWA ID "1"	\$175,900	\$175,900	\$175,900	\$175,900	\$175,900	\$0
Debt Service DV	\$48,825	\$48,825	\$48,825	\$48,825	\$48,825	\$48,825
Debt Service W-1	\$93,000	\$93,000	\$93,000	\$93,000	\$93,000	\$0
General Tax Income (portion of 1%)	\$123,202	\$123,202	\$124,434	\$125,678	\$126,935	\$128,204
Subtotal	\$514,927	\$514,927	\$516,159	\$517,403	\$518,660	\$251,029
Total Revenue	\$1,912,886	\$1,912,886	\$1,989,159	\$2,026,393	\$2,064,613	\$1,834,949

LAFCO 3181  
5-Yr Revenue and Expense Projections

ADMINISTRATIVE DEPARTMENT EXPENSE							
GL Account	Description	Current FY Combined Base Projection	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
			Year 1	Year 2	Year 3	Year 4	Year 5
56001	Directors Fees	\$34,900	\$35,947	\$37,025	\$38,136	\$39,280	\$40,459
56002	01 Director 1	\$0	\$0	\$0	\$0	\$0	\$0
56002	02 Director 2	\$0	\$0	\$0	\$0	\$0	\$0
56002	04 Director 3	\$0	\$0	\$0	\$0	\$0	\$0
56002	05 Director 4	\$0	\$0	\$0	\$0	\$0	\$0
56002	06 Director 5	\$0	\$0	\$0	\$0	\$0	\$0
56003	Administrative Compensation	\$270,187	\$274,868	\$278,344	\$286,352	\$296,109	\$306,264
56006	Contractual Services- Auditor	\$38,884	\$40,051	\$41,252	\$42,490	\$43,764	\$45,077
56007	Contractual Services- Legal	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185
56008	PERS	\$59,460	\$61,244	\$63,081	\$64,974	\$66,923	\$68,930
56009	Payroll Tax	\$14,649	\$15,088	\$15,541	\$16,007	\$16,488	\$16,982
56011	Telephone & Fax	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956
56012	Mailing Expenses	\$1,425	\$1,468	\$1,512	\$1,557	\$1,604	\$1,652
56014	Contractual Services- Other	\$33,500	\$41,475	\$43,549	\$45,726	\$48,012	\$50,413
56016	Property/Liability Insurance	\$30,898	\$31,825	\$32,780	\$33,763	\$34,776	\$35,819
56017	Workers Comp. Insurance	\$10,655	\$10,975	\$11,304	\$11,643	\$11,992	\$12,352
56018	Dues & Subscriptions	\$13,476	\$13,880	\$14,297	\$14,726	\$15,167	\$15,622
56020	Power- Office & Yards	\$7,556	\$7,858	\$8,173	\$8,499	\$8,839	\$9,193
56022	Bad Debt Expense	\$1,348	\$1,388	\$1,430	\$1,473	\$1,517	\$1,563
56025	Propane	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026	\$2,087
56030	Office Supplies	\$7,200	\$7,416	\$7,638	\$7,868	\$8,104	\$8,347
56100	Employee Benefits Insurance	\$145,750	\$150,123	\$154,626	\$159,265	\$164,043	\$168,964
56110	Employee Education	\$3,945	\$4,063	\$4,185	\$4,311	\$4,440	\$4,573
56200	Office Equipment Expense	\$3,300	\$3,399	\$3,501	\$3,606	\$3,714	\$3,826
56300	Customer Relations	\$7,188	\$7,404	\$7,626	\$7,855	\$8,090	\$8,333
56400	Other Administrative Expenses	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319
58100	Elections Costs	\$0	\$5,000	\$0	\$5,150	\$0	\$5,300
	<b>Total Administrative Expense</b>	<b>\$714,121</b>	<b>\$744,165</b>	<b>\$757,479</b>	<b>\$785,963</b>	<b>\$806,404</b>	<b>\$838,216</b>

LAFCO 3181  
5-Yr Revenue and Expense Projections

WATER DISTRIBUTION EXPENSE							
GL Account	Description	Current FY Combined Base Projection	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
			Year 1	Year 2	Year 3	Year 4	Year 5
54102	Operations Staff Compensation	\$263,147	\$273,672	\$284,619	\$296,004	\$307,844	\$320,158
54103	Uniforms	\$3,407	\$3,509	\$3,614	\$3,723	\$3,835	\$3,950
54105	Auto Controls	\$3,503	\$3,608	\$3,716	\$3,828	\$3,943	\$4,061
54106	Vehicle/Tractor/Equip Expense	\$12,185	\$12,551	\$12,927	\$13,315	\$13,714	\$14,126
54107	Vehicle Expense- Fuel	\$27,679	\$28,509	\$29,365	\$30,246	\$31,153	\$32,088
54109	Field Materials and Supplies	\$37,500	\$38,625	\$39,784	\$40,977	\$42,207	\$43,473
54111	Water Testing	\$8,848	\$9,290	\$9,755	\$10,243	\$10,755	\$11,293
54112	Contractual Services- Engineering	\$67,500	\$69,525	\$71,611	\$73,759	\$75,972	\$78,251
54114	Water System Repairs	\$45,000	\$46,350	\$47,741	\$49,173	\$50,648	\$52,167
54115	Building Maintenance/Repair	\$14,000	\$14,420	\$14,853	\$15,298	\$15,757	\$16,230
54119	Communications Expense	\$2,359	\$2,430	\$2,503	\$2,578	\$2,655	\$2,735
54121	Disinfection Expense	\$6,636	\$6,835	\$7,040	\$7,251	\$7,469	\$7,693
54125	Power- Wells/Booster Pumps	\$107,250	\$112,613	\$118,243	\$124,155	\$130,363	\$136,881
54130	Other Operations Expense	\$11,500	\$11,845	\$12,200	\$12,566	\$12,943	\$13,332
	<b>Total Operations Expense</b>	<b>\$610,514</b>	<b>\$633,782</b>	<b>\$657,971</b>	<b>\$683,116</b>	<b>\$709,257</b>	<b>\$736,436</b>

LAFCO No. 3181  
5-Yr Revenue and Expense Projections

DEBT EXPENSE							
GL Account	Description	Current FY Combined Base Projection	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
			Year 1	Year 2	Year 3	Year 4	Year 5
22300	BHM ID 1 Debt Principal*	\$85,000	\$89,000	\$94,000	\$98,000	\$104,000	\$0
57000	BHM ID 1 Debt Interest Payment	\$23,500	\$19,250	\$14,800	\$10,100	\$5,200	\$0
21101	DV Debt Principal	\$31,000	\$32,000	\$34,000	\$35,000	\$37,000	\$34,977
59100	DV Debt Interest Payment	\$10,400	\$7,422	\$5,722	\$3,972	\$2,122	\$172
57350	MWA Pipeline Debt	\$73,300	\$73,300	\$73,300	\$73,300	\$73,300	\$0
<b>BDVWA Total Debt Expense</b>		<b>\$223,200</b>	<b>\$220,972</b>	<b>\$221,822</b>	<b>\$220,372</b>	<b>\$221,622</b>	<b>\$35,149</b>
	W1 Debt Principal + Interest **	\$93,750	\$93,750	\$93,750	\$93,750	\$93,750	\$0
	MWA Pipeline Debt	\$8,137	\$8,137	\$8,137	\$8,137	\$8,137	\$0
<b>W-1 Total Debt Expense</b>		<b>\$101,887</b>	<b>\$101,887</b>	<b>\$101,887</b>	<b>\$101,887</b>	<b>\$101,887</b>	<b>\$0</b>
<p>* Debt service payment for BDVWA from Debt Service schedules</p> <p>** Debt Service Payments for SDD can't be confirmed from SDD audits, used P+I for duration of debt service</p>							

EXPENSE DETAILS									
GL Account	LINE ITEM DESCRIPTION	Description	Current FY Combined Base Projection	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	variance explained
				Year 1	Year 2	Year 3	Year 4	Year 5	
54102	OPERATIONS COMPENSATION	Three field employees with on-call overtime and standby hours	\$263,147	\$273,672	\$284,619	\$296,004	\$307,844	\$320,158	compensation rising approximately 4% for field employees
54103	UNIFORMS	Shoes \$450, Uniform Lease Service \$1700; jackets \$375	\$3,407	\$3,509	\$3,614	\$3,723	\$3,835	\$3,950	
54105	VERIZON-TELEMETRY	220 X 12 months-36 month fixed lease	\$3,503	\$3,608	\$3,716	\$3,828	\$3,943	\$4,061	
54106	VEHICLE/TRACTOR/ EQUIP EXPENSE	Includes new tires for fleet, routine maintenance, large equipment repairs. Fuel tank vapor compliance testing \$500 and fuel system maintenance \$1000. Haz.Mat. Disposal \$500	\$12,185	\$12,551	\$12,927	\$13,315	\$13,714	\$14,126	
54107	VEHICLE EXPENSE- FUEL	Projections based on prior 7 month trend.	\$27,679	\$28,509	\$29,365	\$30,246	\$31,153	\$32,088	
54109	FIELD MATERIAL & SUPPLIES	All materials and supplies used in the maintenance of the water distribution system, safety/traffic control and small tools.	\$37,500	\$38,625	\$39,784	\$40,977	\$42,207	\$43,473	
54111	WATER TESTING	BacT, Gen. Phy. And Plate Counts \$2550, Nitrates all wells \$120, Pb/Cu testing cycle \$0, Misc. T22 (EDB/DBCP, Inorganics, Secondary GP, TDS, THM/HAA5) \$3730, GA/Ur \$300, (minus W10 sampling at \$860), contingency \$200. Cr 6 = \$250	\$8,848	\$9,290	\$9,755	\$10,243	\$10,755	\$11,293	water testing varies according to requirements....used 5% increase and assume averaging (some years lots of testing, some years hardly any testing)
54112	ENGINEERING	Engineering consultant services	\$67,500	\$69,525	\$71,611	\$73,759	\$75,972	\$78,251	Assumes some Engineering costs will be embedded in specific capital project cost approvals.
54114	WATER SYSTEM REPAIRS	Routine repairs/maintenance for wells, pumps, boosters, pressure reducing stations, reservoirs, pipelines, airvac valves, etc.	\$45,000	\$46,350	\$47,741	\$49,173	\$50,648	\$52,167	
54115	BUILDING REPAIR AND MAINT	Trash and dump fee - \$1500, Protection One Security \$1500, fire extinguisher maintenance - \$500, safety and emergency supplies - \$500, BODroom upgrades (Defibrillator \$1,700, refridge/cabinets/water heater \$1,300) cleaning service \$3000, landscape main. \$1,000. Non-routine maintenance items (one time expense) - \$1000, Swamp cooler shop: \$1000	\$14,000	\$14,420	\$14,853	\$15,298	\$15,757	\$16,230	
54119	COMMUNICATIONS EXP	AT&T Cell phones	\$2,359	\$2,430	\$2,503	\$2,578	\$2,655	\$2,735	
54121	DISINFECTION EXPENSE	Chlorine \$3500, Misc \$1500	\$6,636	\$6,835	\$7,040	\$7,251	\$7,469	\$7,693	
54125	POWER WELLS & BOOSTER	Based on prior 12 months usage with projected rate increase	\$107,250	\$112,613	\$118,243	\$124,155	\$130,363	\$136,881	power increasing greater than 3%, use 5% knowing that the Agency is pursuing demand reduction and solar power
54130	OTHER OPER EXPENSES	SWRCB filing fee \$400, bee service \$350, DPH (DHS) - \$1000, BLM rent for ID 1 system \$3400, AQMD fuel tank permit \$300, Misc. \$1,000, CoSB Excavation Permit fees - \$1500	\$11,500	\$11,845	\$12,200	\$12,566	\$12,943	\$13,332	
55001	BULK PUMPING PLANT EXPENSE	3% of telemetry expense \$85, JV Well 10 power plus 3% of all other power expense \$6500, sampling for bacti, Gen. Phy., Plate Count and contingency \$860	\$0	\$0	\$0	\$0	\$0	\$0	roll up to other categories
55002	BULK OPERATIONS AND MAINTENANCE	Routine repairs/maintenance for bulk delivery systems (four locations)	\$0	\$0	\$0	\$0	\$0	\$0	roll up to other categories
56001	DIRECTORS FEES	Regular and Special Meetings \$8268, Committee/Ad Hoc/Misc Meetings \$6650, Seminars per diem & Seminar Expenses \$16250	\$34,900	\$35,947	\$37,025	\$38,136	\$39,280	\$40,459	Assumes Directors entitled to 5% annual per diem set by Ordinance (currently at \$110.25) but this line item also includes travel expenses and registrations so a flat 3%
56002	DIRECTOR MEETING EXPENSE		\$0	\$0	\$0	\$0	\$0	\$0	
56002 01	DIRECTOR 1 - McBride	All Director Expenses	\$0	\$0	\$0	\$0	\$0	\$0	
56002 02	DIRECTOR 2 - Cori-Lorono	All Director Expenses	\$0	\$0	\$0	\$0	\$0	\$0	
56002 04	DIRECTOR 4 - Burkhardt	All Director Expenses	\$0	\$0	\$0	\$0	\$0	\$0	
56002 05	DIRECTOR 5 - Staley	All Director Expenses	\$0	\$0	\$0	\$0	\$0	\$0	
56002 06	DIRECTOR 6 - Coulombe		\$0	\$0	\$0	\$0	\$0	\$0	
56003	ADMINISTRATION COMP	Three full time office staff & General Manager	\$270,187	\$274,868	\$278,344	\$286,352	\$296,109	\$306,264	compensation rising approximately 4%. GM salary does not assume same increases. See referenced table cell location
56006	CONTRACTUAL SERVICES- AUDITOR	Auditor	\$38,884	\$40,051	\$41,252	\$42,490	\$43,764	\$45,077	
56007	CONTRACTUAL SERV- LEGAL	Legal Fees	\$20,000	\$20,600	\$21,218	\$21,855	\$22,510	\$23,185	
56008	PERS	All Full Time Equivalent (FTE) Employees.	\$59,460	\$61,244	\$63,081	\$64,974	\$66,923	\$68,930	

GL Account	LINE ITEM DESCRIPTION	Description	Current FY Combined Base Projection	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20	variance explained
				Year 1	Year 2	Year 3	Year 4	Year 5	
56009	PAYROLL TAXES	Unemployment \$3300, Medicare match \$7050, Social Security \$1380	\$14,649	\$15,088	\$15,541	\$16,007	\$16,488	\$16,982	
56011	PHONE, FAX LINES, INTERNET	Main office phones \$4200, Internet access \$1140; website hosting \$120, website maint. \$500	\$6,000	\$6,180	\$6,365	\$6,556	\$6,753	\$6,956	
56012	MAILING EXPENSE	Routine Mail postage \$100 (1-yr.), Pitney Bowes equip rental \$525 (elimiate in FY14/15), UPS-FedEx \$200,	\$1,425	\$1,468	\$1,512	\$1,557	\$1,604	\$1,652	
56014	CONTRACTUAL SERV- OTHER	Bank Fees \$3600, DataStream Maintenance Contract \$3000, Extra DataStream Programming Estimate \$6000, Copier Maintenance Agreement Est. \$2,800, Outsourced Billing \$9300, Springbrook Upgrade assessment - \$5,000	\$33,500	\$41,475	\$43,549	\$45,726	\$48,012	\$50,413	Major Financial/Utility Billing/Payroll software upgrade in FY14/15 increased software maintenance fees, other fees in this category expected to increase at 5%
56016	PROPERTY/LIABILITY EXPENSE	Property and Liability	\$30,898	\$31,825	\$32,780	\$33,763	\$34,776	\$35,819	
56017	WORKERS COMP INS	All Employees	\$10,655	\$10,975	\$11,304	\$11,643	\$11,992	\$12,352	
56018	DUES & SUBSCRIPTIONS and ANNUAL FEES	AWWA \$420, ACWA \$5000, DigAlert \$400, Hi Desert Star \$40, CRWA \$650, Weinhoff \$130, CSDA \$2700, LAFCO budget allocation \$140, ERNIE/-Info Memb. \$400, GFOA \$175, Misc \$500	\$13,476	\$13,880	\$14,297	\$14,726	\$15,167	\$15,622	
56020	POWER OFFICE & YARDS	Based on prior 12 months usage	\$7,556	\$7,858	\$8,173	\$8,499	\$8,839	\$9,193	power increasing greater than 3%, use 5% knowing that the Agency is pursuing demand reduction and solar power
56022	BAD DEBT EXPENSE	Bad debt (misc. unable to lien)	\$1,348	\$1,388	\$1,430	\$1,473	\$1,517	\$1,563	
56025	PROPANE	Office and Shop	\$1,800	\$1,854	\$1,910	\$1,967	\$2,026	\$2,087	
56030	OFFICE SUPPLIES/ PRINTING	Printed items such as envelopes, business cards, nameplates, checks. Toner refills for desktop printers, consumable office supplies (paper) and Boardroom supplies and other business meeting supplies. Copier "per print" costs (\$1000)	\$7,200	\$7,416	\$7,638	\$7,868	\$8,104	\$8,347	
56100	EMPLOYEE BENEFITS INS	Health, Dental, Vision, Life	\$145,750	\$150,123	\$154,626	\$159,265	\$164,043	\$168,964	
56110	EMPLOYEE EDUCATION	Miscellaneous employee education and outside training (inc. safety training)	\$3,945	\$4,063	\$4,185	\$4,311	\$4,440	\$4,573	
56200	OFFICE EQUIPMENT EXPENSE	Computer and phone system repairs \$1000, Misc office equipment, furniture & software (replacing one old fireproof cabinet) \$2300	\$3,300	\$3,399	\$3,501	\$3,606	\$3,714	\$3,826	
56300	CUSTOMER RELATIONS	Misc customer relations expense: Notices (CCR and 2 inserted newsletters \$2900), Outreach: Orchid Festival Expenses \$500, 3rd July outreach \$250, Desert-wise Tour and Seminars \$500, Landers Ele. Programs \$250, Regional Demonstration Garden (Brehm Park) \$500, Calendars \$300	\$7,188	\$7,404	\$7,626	\$7,855	\$8,090	\$8,333	
56400	OTHER ADMIN EXPENSES	BOD Advertising (legal notices, etc.), GFOA COE application for audit, misc. meeting expenses. employment advertising including bid recruitment and legal advertising, employee screening,	\$2,000	\$2,060	\$2,122	\$2,185	\$2,251	\$2,319	
58100	ELECTION COSTS	No regular election in FY2014/15	\$0	\$5,000		\$5,150		\$5,300	alternating election years
59300	MISC EXPENSES			\$0	\$0	\$0	\$0	\$0	
								\$0	
	<b>NON-OPERATING EXPENSES</b>							\$0	
	see Debt Summary Worksheet for debt service breakdown							\$0	
	<b>TOTAL EXPENSES</b>		\$1,324,635	\$1,377,948	\$1,415,449	\$1,469,079	\$1,515,661	\$1,561,131	

LAFCO No. 3181  
5-Yr Revenue and Expense Projections

REVENUE DETAILS								
GL ACCOUNT		DESCRIPTION	Current FY Combined Base Projection	FY 2015/16	FY 2016/17	FY 2017/18	FY 2018/19	FY 2019/20
				Year 1	Year 2	Year 3	Year 4	Year 5
				No rate Increase	\$10 Water Rate Increase, 2% BSC/Water& 1% Gen. Tax	\$10 Water Rate Increase, 2% BSC/Water& 1% Gen. Tax	\$10 Water Rate Increase, 2% BSC/Water& 1% Gen. Tax	\$10 Water Rate Increase, 2% BSC/Water& 1% Gen. Tax
41000	SERVICE LINE INSTALLATION FEE- Revenues to cover the actual cost of customer ordered service line installation.		\$0	\$0	\$0	\$0	\$0	\$0
41001	BASIC FACILITIES CHARGE- This fee is charged to brand new service line customers as a "buy-in" to the system already partially funded by previous and current customers.		\$0	\$0	\$0	\$0	\$0	\$0
41100	WATER SALES CHARGES- Total revenues from the sales of water to metered customers routes 01 - 11 (Bighorn and Desert View Service Areas) and all bulk accounts		\$586,679	\$586,679	\$606,039	\$626,039	\$646,698	\$668,039
41300	BASIC SERVICE CHARGE- Bi monthly billing to cover fixed O&M costs plus capital projects (non-specified funds)		\$759,330	\$759,330	\$774,517	\$790,007	\$805,807	\$821,923
41400	INCOME METERED BULK WATER:		\$0	\$0	\$0	\$0	\$0	\$0
41700	INCOME OTHER- Delinquent water billing revenues, unlock charges, non sufficient funds check charges, scrap metal sales, customer PIR fee, account setup charges.		\$49,450	\$49,450	\$49,945	\$50,444	\$50,948	\$51,458
49100	INCOME GENERAL TAX LEVY Bighorn Imp "A" Area 1% General Levy Share- This revenue is the portion of the County 1% tax which is passed on to special districts for general operating expenses. Coded on the property tax apportionment schedule as GA02.		\$51,100	\$51,100	\$51,611	\$52,127	\$52,648	\$53,175
49101	INCOME BOND DEBT BH FMHA- This revenue is generated through the issuance of an annual advalorem tax and assessed to all properties within the Bighorn (north side of the Agency). Issued in 1979 for \$1,875,000 for the purpose of constructing and maintaining a water system. Term is 40 years, at 5%. Annual payment is approximately \$108,500. Payments are due December (Interest approx. \$11,750) and June (Interest \$11,750 and principal \$85,000). Extra revenue collected is used for replacement & refurbishment and is tagged as available revenue "restricted" for use in BHM.		\$175,900	\$175,900	\$175,900	\$175,900	\$175,900	\$0
49102	INCOME GENERAL TAX LEVY Bighorn-Desert View WA 1% General Levy Share- This revenue is the portion of the County 1% General tax which is passed on to special districts for general operating expenses. Coded on the property tax apportionment schedule as GA01.		\$49,102	\$49,102	\$49,593	\$50,089	\$50,590	\$51,096
49103	FMHA SURCHARGE-Revenues generated via the bi-monthly billing of the Desert View customers to fund the debt service for the FMHA Revenue Bond. Issued in 1979 for \$700,000 for the purpose of constructing a water system. Term is 40 years at 5%. Annual Payment is approximately \$41,400. Payments due September (Interest approx. \$5,200) and April (Interest approx \$5,200 and principal \$31,000). Extra revenue collected is used for replacement & refurbishment and is tagged as available revenue "restricted" for use in DV.		\$48,825	\$48,825	\$48,825	\$48,825	\$48,825	\$48,825
49200	INTEREST INCOME- Interest revenue from our Local Agency Investment Fund account.		\$2,500	\$2,500	\$2,500	\$2,500	\$2,500	\$2,500
49600	Income Other - Non-operating			\$40,000	\$40,000	\$40,000	\$40,000	\$40,000
????	INCOME GENERAL TAX LEVY (W-1 area)		\$23,000	\$23,000	\$23,230	\$23,462	\$23,697	\$23,934
???	INCOME BOND DEBT (UD 82 DA01)		\$93,000	\$93,000	\$93,000	\$93,000	\$93,000	
???	INCOME STAND-BY (W-1 area)		\$74,000	\$74,000	\$74,000	\$74,000	\$74,000	\$74,000
			\$1,912,886	\$1,952,886	\$1,989,159	\$2,026,393	\$2,064,613	\$1,834,949

## ASSUMPTIONS

### BASE BUDGET ASSUMPTIONS:

Approved FY2014/15 Budget as baseline (slightly different than Plan for Service which was based on preliminary budget figures of 3/2014)  
BDVWA baseline is FY2014/15 Budget based on past 3-years of revenue and expenses history along with predicted trends (increases/decreases) for specific line items.  
The base expense budget for W-1 initially assumes all line items will be increased by 30% (W-1 increases the size of BDVWA's customer base by approx. 30%).  
Each line item was analyzed under a "Get Real Index" and was correspondingly adjusted up (e.g. Labor) or down (e.g building maintenance).  
The base budgets were rolled into a starting budget projection called "current fiscal year combined projection".

### GENERAL PROJECTION ASSUMPTIONS

Rates, fees and charges identical for all customers.  
Revenue increases are projected in year 2 and will require implementation through Prop. 218 rate protocols.  
Assumes \$0.10 rate increase on water consumption charge in Years 2 thru 5  
Assumes 2% rate increase on Basic Service Charge in Years 2 thru 5  
Assumes 1% increase in General Property Tax Levy in Years 2 thru 5  
Assumes 1% increase in "Other Income" (primarily DQ accounts) in Years 2 thru 5  
Assumes sale of surplus water from Ames Basin in Years 2 thru 5

A five-year expense projection was applied with the following specific parameters:

3% inflation with some line items either 4% or 5%.  
Assumes only 2 FTE in field, NO ADMIN position (differs from Plan of Service budget estimate)  
Administrative Compensation calculation is not based on an annual percent increase because a large component is the General Manager's salary which is negotiated with the BOD and is not automatic  
Assumes early retirement of MBP ID M debt early (4 years early). MWA has indicated that this is possible and the subject has been on the Morongo Basin Pipeline Commission Agenda  
Assumes \$0 recovered annually from lien (DQ accounts) but Agency realizes some annual income from such delinquencies.  
Assumes that Health Insurance Costs will rise no more than 3% (Wasn't Affordable Care Act supposed to stabilize rates?).

### Debt Service

Improvement District 1 (Bighorn Mountains water system) bond retires in year 4 = June 30, 2019  
Desert View Revenue Bond retires in year 5 = June 30, 2020  
W-1 Improvement Bond retires in Year 4 = June 30, 2019

assumes no new meter sales and therefore no growth  
assumes no construction water sales.  
assumes no interest earnings on reserve funds in LAIF

A five-year revenue projection was applied with the following specific parameters for the W-1 system portion:

W-1 contribution to Consumption Income set at 80% of produced water, BDVWA experiences slightly less water loss.

Therefore, base year consumption income was calculated as follows

142.83 acre-ft production reported for 2012 (no 2013 data available) 80% = 114.26 acre-ft water billing units = 49,772 @\$3/unit \$149,316

Assumes a 10% DQ on the W-1 Basic Service Charge which differs from Plan of Service which assumed 20% (Note: BDVWA DQ is closer to 3% BSC DQ ((lien BDVWA 2014 \$29,761.66 or 3% of the operating income  
W-1 calculates at 6% (\$25,000 DQ liens/\$425,407 Op Rev. from FY 14/15 Budget)

Therefore, 647 meters projected to pay their Monthly Service Charge in the base year = 90%= 581 paying customers billing unit = 27.5 per month \$191,730



# **Bighorn-Desert View Water Agency Application:**

- c. Comprehensive Financial Report for June 30,  
2014 and 2013 including Audits**

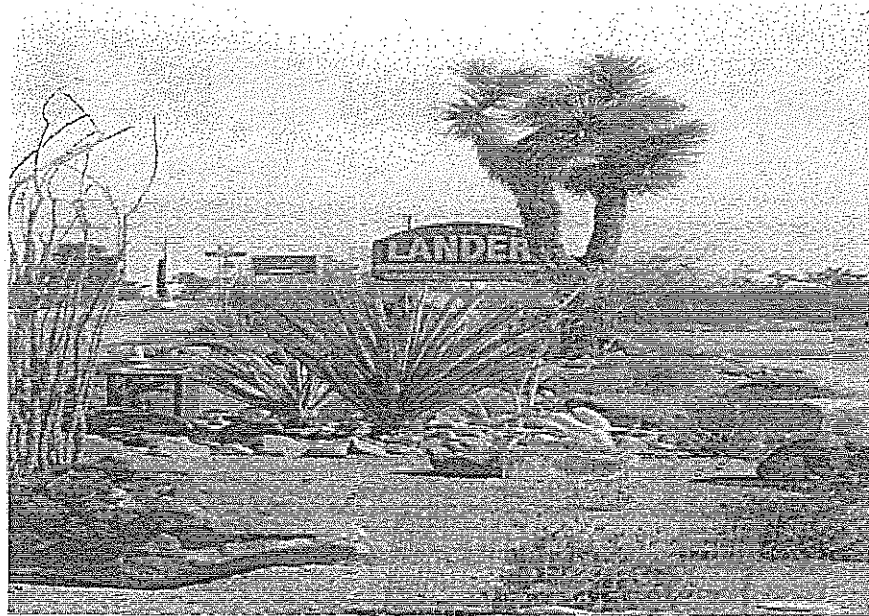
**Attachment 3c**



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Comprehensive Annual Financial Report  
For the Fiscal Years Ended  
June 30, 2014 and 2013

Bighorn-Desert View Water Agency  
A Public Agency  
622 S. Jemez Trail  
Yucca Valley, California  
92284



Prepared by:  
*Marina D. West, PG, General Manager*  
*Gayla Blanton, Accounting Technician II*



### Our Mission, Vision and Values

*"To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate.*

*To demonstrate accountability by taking economically responsible action today to secure our water supply for tomorrow.*

*We pledge to use all available resources for maintaining our existing facilities as well as plan, design, finance, and construct our future infrastructure for benefit to our customers in our service area.*

*Staff and board are committed to a comprehensive evaluation of the most important issues while establishing a record of fairness to all customers"*

Bighorn-Desert View Water Agency  
Board of Directors as of June 30<sup>th</sup>, 2014

Member	Office	Term Expires
Judy Corl-Lorono	President	2017
J. Dennis Staley	V. President	2017
Terry Burkhart	Secretary	2017
Michael McBride	Director	2015
J. Larry Coulombe	Director	2015

Bighorn-Desert View Water Agency  
Marina D. West, PG, General Manager/Chief Engineer  
622 S. Jemez Trail  
Yucca Valley, California 92284  
(760) 364-2315  
[www.bdvwa.org](http://www.bdvwa.org)



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Comprehensive Annual Financial Report

For the Fiscal Year Ended

June 30, 2014

Bighorn-Desert View Water Agency

A Public Agency

622 S. Jemez Trail

Yucca Valley, California

92284

Prepared by:

*Marina D. West, PG, General Manager*  
*Gayla Blanton, Accounting Technician II*

**BIGHORN-DESERT VIEW WATER AGENCY**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**

Year Ended June 30, 2014

(with comparative information for June 30, 2013)

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## INTRODUCTORY SECTION

## Bighorn-Desert View Water Agency

Board of Directors  
Judy Cori-Lorono, President  
J. Dennis Staley, V. President  
Terry Burkhart, Secretary  
Michael McBride, President  
J. Larry Coulombe, Director



Agency Office  
622 S. Jemez Trail  
Yucca Valley, CA 92284-1440

760/364-2315 Phone  
760/364-3412 Fax

Marina D West, P.G., General Manager

[www.bdvwa.org](http://www.bdvwa.org)

A Public Agency

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October 28, 2014

### Introduction

It is our pleasure to submit the Annual Financial Report for the Bighorn-Desert View Water Agency for the fiscal years ended June 30, 2014 and 2013, following guidelines set forth by the Governmental Accounting Standards Board. The Agency is ultimately responsible for both the accuracy of the data and the completeness and the fairness of presentation, including all disclosures in this financial report. We believe that the data presented is accurate in all material respects. This report is designed in a manner that we believe necessary to enhance your understanding of the Agency's financial position and activities.

Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview and analysis to accompany the financial statements in the form of the Management's Discussion and Analysis (MD&A) section. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with the MD&A. The Agency's MD&A can be found immediately after the Independent Auditors' Report.

### Agency Structure and Leadership

The Bighorn-Desert View Water Agency enabling Act, the "Bighorn Mountains Water Agency Law", is an Uncodified Act of the California Statutes of 1969, Chapter 1175, and effective August 31, 1969. The Law was amended in 1989 (Statutes of 1989, Chapter 570) through AB 1819 (Woodruff) to facilitate a proposed consolidation of the 1969 Bighorn Mountains Water Agency with the Desert View County Water District, which was completed in 1990 without further amendment to the Water Agency Law. In September 2013, Governor Jerry Brown signed into law SB 246 (Fuller) which is a complete modernization (re-write and re-organization) of the 1990 version of the Law.

The Bighorn-Desert View Water Agency operates pursuant to the provisions of the Bighorn-Desert View Water Agency Law, California Water Code Appendix, Sections 112-1 *et. seq.* The Agency is governed by a five-member Board of Directors, elected

at-large from within the Agency's service area. The General Manager administers the day-to-day operations of the Agency in accordance with policies and procedures established by the Board of Directors. In addition to the General Manager, the Agency staff consists of six (6) full-time employees organized in two departments: Administration and Operations.

The Agency's Board of Directors regularly scheduled meetings are on the fourth Tuesday of each month at 6 pm. Meetings are publically noticed and citizens are encouraged to attend.

The Agency provides water service to approximately 1,450 active residential customers, 340 infrequent/inactive customers, and 100 bulk-hauling customers within its forty-four (44) square-mile service area, located in the eastern desert area of San Bernardino County. The Agency encompasses the unincorporated communities in the county known as Flamingo Heights, (western) Landers, and Johnson Valley.

### **Agency Services**

Residential customers represent nearly 100% of the Agency's customer base and therefore consume a majority of the water produced annually. A quantity of water is lost to system flushing, testing and leaks. The Agency currently has a total of six (6) active groundwater wells with a total system production capacity of 3,368 gallons per minute. In fiscal year 2013/14, the Agency produced approximately 393 acre-feet of groundwater, a decrease of approximately 8% from fiscal year 2012/13. The Agency did not purchase any imported State Project Water from the Mojave Water Agency during this time period. However, Mojave Water Agency in conjunction with the Agency completed construction of a groundwater recharge facility for the region.

### **Economic Condition and Outlook for the Local Economy**

According to *Sperling's Best Places* the cost of living in the Landers area is 18.7% lower than the U.S. average. The unemployment rate is currently approximately 8.3% (down from 12% reported in FY2012/13). Using U.S. Census Block group data, all census blocks within the Agency boundaries are classified as a "disadvantaged". The area is classified as rural unincorporated San Bernardino County with a planned residential zoning of 2.5 acre minimum lot size. The area is comprised of predominantly English and Spanish speaking residents.

Within the Agency are very few commercial businesses. The largest employer is the local elementary school. Many local residents commute to the Twentynine Palms Marine Corps Ground Combat Center, Town of Yucca Valley or 60 miles south to Palm Springs, CA area or a similar distance north to the Victorville area for employment.

### **Major Initiatives**

The activities of the Board and staff of the Agency are driven by our mission statement: "To provide a high quality supply of water and reliable service to all customers at a fair and reasonable rate". At the February 2014 Board Workshop the following goals and



objectives were developed for implementation over the next one to two years and beyond.

1. Balanced Budget and growth of reserve funds for replacement/refurbishment of infrastructure, emergency contingencies and capital improvement programs outlined in the 2005 Water Master Plan. Continue efforts to reduce costs where possible. Explore revenue enhancing measures such as standby fees and water transfers.
2. Actively participate in the upcoming Integrated Regional Water Management Plan (IRWMP) process to be undertaken by the Mojave Water Agency. Develop project proposals aimed at infrastructure and other capital improvements envisioned for the Agency during the 20-plus year planning horizon.
3. Remain focused on preventative maintenance of the water distribution system appurtenances including pressure reducing stations, fire hydrants, isolation valves, air vacuum valves and emergency power connections. Work with engineer to prioritize and implement short-term capital or refurbishment projects.
4. Continue outreach to the community through various forms of communication including newsletters, annual calendar, revised utility bill format, completion of the desert-wise water conservation garden at the Landers Post Office and participation in local community events (eg. Homestead Valley Park 3<sup>rd</sup> of July and the Gubler Orchid Festival), and plan meetings with elected officials at local, regional and state level to increase awareness on issues facing the Agency.
5. Update administrative procedures as needed including development of a "Director Handbook".
6. Completion of the Ames/Reche Spreading Grounds for recharge of imported water from the State Water Project through the Morongo Basin Pipeline in partnership with the Mojave Water Agency, Hi-Desert Water District and the County of San Bernardino Special Districts Water Department. File *Amended and Restated Judgment for the Ames Valley Water Basin* on behalf of project participants.
7. Reorganization (acquisition) of the adjoining County Service Area 70/Zone W-1-Landers water system into Bighorn-Desert View Water Agency which would increase the customer base by approximately 650 metered residences providing more efficient/effective service and local elected representation for customers of the county.
8. Continue to pursue grant opportunities for capital, replacement and refurbishment projects including emergency and disaster preparedness (i.e. 2011 Hazard Mitigation Planning Grant Notice of Interest).

9. Obtain Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report for a minimum of five consecutive years from the Government Finance Officers Association of the United States and Canada.
10. Submit application to Special District Leadership Foundation for the District Transparency Certificate in Excellence.

All programs and operations of the Agency are developed and performed to provide the highest level of services to its customers.

### **Accomplishments**

To assist the Board of Directors in meeting their mission, staff achieved the following initiatives in fiscal year 2013/14:

1. Adopted a balance budget on time without reliance on cash reserves and with expectation of increased unrestricted reserves needed to fund planned capital projects and replaced aged vehicles. Placed liens on the secured property tax rolls for outstanding debt owed the Agency.
2. Continued progress on multi-year Ames/Reche Groundwater Storage and Recovery Program. Construction of the pipeline, outlet structure to the Pipes Wash and tie-in to the State Water Project through the Morongo Basin Pipeline was completed in August 2013 and the facility deemed "operational" in February 2014. Thereafter work began on preparing motions and filings for the *Amended and Restated Judgment for the Ames Valley Water Basin* with the Riverside County Court on behalf of project participants.
3. In February 2013, the Agency authored a state legislative bill to modernize the entire Bighorn-Desert View Water Agency Law (e.g. enabling act). The legislation, Senate Bill No. 246, was carried by Senator Fuller (18<sup>th</sup> District). Staff attended hearings in support of the bill throughout 2013 and on September 24, 2013 Governor Brown approved the bill. This bill assists the Agency by eliminating a long-standing but unnecessary requirement for financial separation of the predecessor entities Bighorn Mountains Water Agency and Desert View County Water District.
4. Completed an engineering study to evaluate the long-term viability of three Agency wells impacted by elevated uranium. Completed contract specifications for the installation of transfer switches at Agency facilities so that operations could continue during power outages utilizing portable power generators. Completed an "arc flash hazard study" at all Agency facilities.
5. In April 2014, the Agency filed an application and Plan of Service for the annexation of a neighboring water agency (CSA 70/Zone W-1) and its simultaneous dissolution from County of San Bernardino Special Districts Department. The application is being processed through the Local Agency Formation Commission (LAFCO) and expected to continue through FY2014/15.

6. Completed transition to an outsourced billing format to improve customer communication. Participated in various outreach events including Homestead Valley Park 3<sup>rd</sup> of July event, Gubler's Orchid Festival, Minerva Hoyt Water Education Day and Morongo Basin Conservation Association Desert-Wise Landscape Home Tour.
7. Preventative maintenance in 2012/13 included testing and refurbishment of all water production meters, refurbishment of several pressure reducing stations (PRV's), exercising 1/3 of the pipeline isolation valves, replacement of 1/3 of the air-vacuum valves, routine dead end flushing, as well as repair of approximately 43 service line leaks and replacement of 33 service lines
8. There were no Worker's Compensation claims filed and no Property Liability claims paid in program year 2013/14.
9. Agency Director Terry Burkhart continued her service to the Special Districts Risk Management Authority (SDRMA) Board of Directors.
10. Awarded Certificate of Achievement for Excellence in Financial Reporting for our Comprehensive Financial Report in fiscal year 2013/14 from the Government Finance Officers Association of the United States and Canada.
11. Awarded the 2-year Certificate of Excellence in District Transparency from the SDRMA.

#### **Internal Control Structure**

Agency management is responsible for the establishment and maintenance of the internal control structure that ensures the assets of the Agency are protected from loss, theft or misuse. The internal control structure also ensures adequate accounting data is compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The Agency's internal control structure is designed to provide reasonable assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

#### **Budgetary Control**

Each year the Agency Board of Directors has adopted an annual operating budget. The budget authorizes and provides the basis for reporting and control of financial operations and accountability for the Agency's operations. Capital budgets have not been passed by the Board of Directors due to lack of cash reserves to establish a formal budget for capital improvements and lack of an asset management plan. Therefore, projects are brought to the Board individually, as needed, for consideration. The budget and reporting treatment applied to the Agency is consistent with the accrual basis of accounting and the financial statement basis.

## **Investment Policy**

The Board of Directors has adopted an investment policy that conforms to state law, Agency ordinance and resolutions, and prudent money management. The objective of the Investment Policy is safety, liquidity and yield. Although the policy covers a wide-variety of investment instruments the Agency's reserve funds are currently invested in the State Treasurer's Local Agency Investment Fund (LAIF) and an institutional checking account (Union Bank of California).

## **Water Rates and Agency Revenues**

Agency's current policy direction ensures that all revenues from user charges generated from Agency customers must support all Agency operations including capital project funding. Accordingly, water rates are regularly reviewed. Water rates are user charges imposed on customers for services and are the primary component of the Agency's revenue. Water rates are composed of a commodity (usage) charge and a fixed meter (readiness-to-serve) charge. There were no rate increases imposed in fiscal year 2013/14.

## **Water Conservation Programs**

The Agency is an active member of the Morongo Basin Alliance for Water Awareness and Conservation (MB AWAC). Agency Board and staff participate in and sponsor a number of community events with a conservation component, such as the Desert-Wise Landscaping Home Tours and Workshops held throughout the Morongo Basin. The Agency also distributes materials to encourage water conservation. The Agency has not found a need to implement a tiered water rate structure to encourage conservation as water usage in the service area averages less than 100 gallons per day per person.

## **Audit and Financial Reporting**

State Law and Bond covenants require the Agency to obtain an annual audit of its financial statements by an independent certified public accountant. The accounting firm of Mayer-Hoffman-McCann P.C., An Independent Accounting Firm has conducted the audit of the Agency's financial statements. Their unqualified Independent Auditor's Report appears in the Financial Section.

## **Risk Management**

The Agency has been a member of the Special District Risk Management Authority (SDRMA) since 1983. The purpose of SDRMA is to arrange and administer programs of insurance for pooling of self-insured losses and to purchase excess insurance coverage.

### **Technology Advance in Customer Service (E-government initiatives)**

The Agency customers have the option to pay their bills in person at the Agency office, on-line through their bank account, with a major credit card over the phone or through the Agency's website or the internet. The Agency implemented the Automated Clearing House (ACH) payment method for customers in fiscal year 2012/13.

Customers also have access to agency agenda's and agenda backup materials via email notifications immediately upon publication. The agenda materials as well as other reference material are also available on the Agency website ([www.bdvwa.org](http://www.bdvwa.org)). The Agency is in the process of updating the website to provide more historical documents and board actions to the public.

### **Other References**

More information has been provided in both the Management's Discussion and Analysis and the Notes to the Basic Financial Statements which can be found in the Financial Section of this report.

### **Awards and Acknowledgements**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Bighorn-Desert View Water Agency for its comprehensive annual financial report of the fiscal year ended June 30, 2013. This was the third year that the Agency has applied for and achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Agency believes that the current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and the Agency intends to submit an application to the GFOA to determine our eligibility for certification.

Preparation of this report was accomplished by the combined efforts of Agency staff. We appreciate the dedicated efforts and professionalism that our staff members bring to the Agency. We would also like to thank the members of the Board of Directors for their continued support in the planning and implementation of the Bighorn-Desert View Water Agency's fiscal policies.

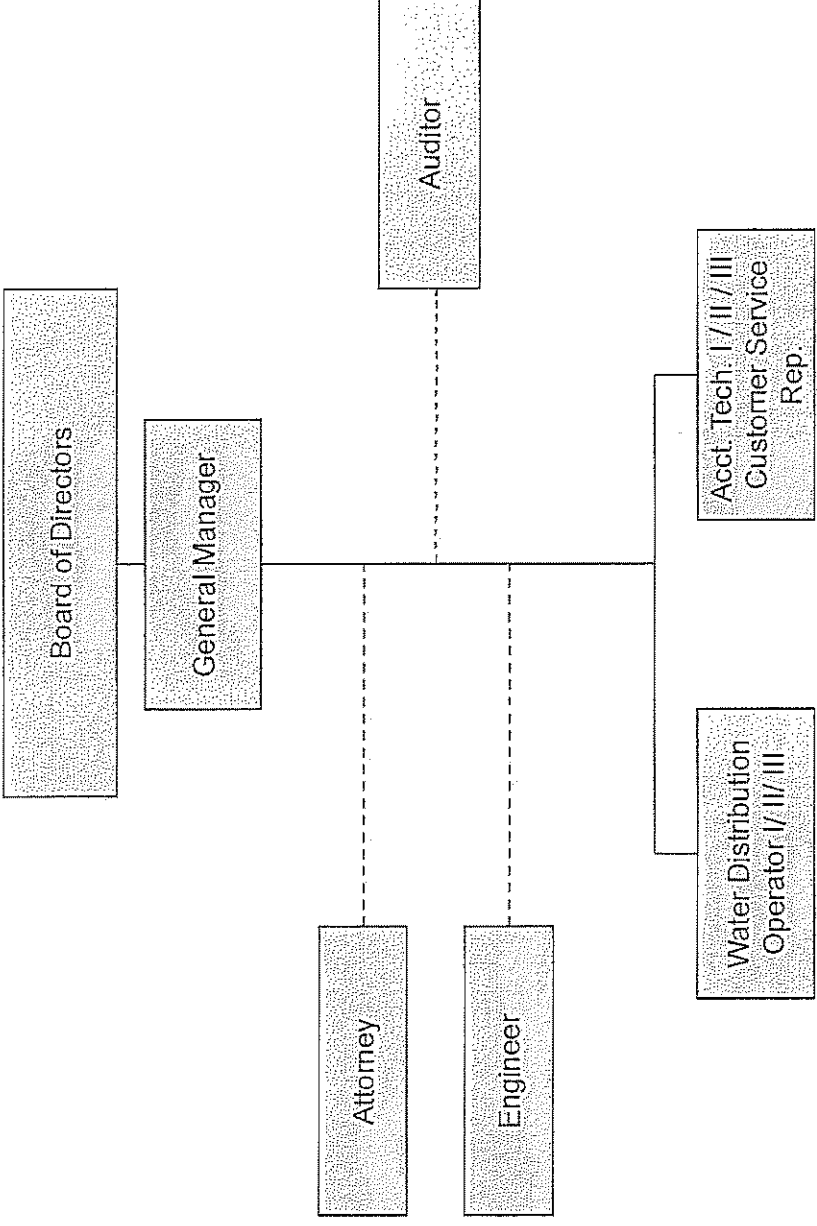
With Great Pleasure,

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Marina D. West, PG  
General Manager

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Gayla Blanton  
Accounting Technician II



Total positions authorized = 3                      Total positions authorized = 3

Resolution No. 12R-32  
Adopted November 27, 2012



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**Bighorn-Desert View  
Water Agency, California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2013**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO

## FINANCIAL SECTION





Mayer Hoffman McCann P.C.  
An Independent CPA Firm

2301 Dupont Drive, Suite 200 ■ Irvine, California 92612  
Main: 949.474.2020 ■ Fax: 949.263.5520 ■ www.mhmcpa.com

Board of Directors  
BIGHORN-DESERT VIEW WATER AGENCY

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the Bighorn-Desert View Water Agency (the Agency) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness



## BIGHORN-DESERT VIEW WATER AGENCY

Page two

of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bighorn-Desert View Water Agency, as of June 30, 2014, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### *Report on Summarized Comparative Information*

We have previously audited Bighorn-Desert View Water Agency's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 15 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Other Matters*

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that *management's discussion and analysis* be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

## BIGHORN-DESERT VIEW WATER AGENCY

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### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Bighorn-Desert View Water Agency's basic financial statements. The *introductory section* and the *statistical section* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *introductory section* and the *statistical section* have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### *Other Reporting Required by Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 17, 2014 on our consideration of Bighorn-Desert View Water Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Bighorn-Desert View Water Agency's internal control over financial reporting and compliance.

*Mayer Hoffman Mackin P.C.*

Irvine, California  
October 17, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the financial performance of the Bighorn Desert View Water Agency ("Agency") provides an overview of the Agency's financial activities for the fiscal year ended June 30, 2014. Please read it in conjunction with the transmittal letter and financial statements identified in the accompanying table of contents.

### INFORMATION REPORTED IN THE ACCOMPANYING FINANCIAL STATEMENTS

One of the most important questions asked about the Agency's finances is, "Is the Agency better off or worse off as a result of the year's activities?" The Statement of Net Position (previously a Statement of Net Assets) and the Statement of Revenues, Expenses, and Changes in Net Position report information about the Agency in a way that helps answer this question. These statements include all assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The financial statements of the Agency report the Agency's net assets and changes in them. You can think of the Agency's net position — the difference between assets and liabilities — as one way to measure the Agency's financial health, or *financial position*. Over time, *increases and decreases* in the Agency's net assets are one indicator of whether its *financial health* is improving or deteriorating.

### AGENCY FINANCIAL STATEMENTS

A summary of the Agency's *statement of net assets* follows:

Table 1 Net Position <i>Formally "Net Assets"</i> (in Actual Dollars)			
	<u>2014</u>	<u>2013</u>	<u>Change</u>
Current and Other Assets	\$ 1,757,916	\$ 1,517,564	240,352
Capital Assets	<u>3,677,468</u>	<u>3,914,504</u>	(237,036)
Total Assets	\$ 5,435,384	\$ 5,432,068	3,316
Current Liabilities	\$ 316,611	\$ 310,091	6,520
Non-Current Liabilities	<u>579,838</u>	<u>686,927</u>	(107,089)
Total Liabilities	\$ 896,449	\$ 997,018	(100,569)
Net Investment in capital			
Assets	\$ 3,003,491	\$ 3,130,527	(127,036)
Restricted	--	1,304,523	(1,304,523)
Unrestricted	1,535,444	--	1,535,444
Total Net Position	<u>\$ 4,538,935</u>	<u>\$ 4,435,050</u>	103,885

A summary of the Agency's *statement of revenues, expenses, and changes in net assets* follows:

Table 2  
Changes in Net Position  
*Formally "Change in Net Assets"*  
(in Actual Dollars)

	<u>2014</u>	<u>2013</u>	<u>Change</u>
Operating Revenues			
Water Sales	\$ 453,100	\$ 468,824	(15,724)
Other revenues	<u>636,764</u>	<u>638,034</u>	(1,270)
Total Operating Revenues	\$ 1,089,864	\$ 1,106,858	(16,994)
Operating Expenses			
Transmission and Distribution	\$ 512,501	\$ 547,991	(35,490)
General and Administrative	640,378	516,493	123,885
Depreciation	<u>233,053</u>	<u>229,565</u>	3,488
Total Operating Expenses	\$ 1,385,932	\$ 1,294,049	91,883
Operating Income (Loss)	(296,068)	(187,191)	(108,877)
Non-Operating Revenues (Expenses):			
Interest revenue	6,227	3,142	3,085
Tax Levy & Surcharges	281,726	280,647	1,079
Desert View Debt Surcharge	49,843	49,967	(124)
Interest expense	(38,486)	(45,024)	6,538
Other expense	<u>(1,734)</u>	<u>(98)</u>	(1,636)
Total Non-Operating Revenues (Expenses)	\$ 297,576	\$ 288,509	9,067
Capital Contributions	102,377	193,000	(90,623)
Change in Net Position	103,885	294,318	(190,433)
Net Position at Beginning of Year	<u>4,435,050</u>	<u>4,140,732</u>	294,318
Net Position at End of Year	<u>\$ 4,538,935</u>	<u>\$ 4,435,050</u>	103,885

The increase or decrease in net position can provide an indication as to whether the overall financial position of the Agency improved or deteriorated during the year. Net position of the Agency increased slightly by 2% (\$4.54 million compared to \$4.43) million. The net assets (financial position) of the Agency changed as a result of the revenue and expense fluctuations described below.

The reasons for significant changes in the revenues and expenses of the Agency noted above are as follows:

- The decrease in capital assets from Fiscal Year 2012/13 to Fiscal Year 2013/14 was primarily due to the annual recognition of depreciation expense. The increase in current and other assets was primarily due to revenues earned in Fiscal Year 2013/14 exceeding the amount of expenses that were paid for operations.
- Non-current liabilities have been decreased by approximately \$107,000 as a result of payments made on the long-term debt service (General Obligation and Water Revenue Bonds) during the fiscal year. See Note 4 of the audited financial statements for further clarification.
- The net investment in capital assets diminished by the amount of depreciation that was recognized during the fiscal year. The Agency's unrestricted assets increased over the prior year. This is because the financial statements now identify all assets as unrestricted since the Agency's enabling act was modified through state legislation (SB 246) to eliminate prior requirements for separation of assets to each predecessor entity.

Throughout fiscal year 2012/13 and into 2013/14, the Agency sought changes to its enabling Act, which would remove the requirement to comply with Section 31012 of the County Water District Law referring to the separation of funds of each predecessor entity. The Agency authored SB 246 (Fuller) which was carried through the state legislature by Senator Jean Fuller (18<sup>th</sup> District) where it succeeded unopposed. In September 2013, Governor Jerry Brown signed into law SB 246 (Fuller) which eliminates this requirement and completely modernizes the Bighorn-Desert View Water Agency enabling Act providing final closure on this outstanding issue.

- Transmission and Distribution decreased by approximately \$35,500 which is primarily attributed to decreased spending (over prior period) on engineering design services, power for pumping water (less water pumped over prior year), vehicle maintenance and other one-time prior year expenses.
- General and Administrative costs increased above the prior year by approximately 124,000. The increase is attributed to increased medical benefit premiums as well as labor costs as employees earned Cost-of-Living Adjustments (COLA) and merit increases. A portion of the variance is related to expenses associated with development of a Hazard Mitigation Plan which will later be reimbursed through a grant obtained secured from the CA Office of Emergency Services for this purpose. Finally, in Fiscal Year 2013/14 the Board decided to proceed with an application to the Local Area Formation Commission (LAFCO No. 3181) for annexation of a neighboring county water

zone (CSA 70/W-1 Goat Mountain). A budget was approved and approximately \$42,000 was directed towards the annexation effort in FY13/14.

- Operating revenues decreased over prior year due to lower water sales attributed to customer water conservation.
- The net position at year end indicates the Agency's revenues exceeded expenses by nearly \$104,000 which is about \$20,000 less than projected in the FY2013/14 adopted Budget.

### LONG-TERM DEBT

At the end of the 2013/14 fiscal year, the Agency had bonded debt outstanding of \$673,977 less the portion (\$116,000) due in less than one year. All debt payments were made on time and in full during the year. No new debt was issued during the fiscal year. The Desert View Water Revenue Bond matures in 2020. The Bighorn Mountains General Obligation Bond matures in 2019. For more detailed information on long-term debt activity see Note 4 of the enclosed financial statements.

### Contacting the Agency's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to show the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the General Manager's Office, at Bighorn Desert View Water Agency, 622 S. Jemez Trail, Yucca Valley, CA 92284.

**BIGHORN-DESERT VIEW WATER AGENCY**  
**STATEMENT OF NET POSITION**  
As of June 30, 2014  
(with comparative information for June 30, 2013)

Assets	2014	2013
Current assets:		
Cash and cash equivalents (note 2)	1,202,156	744,931
Accounts receivable - water services	191,979	209,651
Due from other governments - Mojave Water	18,461	234,255
Property tax receivable	30,797	27,925
Inventory	70,100	63,035
Prepaid expenses	973	883
Total current assets	1,514,466	1,280,680
Non-current assets:		
Long term receivables (net of allowance for uncollectible amounts)	66,354	59,788
Idle Assets (note 3)	177,096	177,096
Capital assets not being depreciated (note 3)	98,010	503,522
Capital assets being depreciated, net (note 3)	3,579,458	3,410,982
Total non-current assets	3,920,918	4,151,388
Total assets	5,435,384	5,432,068
Liabilities		
Current liabilities:		
Accounts payable	90,199	96,139
Current portion of bonds payable (note 4)	116,000	110,000
Current portion of compensated absences (note 4)	28,054	27,619
Payroll liabilities	19,025	16,359
Customer deposits - water	58,831	54,778
Interest payable	4,502	5,196
Total current liabilities	316,611	310,091
Non-current liabilities (note 4):		
Bonds payable	557,977	673,977
Compensated absences	21,861	12,950
Total non-current liabilities	579,838	686,927
Total liabilities	896,449	997,018
Net Position		
Net investment in capital assets	3,003,491	3,130,527
Restricted	-	1,304,523
Unrestricted	1,535,444	-
Total net position	4,538,935	4,435,050
Total liabilities and net position	\$ 5,435,384	5,432,068

See Notes to Financial Statements



**BIGHORN-DESERT VIEW WATER AGENCY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**

For the Year Ended June 30, 2014  
(with comparative information for June 30, 2013)

	<u>2014</u>	<u>2013</u>
<b>Operating revenues</b>		
Water sales	\$ 453,100	468,824
Water services	41,879	50,544
Basic surcharge	<u>594,885</u>	<u>587,490</u>
Total operating revenues	1,089,864	1,106,858
<b>Operating expenses</b>		
Transmission and distribution	512,501	547,991
General and administrative	640,378	516,493
Depreciation	<u>233,053</u>	<u>229,565</u>
Total operating expenses	<u>1,385,932</u>	<u>1,294,049</u>
Operating income (loss)	<u>(296,068)</u>	<u>(187,191)</u>
<b>Non-operating revenues (expenses)</b>		
Interest income	6,227	3,142
Tax levy	281,726	280,647
Desert View debt surcharge	49,843	49,967
Gain/loss on disposal of asset	-	(125)
Other income/expense	(1,734)	(98)
Interest expense	<u>(38,486)</u>	<u>(45,024)</u>
Total non-operating revenues (expenses)	<u>297,576</u>	<u>288,509</u>
Income before capital contributions	<u>1,508</u>	<u>101,318</u>
<b>Capital contributions</b>	<u>102,377</u>	<u>193,000</u>
 Change in net position	 103,885	 294,318
Net position at beginning of year	<u>4,435,050</u>	<u>4,140,732</u>
Net position at end of year	<u>\$ 4,538,935</u>	<u>4,435,050</u>

See Notes to Financial Statements

**BIGHORN-DESERT VIEW WATER AGENCY**  
**STATEMENT OF CASH FLOWS**  
For the Year ended June 30, 2014  
(with comparative information for June 30, 2013)

	2014	2013
<b>Cash flows from operating activities:</b>		
Cash received from customers	\$ 1,102,151	1,198,494
Cash payments to suppliers for goods and services	(710,581)	(681,748)
Cash payments to employees and directors for services	(422,177)	(388,004)
Nonoperating miscellaneous expense	(1,734)	(5,187)
Net cash provided by (used in) operating activities	<u>(32,341)</u>	<u>123,555</u>
<b>Cash flows from non-capital financing activities:</b>		
Property taxes received	99,712	99,207
Net cash provided by non-capital financing activities	<u>99,712</u>	<u>99,207</u>
<b>Cash flows from capital and related financing activities:</b>		
Property taxes received in support of long-term debt	182,014	181,440
Other revenue received in support of long-term debt	49,843	49,967
Acquisition of capital assets	(17,221)	(444,837)
Principal paid on long-term debt	(110,000)	(105,000)
Interest paid on long-term debt	(39,180)	(45,024)
Capital contributions received	318,171	-
Net cash used in capital and related financing activities	<u>383,627</u>	<u>(363,454)</u>
<b>Cash flows from investing activities:</b>		
Interest received	6,227	3,142
Net cash used in investing activities	<u>6,227</u>	<u>3,142</u>
Net increase (decrease) in cash and cash equivalents	457,225	(137,550)
Cash and cash equivalents beginning, July 1	744,931	882,481
Cash and cash equivalents ending, June 30	<u>\$ 1,202,156</u>	<u>744,931</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:</b>		
Operating income (loss)	\$ (296,068)	(187,191)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	233,053	229,565
Other non-operating income (expense)	(1,734)	(5,187)
(Increase) decrease in accounts receivable	17,672	13,191
(Increase) decrease in property tax receivable	(2,872)	4,086
(Increase) decrease in long term receivables	(6,566)	(14,904)
(Increase) decrease in inventories	(7,065)	(124)
(Increase) decrease in prepaid expenses	(90)	5,441
(Increase) decrease in other assets	21,204	-
(Decrease) increase in accounts payable	(5,940)	68,405
(Decrease) increase in accrued liabilities	12,012	9,636
(Decrease) increase in customer deposits	4,053	637
Total adjustments	<u>263,727</u>	<u>310,746</u>
Net cash provided by (used for) operating activity	<u>\$ (32,341)</u>	<u>123,555</u>

There were no noncash capital, financing or investing activities for the years ended June 30, 2014 and June 30, 2013

See Notes to Financial Statements

## BIGHORN-DESERT VIEW WATER AGENCY

### NOTES TO FINANCIAL STATEMENTS

For the Year Ended June 30, 2014

**(1) Summary of significant accounting policies**

**Reporting entity** - Bighorn-Desert View Water Agency (the "Agency") is a special district that was formed in 1990 when the San Bernardino County Board of Supervisors approved the consolidation of Bighorn Mountains Water Agency (established 1969) and Desert View Water District (established 1964). It is the Agency's mission to provide water and water related services to the population within the Agency's boundaries. Accordingly, the Agency is authorized to finance, construct, operate and maintain a water transmission and distribution system to benefit this population. There are 1,923 user connections within the Agency's boundaries which encompass approximately 44 square miles. The Agency is governed by a five-member Board of Directors, who are elected to staggered 4-year terms.

**Basis of accounting** - The Agency uses the flow of economic resources measurement focus. This measurement focus emphasizes the determination of net income. The accrual basis of accounting is used by the Agency. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The Agency distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with water sales to customers. Non-operating revenues are those derived from support of long-term debt and the investment of cash reserves.

**Use of restricted resources** - When resources are combined, the Agency generally uses restricted resources, prior to using unrestricted resources, to pay expenditures meeting the criteria imposed on the use of restricted resources.

**Use of estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Inventory** - Inventory of materials and supplies, consisting of parts used for utility plant construction are carried at the weighted-average cost.

## BIGHORN-DESERT VIEW WATER AGENCY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) Summary of significant accounting policies (Continued)

**Utility plant** - Capital assets are stated at cost. Depreciation is provided on a straight-line basis over the estimated useful lives which range from five to fifty years. Depreciation expense for the year ended June 30, 2014 was \$233,053. It is the policy of the Agency to capitalize property, plant and equipment with a cost of \$1,000 or more.

**Allowance for uncollectible accounts** - It is agency policy that for all water accounts delinquent for more than 90 days have a lien placed on their property. The agency believes that collection is certain as customers cannot sell their properties without remittance of their water payments. An allowance for uncollectible accounts of \$4,500 has been recorded for the year ended June 30, 2014, based on prior collection historical information, for amounts not collected when a property is sold through a Tax Levy sale. The amount placed on the tax rolls is recorded separately as a long term receivable on the balance sheet. Long Term receivables for the year ended June 30, 2014 were \$66,354.

**Debt issuance costs** - Debt issuance costs are expensed when incurred.

**Other accounting policies** - Customers are billed on a bi-monthly basis and the related revenues are recorded when customers are billed.

**Income taxes** - The Agency is exempt from Federal and State income taxes, as it is a public government agency.

**Cash and cash equivalents** - For purposes of the statement of cash flows, the Agency limits the term *cash and cash equivalents* to only currency on hand, demand deposits with banks or other financial institutions, and deposits in other kinds of accounts or cash management pools that have the general characteristics of demand deposit accounts in that the Agency may deposit additional cash at any time and effectively withdraw cash at any time without prior notice or penalty.

**Property taxes** - Property taxes are assessed and collected each fiscal year according to the following property tax calendar:

Lien date:	March
Levy date:	July 1 to June 30
Due date:	November 1 - first installment March 1 - second installment
Collection date:	December 10 - first installment April 10 - second installment

## BIGHORN-DESERT VIEW WATER AGENCY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

(1) Summary of significant accounting policies (Continued)

General property taxes are assessed and collected by the County of San Bernardino on a rate per \$100 of assessed value, plus other increases approved by the voters. The general property taxes are pooled and are then allocated to the districts based on formulas. Property taxes are recognized as revenue when received and/or become available. Property tax revenues are considered available when they become due or past due and receivable within the current period and those expected to be collected during a 60-day period subsequent to the balance sheet date when significant.

**Grants** - When a grant agreement is approved and eligible expenditures are incurred, the amount is recorded as a federal capital or operating grant receivable on the statement of net position and as capital grant contribution or operating grant revenue, as appropriate, on the statement of revenues, expenses and changes in net position.

**Prior year information** - Certain data has been presented for the prior year. Such data does not represent a complete presentation in accordance with generally accepted accounting principles, but has been presented for comparative purposes only.

(2) Cash and investments

The Agency maintains a cash and investment pool that is available for all funds. Each fund type balance in the pool is reflected on the combined balance sheet as cash and investments.

**Cash deposits** - The carrying amounts of the Agency's cash deposits were \$181,899 at June 30, 2014. Bank balances before reconciling items were \$194,245 at that date, the total amount of which was collateralized or insured with securities held by pledging financial institutions in the Agency's name as discussed below.

The California Government Code requires California banks and savings and loan associations to secure the Agency's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the Agency's name.

The market value of the pledged securities must equal at least 110% of the Agency's deposits. California law also allows financial institutions to secure the Agency's deposits by pledging first trust deed mortgage notes having a value of 150% of the Agency's

# BIGHORN-DESERT VIEW WATER AGENCY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### (2) Cash and investments (Continued)

deposits. The Agency may waive collateral requirements for cash deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (FDIC). The Agency follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances; interest income from cash and investments with fiscal agents is credited directly to the related fund.

**Investments** - Under the provisions of the Agency's investment policy and in accordance with California Government Code, the following investments were authorized:

- Securities issued by the U.S. Treasury
- Securities issued and fully guaranteed as to payment by an agency of the U.S. Government
- Bankers' Acceptances
- Non-negotiable certificates of deposit
- Repurchase Agreements
- California Local Agency Investment Fund (State Pool)
- Corporate medium-term notes
- Mortgage-backed securities
- Diversified Management Companies, as defined by Section 23701m of the Revenue Taxation Code

**Summary of cash and investments** - The following is a summary of pooled cash and investments at June 30, 2014:

Cash and investments	\$1,202,156
----------------------	-------------

At June 30, 2014, cash and investments were composed of the following:

	Credit Quality <u>Ratings</u>	<u>Fair Value</u>
Deposits	Not Rated	\$ 181,899
Local Agency Investment Funds	Not Rated	1,018,707
Petty Cash	Not Rated	<u>1,550</u>
		<u>\$1,202,156</u>

BIGHORN-DESERT VIEW WATER AGENCY

NOTES TO FINANCIAL STATEMENTS

(Continued)

(2) Cash and investments, (Continued)

Risk Disclosures

**Interest rate risk** - As a means of limiting its exposure to fair value losses arising from rising interest rates, the Agency's investment policy limits the Agency's investment portfolio to maturities not to exceed five years at time of purchase.

**Credit risk** - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the Agency's policy to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's, Fitch Ratings, and Moody's Investors Service.

Summary of Investments to Maturity

The fair value of investments held by maturity at June 30, 2014, is shown below:

Maturity:	
Current to one year	\$1,018,707
Two to three years	-
Four to five years	-
Total	<u>\$1,018,707</u>

**Investment in State Investment Pool** - The Agency is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the Agency's investment in this pool is reported in the accompanying financial statements at amounts based upon the Agency's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. LAIF is not rated.

# BIGHORN-DESERT VIEW WATER AGENCY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### (3) Utility plant in service

A summary of changes in utility plant in service for the year ended June 30, 2014:

<u>Assets at Cost</u>	<u>Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital assets, not being depreciated:				
Land	\$ 76,611	-	-	76,611
Construction in progress	<u>426,911</u>	<u>17,221</u>	<u>(422,733)</u>	<u>21,399</u>
Total capital assets, not being depreciated	<u>503,522</u>	<u>17,221</u>	<u>(422,733)</u>	<u>98,010</u>
Capital assets, being depreciated:				
Fuel station	18,942	-	-	18,942
Motor vehicles	450,976	56,957	-	507,933
Office building	237,605	-	-	237,605
Office equipment	118,241	-	(22,152)	96,089
Organization	336,272	-	-	336,272
Shop equipment	41,328	-	-	41,328
Water system	7,865,319	344,522	-	8,209,841
Yards	<u>61,438</u>	<u>50</u>	<u>-</u>	<u>61,488</u>
Total capital assets, being depreciated	<u>9,130,121</u>	<u>401,529</u>	<u>(22,152)</u>	<u>9,509,498</u>
Total assets at cost	<u>9,633,643</u>	<u>418,750</u>	<u>(444,885)</u>	<u>9,607,508</u>
Accumulated depreciation:				
Fuel station	(12,201)	(813)	-	(13,014)
Motor vehicles	(393,588)	(20,992)	-	(414,580)
Office building	(210,863)	(2,243)	-	(213,106)
Office equipment	(117,250)	(268)	22,152	(95,366)
Organization	(83,157)	(13,451)	-	(96,608)
Shop equipment	(39,456)	(850)	-	(40,306)
Water system	(4,809,646)	(194,190)	-	(5,003,836)
Yards	<u>(52,978)</u>	<u>(246)</u>	<u>-</u>	<u>(53,224)</u>
Total accumulated depreciation	<u>(5,719,139)</u>	<u>(233,053)</u>	<u>22,152</u>	<u>(5,930,040)</u>
Total capital assets being depreciated, net	<u>3,410,982</u>	<u>168,476</u>	<u>-</u>	<u>3,579,458</u>
Capital assets, net book value	<u>\$ 3,914,504</u>	<u>185,697</u>	<u>(422,733)</u>	<u>3,677,468</u>



# BIGHORN-DESERT VIEW WATER AGENCY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### (3) Utility plant in service, (Continued)

**Idle Assets** - During fiscal year 2011/2012 the Agency conducted a feasibility study as to the existence of ground water in the Johnson Valley. In doing so, the Agency constructed a well which was to be used to pump water from the Johnson Valley. However, it was determined that at the drilling depth dictated by the feasibility study, the well would not produce water. While the Agency could continue to drill to further depths, in hopes of creating a producing well, this decision has not yet been made by management or the Board of Directors. As such, the value of the Johnson Valley Well, \$177,096, will be held on the balance sheet as an Idle Asset, not to be depreciated, until the Agency decides how to proceed regarding further drilling. Since the well has not experienced a permanent decline in the service utility of the asset, the well is not considered to be impaired based upon the criteria of GASB Statement No. 42.

### (4) Long-term debt

Bonds Payable:

June 30, 2014

Bighorn General obligation bonds:

Original issue \$1,875,000, 5%, maturing in 2019;  
secured by tax levy revenues

\$ 470,000

Desert View Water revenue bonds:

Original issue \$700,000, 5%, maturing in 2020;  
secured by a pledge of all revenues

203,977

Total bonds payable

673,977

Less portion due within one year

(116,000)

\$ 557,977

Change in Long Term Liabilities:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within 1 Year
Bighorn General Obligation Bonds	\$ 551,000	-	(81,000)	470,000	85,000
Desert View Water Revenue Bonds	232,977	-	(29,000)	203,977	31,000
Compensated Absences	<u>40,569</u>	<u>39,402</u>	<u>(30,145)</u>	<u>49,915</u>	<u>28,054</u>
Total	<u>\$ 824,546</u>	<u>39,402</u>	<u>(140,145)</u>	<u>723,892</u>	<u>144,054</u>

# BIGHORN-DESERT VIEW WATER AGENCY

## NOTES TO FINANCIAL STATEMENTS

(Continued)

### (4) Long-term debt, (Continued)

Future long-term debt maturities are as follows:

Year Ending June 30	<u>General Obligation Bonds</u>		<u>Water Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 85,000	23,500	31,000	9,022
2016	89,000	19,250	32,000	7,422
2017	94,000	14,800	34,000	5,722
2018	98,000	10,100	35,000	3,972
2019	104,000	5,200	37,000	2,122
2020	-	-	34,977	172
Total	<u>\$ 470,000</u>	<u>72,850</u>	<u>203,977</u>	<u>28,432</u>

### (5) Joint powers authority

The Agency participates in a joint powers agreement (JPA), the Special District Risk Management Authority (SDRMA), in order to obtain workers compensation and property liability insurance coverage. The relationships between the Agency and the JPA are such that the JPA is not a component unit of the Agency for financial reporting purposes.

The JPA has budgeting and financial reporting requirements independent of member units and its financial statements are not presented in these financial statements; however, transactions between the JPA and the Agency are included in these statements.

#### Special Districts Risk Management Authority (SDRMA)

Purpose: To purchase property, workers compensation, and liability insurance for member districts

Participants: Special districts in California

Governing board: Two directors selected by the California Special Districts Association and five elected from membership

## BIGHORN-DESERT VIEW WATER AGENCY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

(6) Morongo Basin pipeline water delivery costs

On March 15, 1991, the Agency entered into an agreement with the Mojave Water Agency ("MWA") to receive water delivered through MWA's Morongo Basin pipeline ("the Pipeline") that serves the area of Improvement District M. Included in the transmission and distribution expenses of the Agency for the year ended June 30, 2014 are \$73,232 of such costs paid to MWA for water delivered through MWA's Morongo Basin pipeline. Under the terms of the agreement, the cost of the water purchased takes into account both operating and capital costs associated with the pipeline.

(7) Litigation

The Agency presently has no material action, suit or proceeding that is expected to have a material adverse effect upon the financial condition of the Agency.

(8) Defined benefit pension plan

**Plan description** - The Agency contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common 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. Copies of PERS' annual financial report may be obtained from their executive office: 400 P Street, Sacramento, CA 95814.

**Funding policy** - For the year ended June 30, 2014, the Agency was required to contribute an actuarially determined rate of 17.620% (employer's rate) of covered payroll. The contribution requirements of plan members and the Agency are established and may be amended by PERS.

**Annual pension cost** - The Agency's total contributions to CalPERS for the fiscal years ending:

	<u>June 30, 2014</u>	<u>June 30, 2013</u>	<u>June 30, 2012</u>
CalPERS contributions	\$ 46,433	40,788	38,520

## BIGHORN-DESERT VIEW WATER AGENCY

### NOTES TO FINANCIAL STATEMENTS

(Continued)

(8) Defined benefit pension plan (Continued)

For the year ended June 30, 2014, the Agency's annual pension cost for PERS was equal to the Agency's required and actual contributions (not including the portion paid on behalf of employees). The required contribution was determined as part of the June 30, 2011, actuarial valuation using the entry age normal cost method. The actuarial assumptions included: (a) 7.5% investment rate of return (net of administrative expenses); (b) projected annual salary increases of 2.75% attributable to inflation; and (c) a 0.25% across the board increase and merit increases that vary by length of service. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

(9) Debt Covenants

The Agency is presently repaying two bond issues: (1) the 1979 Bighorn Mountains Water Agency General Obligation Bonds; and (2) the 1980 Desert View Water District Revenue Bonds. Each of these bond issues includes a series of covenants to which the Agency, or its predecessors, has agreed. One of the covenants in each issue is that the Agency will, at a minimum set its rates in a manner to provide sufficient revenue to cover operating costs, pay the principal and interest due on the bond installments, pay the annual payment required by the agreement with Mojave Water Agency, and have a specified coverage. The 1980 Desert View bonds have a coverage requirement that net revenues be 20% over the annual principal and interest payment. For the year ended June 30, 2014, this requirement has been met.

The Pledge of Revenues and Funds of the 1980 Desert View Water District Revenue Bonds (the "pledge") requires that a Reserve Fund be established to further secure the payment of the principal of and interest on those bonds. Pursuant to the pledge, the balance of this Reserve Fund is to be maintained at the average of all future payments, or \$38,735. At June 30, 2014, the reserve was fully funded and had a balance of \$1,018,707.

## STATISTICAL SECTION

### **Financial Trends**

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time:

- Net Position by Component
- Changes in Net Position/Equity

### **Revenue Capacity**

These schedules contain trend information to help the reader assess the government's most significant current local revenue source, the property tax:

- Water Sold
- Rates
- Largest Users

### **Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place:

- Demographic

### **Debt Capacity Information**

These schedules assist users in understanding and assessing a government's debt burden and its ability to issue additional debt:

- Ratio of Outstanding Debt
- Ratio of General Bond Outstanding
- Pledged – Revenue Coverage

### **Operating Information**

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs:

- Employees
- Operating and Capital

**BIGHORN-DESERT VIEW WATER AGENCY**  
**NET POSITION BY COMPONENT**  
**LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Invested in capital assets, net of related debt	2,100,217	2,285,266	2,691,161	2,816,559	2,546,637	3,087,501	3,331,173	3,286,244	3,130,527	3,003,491
Restricted Bighorn/Desert View	408,227	413,889	-	-	-	766,463	-	-	-	-
Restricted for Bighorn	-	-	-	-	-	-	(182,214)	96,880	197,943	-
Restricted for Desert View	-	-	-	-	-	-	1,164,613	1,233,465	1,106,580	-
Unrestricted	501,402	492,707	845,948	453,169	940,679	-	-	-	-	1,535,444
Total net position	3,009,846	3,191,862	3,537,109	3,269,728	3,487,316	3,853,964	4,313,572	4,616,589	4,435,050	4,538,935
% Increase	5.29%	6.05%	10.82%	-7.56%	6.65%	10.51%	11.93%	7.02%	-3.93%	2.34%

Source: Audited financial statements

**BIGHORN-DESERT VIEW WATER AGENCY  
CHANGES IN NET POSITION  
LAST TEN FISCAL YEARS**

Fiscal Year	Water Operating		Operating Loss	Total Nonoperating Revenues/Expenses		Grant Income	Change in Net Position
	Revenues	Expenses					
2004/2005	793,862	918,655	(124,793)	275,989	.	.	151,196
2005/2006	957,729	878,861	78,868	103,148	200,000		182,016
2006/2007	1,028,163	1,078,584	(50,421)	117,286	278,378		345,243
2007/2008	901,719	1,337,090	(435,371)	167,994	11,077		(256,300)
2008/2009	1,066,200	1,107,924	(41,724)	210,507	42,855		211,638
2009/2010	1,144,587	1,172,020	(27,433)	161,738	232,343		366,648
2010/2011	1,102,914	1,196,140	(93,226)	122,229	430,605		459,608
2011/2012	1,102,119	1,222,486	(120,367)	295,167	128,217		303,017
2012/2013	1,106,858	1,294,049	(187,191)	288,509	193,000		294,318
2013/2014	1,089,864	1,385,932	(296,068)	297,576	102,377		103,885

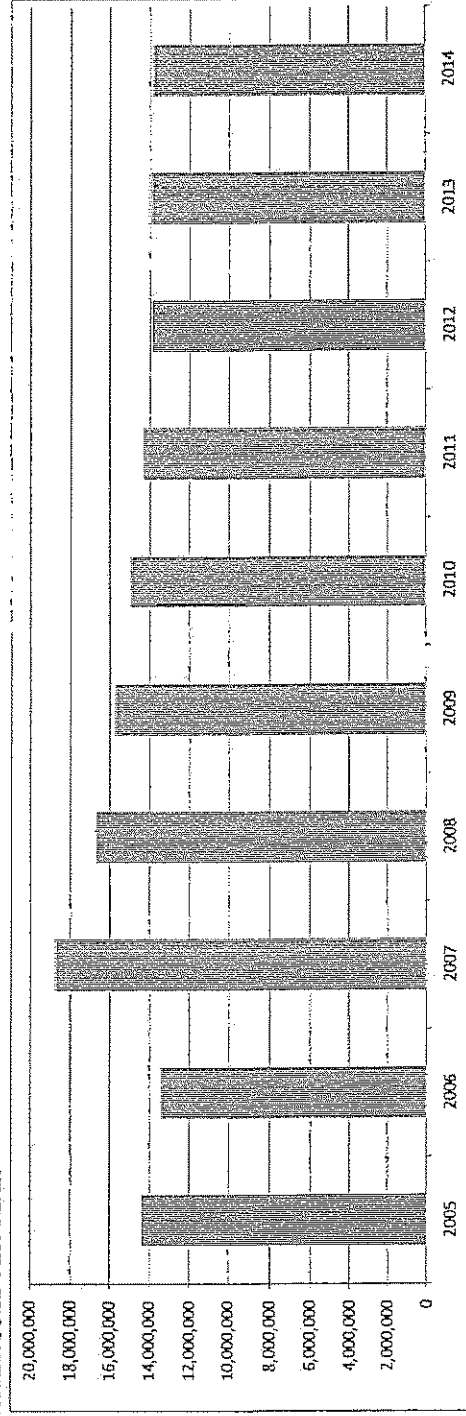
2012/2013 Changed total non-operating from 294,318 to correct amount of 288,509.

**BIGHORN-DESERT VIEW WATER AGENCY  
WATER SOLD  
LAST TEN FISCAL YEARS**

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>BIGHORN MOUNTAINS</b>										
Residential 1-6 plus bulk accounts 30, 31 & 33										
Cubic Feet	6,151,317	6,342,070	9,182,709	8,018,498	7,410,980	6,714,996	6,542,481	6,307,928	6,313,798	6,452,122
Acre Feet	141.2	145.6	210.8	184.1	170.1	154.2	150.2	145	145	148
<b>DESERT VIEW</b>										
Residential 7-11 plus bulk account 32										
Cubic Feet	8,227,880	7,053,992	9,499,609	8,623,442	8,295,352	8,239,072	7,779,814	7,559,768	7,589,015	7,348,915
Acre Feet	188.9	161.9	218.1	198.0	190.4	189.1	178.6	173.5	174.2	168.7
<b>Total Sales in Cubic Feet</b>	<b>14,379,197</b>	<b>13,396,062</b>	<b>18,682,318</b>	<b>16,641,940</b>	<b>15,706,332</b>	<b>14,954,068</b>	<b>14,322,295</b>	<b>13,867,696</b>	<b>13,902,813</b>	<b>13,801,037</b>
<b>Total Sales in Acre Feet</b>	<b>330.1</b>	<b>307.5</b>	<b>428.9</b>	<b>382.0</b>	<b>360.6</b>	<b>343.3</b>	<b>328.8</b>	<b>318.4</b>	<b>319.2</b>	<b>316.8</b>

Bulk accounts are for individuals that haul their own water and water haulers.  
Closed accounts are included with billing cycle regardless of route.

**WATER SOLD PER YEAR**





**BIGHORN-DESERT VIEW WATER AGENCY  
WATER RATES  
LAST TEN FISCAL YEARS**

Fiscal Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>BIGHORN MOUNTAINS</b>										
<b>Accounts 01-06</b>										
Consumption Rate	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Basic Service Charge	\$20.00	\$20.00	\$20.00	\$20.00	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50
<b>DESERT VIEW</b>										
<b>Accounts 07-11</b>										
Consumption Rate	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00	\$3.00
Basic Service Charge	\$20.00	\$20.00	\$20.00	\$20.00	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50	\$27.50
FMHA	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65	\$4.65
<b>Accounts 30-33</b>										
Consumption Rate	\$3.00	\$3.00	\$7.00	\$7.00	\$7.00	\$8.50	\$8.50	\$8.50	\$8.50	\$8.50
Basic Service Charge	\$20.00	\$20.00	None	None	None	None	None	None	None	None

"Basic Rate" is montly fixed basic service charge regardless of water consumption.

"Usage Rate" is rate imposed per 100 cubic feet metered Agency bills customers bi-monthly.

Basic Service Charge and Consumption Rate changes are subject to California Constitution limitations (aka: Proposition 218)

**BIGHORN-DESERT VIEW WATER AGENCY  
LARGEST WATER USERS 2013-2014**

Customer	Sales in Cubic Ft	Annual Revenues	Percent of Sales
1 H2O2U (WATER HAULER)	200,660	\$17,758	3.92%
2 JS WATER (WATER HAULER)	107,190	\$9,486	2.09%
3 WHITE ROCK HORSE RESCUE	105,845	\$3,175	0.70%
4 LANDERS ELEMENTARY SCHOOL	97,590	\$2,928	0.65%
5 RESIDENTIAL CUSTOMER 1	96,628	\$2,899	0.64%
6 RESIDENTIAL CUSTOMER2	79,734	\$2,392	0.53%
7 HERO MARKET	64,701	\$1,941	0.43%
8 LOYAL ORDER OF MOOSE LANDERS LODGE	57,779	\$1,733	0.38%
9 RESIDENTIAL CUSTOMER	56,280	\$1,688	0.37%
10 RESIDENTIAL CUSTOMER 3	53,769	\$1,613	0.36%
<b>Water Sold in 2013-2014</b>	<b>13,801,037</b>	<b>\$ 453,100</b>	

Bulk rate has increased which reflects in 2013/2014 Annual Revenues.

Only potable water is distributed by BDVWA

High usage contributed to "water leaks" have been excluded

**LARGEST WATER USERS 2005-2006**

Customer	Sales in Cubic Ft	Annual Revenues	Percent of Sales
1 L&S WATER DELIVERY (WATER HAULER)	267,720	\$8,032	1.60%
2 MATICH CORP (CONSTRUCTION METER)	254,420	\$7,633	1.52%
3 DON LINDBERG (WATER HAULER)	115,210	\$3,456	0.69%
4 LANDER ELEMENTARY SCHOOL	105,088	\$3,153	0.63%
5 RESIDENTIAL CUSTOMER	94,370	\$2,831	0.57%
6 SALAS, DAVID (WATER HAULER)	93,400	\$2,802	0.56%
7 RESIDENTIAL CUSTOMER 1	85,733	\$2,572	0.51%
8 RESIDENTIAL CUSTOMER 3	72,672	\$2,180	0.44%
9 RESIDENTIAL CUSTOMER	66,212	\$1,986	0.40%
10 RESIDENTIAL CUSTOMER 2	64,762	\$1,943	0.39%
<b>Water Sold in 2005-2006</b>	<b>13,396,062</b>	<b>\$ 500,565</b>	

**BIGHORN-DESERT VIEW WATER AGENCY  
RATIO OF OUTSTANDING DEBT BY TYPE  
LAST TEN FISCAL YEARS**

Fiscal Year	BH Bond	DV Bond	Total Outstanding Debt	Percent of Personal Income	Debt per Capita
2004/2005	\$1,065,000	\$421,977	\$1,486,977	2.54%	\$587
2005/2006	\$1,013,000	\$401,977	\$1,414,977	2.24%	\$548
2006/2007	\$958,000	\$380,977	\$1,338,977	1.99%	\$511
2007/2008	\$900,000	\$358,977	\$1,258,977	1.87%	\$489
2008/2009	\$838,000	\$335,977	\$1,173,977	1.76%	\$456
2009/2010	\$772,000	\$311,977	\$1,083,977	1.48%	\$356
2010/2011	\$702,000	\$268,447	\$970,447	1.03%	\$318
2011/2012	\$628,000	\$260,978	\$888,978	0.78%	\$292
2012/2013	\$551,000	\$232,977	\$783,977	0.69%	\$257
2013/2014	\$470,000	\$203,594	\$673,594	0.78%	\$221

2010 and 2011 income was estimated by using the Yucca Valley income found in the financial report and taking the same % of increase/decrease.

2012, 2013, 2014 Median household income taken from [http://www.besplaces.net/economy/zip-code/california/yucca\\_valley/92284](http://www.besplaces.net/economy/zip-code/california/yucca_valley/92284)

2013-2014 population for 2010-2013 was updated so Debt per Capita changed.

**BIGHORN-DESERT VIEW WATER AGENCY  
RATIO OF GENERAL BONDED DEBT OUTSTANDING  
LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Obligation Bonds</b>	<b>Assessed Value</b>	<b>Debt per Capita</b>
2004/2005	\$1,065,000	\$1,065,000	\$420
2005/2006	\$1,013,000	\$1,013,000	\$392
2006/2007	\$958,000	\$958,000	\$366
2007/2008	\$900,000	\$900,000	\$350
2008/2009	\$838,000	\$838,000	\$325
2009/2010	\$772,000	\$772,000	\$254
2010/2011	\$702,000	\$702,000	\$230
2011/2012	\$628,000	\$628,000	\$206
2012/2013	\$551,000	\$551,000	\$180
2013/2014	\$470,000	\$470,000	\$154

2013-2014 Population for 2010-2013 was updated so Debt per Capita has changed.

**BIGHORN-DESERT VIEW WATER AGENCY  
PLEDGED-REVENUE COVERAGE  
LAST TEN FISCAL YEARS**

**Desert View Water Revenue Bonds**

Fiscal Year Ended June 30	FMHA Surcharge	Debt		Coverage
		Principal	Interest	
2003/2004	41,738	18,000	23,150	1.01
2004/2005	42,631	19,000	22,250	1.03
2005/2006	42,964	20,000	20,586	1.06
2006/2007	43,665	21,000	19,899	1.07
2007/2008	43,640	22,000	18,181	1.09
2008/2009	47,744	23,000	22,436	1.05
2009/2010	50,345	24,000	12,311	1.39
2010/2011	50,206	25,000	13,534	1.30
2011/2012	50,006	26,000	13,442	1.27
2012/2013	49,967	28,000	12,324	1.24
2013/2014	49,843	29,000	11,274	1.24

2004 - 2005 are estimated from number of service connections multiplied by the FHMA surcharge

**BIGHORN-DESERT VIEW WATER AGENCY  
DEMOGRAPHIC AND ECONOMIC STATISTICS  
LAST TEN CALENDAR YEARS**

Calendar Year	Population	Personal Income	Unemployment Rate
2005	2,535	\$23,104	5.30%
2006	2,582	\$24,425	5%
2007	2,619	\$25,645	5.60%
2008	2,574	\$26,178	8.20%
2009	2,575	\$25,837	13%
2010	3,045	\$24,052	13%
2011	3,047	\$31,027	14%
2012	3,049	\$37,293	12.7%
2013	3,053	\$37,293	14.0%
2014	3,053	\$28,255	8.3%

1. Population was recalibrated back to 2010 for the FY2013/14 CAFR based on analysis by Stanley Hoffman & Assoc. as part of an economic review for the Agency. In the future, population will be obtained from the Agency Appropriation Limit worksheet.

2. Personal income is based on an average of 3 blocks from U.S. Census American Community Survey Household Median Income in 2009, then compared to previous data for San Bernardino County. <http://www.bea.gov/regional/downloadzip.cfm>

3. 2012 Unemployment was taken from [www.labormarketinfo.edd.ca.gov](http://www.labormarketinfo.edd.ca.gov) - Historical Civilian Labor Force

4. 2012 Median household income taken from [http://www.bestplaces.net/economy/zip-code/california/yucca\\_valley/92284](http://www.bestplaces.net/economy/zip-code/california/yucca_valley/92284)

5. 2013-2014 Population for 2010-2013 was updated.

Employer	Number of Employees				2014 % of Labor Force
	2010-2011	2011-2012	2012-2013	2013-2014	
Post Office	1	1	1	1	0.09%
Western Coffee Pot	4	1	2	0	0.00%
Mojave Liquor/ Hallidays	2	2	4	5	0.46%
Loyal Order/Moose Landers	2	2	2	2	0.18%
Halliday's	1	2	0	0	0.00%
Castle Inn	3	3	2	0	0.00%
Diversified Tools	4	4	4	2	0.18%
Heros	4	6	6	5	0.46%
Bighorn Desert View Water Agency	8	7	7	7	0.64%
Landers Elementary School	27	25	20	25	2.29%

Total Labor Force for BDV Service Area 1090

Employment information from 2003-2009 is not available.

Every employer in the Bighorn-Desert View service area is included.

2013-2014 Employees for Loyal Order of Moose in Landers has been carried over from the previous year. Unable to reach a representative.

Changes from 2012-2013:

Western Coffee Pot closed.

Castle Inn closed.

Changes from 2011-2012:

The owner of Mojave purchased Halliday's

Gubler's Orchid has been removed from the list. Gubler's is not in our service area.

Total Labor Force was estimated by using the Yucca Valley Labor Force found on:  
[www.Labormarketinfo.edd.ca.gov](http://www.Labormarketinfo.edd.ca.gov)  
then reduced according to the population.

**BIGHORN-DESERT VIEW WATER AGENCY  
DISTRICT EMPLOYEES BY FUNCTION  
LAST TEN FISCAL YEARS**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>Water Operations</b>										
Water Quality & Maintenance	1	1	1	1	1	1	1	1	1	1
Water Distribution & Maintenance	2	2	2	2	2	2	2	2	2	2
Field Supervisor*	1	1	1	1	1	1	0	0	0	0
Chief of Operations**	0	0	1	1	0	0	0	0	0	0
<b>Administration</b>										
Administration***	2	2	2	2	2	2	2	2	1	1
Accounting I, II, III/Customer Service	2	2	2	2	2	2	2	2	3	3
<b>Total Positions</b>	<b>8</b>	<b>8</b>	<b>9</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>7</b>	<b>7</b>

General Manager is included in Administration  
Board Members and Temporary employees are not included.

\*6/30/12: Supervisor Field Vacant.

\*\*6/30/08 Chief of Operations position eliminated

\*\*\*6/30/12: Exec. Sec/Personnel Vacant

\*\*\*07/01/13: Exec. Sec/Personnel eliminated

**BIGHORN-DESERT VIEW WATER AGENCY  
WATER SYSTEM STATISTICS  
LAST TEN FISCAL YEARS**

<b>POTABLE WATER SYSTEM<sup>1</sup></b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Miles of pipeline:	120	120	120	120	120	120	120	120	120	120
Number of storage tanks	10	10	10	10	10	10	10	10	10	10
Maximum storage capacity (million gallons)	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
Number of active pumping plants	2	2	2	2	2	2	2	2	2	2
Number of active wells <sup>2</sup> : domestic	8	8	8	8	8	8	7	7	7	6
Domestic well production capacity: acre feet per calendar year	452	474	530	487	469	432	412	412	427	427
Number of service connections <sup>3</sup> : Bighorn Mountains Desert View	787 764	804 780	825 797	809 773	1012 900	1008 894	1008 892	1007 889	1007 888	1009 886
<b><u>GENERAL INFORMATION</u></b>										
Service area (annexed property): acres square miles	27,353 43	27,353 43	27,353 43	27,353 43	27,353 43	27,353 43	27,353 43	27,353 43	27,353 43	27,353 43

1. Corrections have been from prior year statistics
2. Well 4 was inactivated in 2011 and Well 2 was inactivated in 2013
3. 2003 to 2008 figures include open meters in use only. 2009 the count was changed to include all meters active and inactive.
4. 2013-2014 Verified service connections for 2009-2013; both Bighorn Mountain and Desert View totals have been updated.





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Board of Directors  
Bighorn-Desert View Water Agency

**INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON  
PROCEDURES APPLIED TO APPROPRIATIONS LIMIT WORKSHEETS**

We have applied the procedures enumerated below to the appropriations limit worksheets prepared by the Bighorn-Desert View Water Agency, California for the year ended June 30, 2014. These procedures, which were agreed to by the Bighorn-Desert View Water Agency, California and the League of California Cities (as presented in the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*) were performed solely to assist the Bighorn-Desert View Water Agency, California in meeting the requirements of Section 1.5 of Article XIII B of the California Constitution. The Agency is responsible for the calculation of the Appropriations Limit.

This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the *American Institute of Certified Public Accountants*. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and the results of those procedures were as follows:

1. We obtained the worksheets referred to above and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the Board of Directors. We also compared the population and inflation options included in the aforementioned worksheets to those that were selected by a recorded vote.

Results: No exceptions were noted as a result of our procedures.

2. We recalculated the mathematical computations reflected in the Agency worksheets.

Results: No exceptions were noted as a result of our procedures.

3. We compared the current year information used to determine the current year limit and found that it agreed to worksheets prepared by the Agency and to information provided by the State Department of Finance (as adjusted to reflect the service area of the Agency).

Results: No exceptions were noted as a result of our procedures.



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4. We compared the amount of the prior year appropriations limit presented in the worksheets to the amount adopted by the Board of Directors for the prior year.

Results: No exceptions were noted as a result of our procedures.

We were not engaged to, and did not, perform an examination, the objective of which would be the expression of an opinion on the worksheets referred to above. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled *Article XIII B Appropriations Limitation Uniform Guidelines*.

This report is intended solely for the use of the Bighorn-Desert View Water Agency, California and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes. However, this report is a matter of public record and its distribution is not limited.

*Margaret Hoffman Nelson P.C.*

Irvine, California  
November 17, 2014



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Board of Directors  
Bighorn-Desert View Water Agency

### Summary of Audit Results

We have audited the financial statements of the business-type activities of Bighorn-Desert View Water Agency (the Agency) for the year ended June 30, 2014. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 20, 2012. Professional standards also require that we communicate to you the following information related to our audit.

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. The application of existing policies was not changed during the year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were:

- Judgments concerning which capital projects represent ordinary maintenance activities necessary to keep an asset operational for its originally intended useful life versus significant improvement, replacement, and life extending projects that should be capitalized as additions to capital assets.
- Management's estimate of unbilled accounts receivable which is based on prior year actual amounts. We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciation expense is based on the straight-line method over the assets estimated useful lives

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no difficulties in performing and completing our audit.



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#### *Audit Adjustments*

Professional standards require us to accumulate all known and likely adjustments identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Material audit adjustments reflected in the financial statements include certain adjustments to construction in progress and accounts payable. The financial statements do not reflect adjustments to construction in progress that were considered to be immaterial for audit purposes.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have received certain representations from management that are included in the management representation letter dated October 17, 2014.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

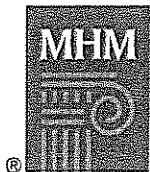
#### Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

This information is intended solely for the use of the Board of Directors and management of the Bighorn-Desert View Water Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

*Mayer Hoffman & Mahoney P.C.*

Irvine, California  
October 17, 2014



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Board of Directors  
BIGHORN-DESERT VIEW WATER AGENCY  
Yucca Valley, California

*Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed  
in Accordance With Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Bighorn-Desert View Water Agency (the "Agency"), which comprise the statement of net position as of June 30, 2014, and the related statements of revenues, expenses, changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 17, 2014.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A *significant deficiency* is defined to be a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. The matters below conform to this definition.

**2013-01 Communication of Audit Adjustments**

Although it is not unusual for an audit to identify additional adjustments for posting to the accounting records, auditing standards require that we communicate to you all such adjustments. It is considered best practice for agencies to establish procedures to identify and post all necessary year-end adjustments prior to the commencement of the audit. Material adjustments reflected in this year's financial statements pertained to:



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- Adjustments to record accounts payable
- Adjustments to construction in progress
- Adjustments to miscellaneous expenses

*Management's Comments Regarding Corrective Actions Planned*

Management works closely with the auditors to ensure that audit adjustments identified each year are kept to a minimum and management continuously reviews its accounting procedures to achieve this result.

*Compliance and Other Matters*

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

*The Agency's Response to Findings*

The Agency's response to the findings identified in our audit is described above. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Major Hoffman Nelson P.C.*

Irvine, California  
October 17, 2014

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 70  
ZONE W-1**

**FINANCIAL STATEMENTS**

**JUNE 30, 2013**

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**TABLE OF CONTENTS**  
**June 30, 2013**

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Board of Supervisors  
County of San Bernardino  
County of San Bernardino Special  
District County Service Area  
No.70 –Zone W-1

### Independent Auditors' Report

We have audited the accompanying financial statements of the business-type activities, each major fund, and the aggregate remaining fund information of the County of San Bernardino Special District County Service Area No.70 –Zone W-1 (CSA), a component unit of the County of San Bernardino, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise CSA's basic financial statements as listed in the table of contents.

#### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the minimum audit requirements and reporting guidelines for California Special Districts required by the Office of the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the CSA, as of June 30, 2013, and the respective changes in financial position and cash flows, for the year then ended in accordance with accounting principles generally accepted in the United States of America, as well as accounting systems prescribed by the State Controller's Office and state regulations governing special districts.

Board of Supervisors  
County of San Bernardino Special  
District County Service Area  
No.70 –Zone W-1  
Page 2

## **Other Matters**

### *Required Supplementary Information*

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

**David L. Gruber and Associates, Inc.**  
*David L. Gruber and Associates, Inc.*  
Huntington Beach, California  
November 25, 2013

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 70 - ZONE W-1  
STATEMENT OF NET POSITION  
June 30, 2013

	<u>Enterprise Fund</u>
<u>Assets</u>	
Current Assets:	
Cash and cash equivalents	\$ 1,205,750
Accounts receivable, net	70,143
Interest receivable	3,552
Special assessments receivable	4,239
Total Current Assets	<u>1,283,684</u>
Noncurrent Assets:	
Capital Assets:	
Land	3,500
Improvements to land	2,627,381
Structures and improvements	109,058
Vehicles	82,936
Construction in progress	439
Accumulated depreciation	(1,634,173)
Total Noncurrent Assets	<u>1,189,141</u>
Total Assets	<u>2,472,825</u>
<u>Liabilities</u>	
Current Liabilities:	
Accounts payable	3,213
Accrued interest payable	1,979
Due to other funds	424
Bonds payable	70,000
Total Current Liabilities	<u>75,616</u>
Noncurrent Liabilities:	
Bonds payable	405,000
Total Noncurrent Liabilities	<u>405,000</u>
Total Liabilities	<u>480,616</u>
<u>Net position</u>	
Invested in capital assets, net of related debt	714,141
Unrestricted	<u>1,278,068</u>
Total Net Position	<u>\$ 1,992,209</u>

The accompanying notes are an integral part of these financial statements.  
See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 70 - ZONE W-1  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
For the Year Ended June 30, 2013

	<u>Enterprise Fund</u>
<u>Operating Revenues</u>	
Water sales	\$ 327,447
Total Operating Revenues	<u>327,447</u>
<u>Operating Expenses</u>	
Professional services	2,173
Salaries and benefits	229,889
Services and supplies	117,504
Utilities	32,509
Other	1,614
Depreciation	67,340
Total Operating Expenses	<u>451,029</u>
Operating Loss	<u>(123,582)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Investment Earnings	15,148
Interest Expense	(26,729)
Special assessments	92,805
Penalties	6,767
Other taxes	282
Property Taxes	124,414
Other	2,985
Total Nonoperating Revenue (Expenses)	<u>215,672</u>
Change in net position	92,090
Net position at beginning of year	<u>1,900,119</u>
Net position at end of year	<u>\$ 1,992,209</u>

The accompanying notes are an integral part of these financial statements.  
See accompanying independent auditors' report.

COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS  
COUNTY SERVICE AREA No. 70 - ZONE W-1  
STATEMENT OF CASH FLOWS  
For the Year Ended June 30, 2013

	<u>Enterprise Fund</u>
<u>Cash Flows From Operating Activities</u>	
Receipts from customers	\$ 350,247
Payments to suppliers	(150,472)
Payments to employees	(229,889)
Net Cash Used for Operating Activities	<u>(30,114)</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Property taxes	125,973
Special assessments	93,558
Penalties	6,767
Other taxes	282
Other nonoperating revenue	2,985
Net Cash Provided by Noncapital Financing Activities	<u>229,565</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Acquisition of capital assets	(439)
Principal paid on bonds	(65,000)
Interest paid on bonds	(27,000)
Net Cash Used for Capital and Related Financing Activities	<u>(92,439)</u>
<u>Cash Flows From Investing Activities</u>	
Investment Earnings	13,002
Net Cash Provided by Investing Activities	<u>13,002</u>
Net Decrease in Cash and Cash Equivalents	120,014
Cash and Cash Equivalents - beginning of the year	<u>1,085,736</u>
Cash and Cash Equivalents - end of the year	<u>\$ 1,205,750</u>
Reconciliation of operating loss to net cash used for operating activities:	
Operating Loss	\$ (123,582)
Adjustments to reconcile operating loss to net cash used for operating activities:	
Depreciation expense	67,340
Change in assets and liabilities:	
Decrease in accounts receivable, net	22,800
Increase in accounts payable	3,213
Increase in due to other funds	115
Decrease in due to other governments	-
Net Cash Used for Operating Activities	<u>\$ (30,114)</u>

The accompanying notes are an integral part of these financial statements.  
See accompanying independent auditors' report.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the County of San Bernardino Special District County Service Area No.70 – Zone W-1 conform to generally accepted accounting principles as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

**Reporting Entity**

The County Service Area (CSA) No. 70, Improvement Zone W-1, Goat Mountain, was established by an act of the Board of Supervisors of the County of San Bernardino (the County) on November 5, 1973 under Section 4700 of the State Health & Safety Code. It is located 10 miles north of Yucca Valley in the Landers area. It provides water services for 646 properties and maintains 3 wells, 2 booster stations and reservoir storage of 420,000 gallons.

The CSA is a component unit of the County of San Bernardino and is governed by the actions of the County Board of Supervisors.

The accompanying financial statements reflect only the accounts of the County Service Area No. 70 Zone W-1 of the County of San Bernardino and are not intended to present the financial position of the County taken as a whole.

Because the CSA meets the reporting entity criteria established by the Governmental Accounting Standards Board (GASB), the CSA's financial statements have also been included in the Comprehensive Annual Financial Report of the County as a "component unit" for the fiscal year ended June 30, 2013.

**Measurement focus, basis of accounting, and financial statements presentation**

The CSA's financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Property taxes are considered to be susceptible to accrual and have been recognized as revenues in the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Cash and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

**Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

No allowance for uncollectibles was recorded at June 30, 2013 based on management's expectation that all accounts receivable will be collected through the property tax roll.

**Property Taxes**

Secured property taxes are levied in two equal installments, November 1 and February 1. They become delinquent with penalties on December 10 and April 10, respectively. The lien date is January 1 of each year. Unsecured property taxes are due on March 1 and become delinquent with penalties on August 31.

**Inventories and prepaid items**

Inventories, if any, are valued at cost using the first-in/first-out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**Capital assets**

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (for improvements to land and structures and equipment) and have an estimated useful life in excess of two years. Structures with an initial cost of \$100,000 are considered

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

**Capital assets (continued)**

capital assets. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvement are capitalized as projects are constructed.

Property, plant and equipment of the government is depreciated using straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Structure and improvements	5-40
Equipment and vehicles	4-15

**Long-term obligations**

Long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

**Use of estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Stewardship, compliance and accountability**

**A. Budgetary information**

Although the CSA prepares and adopts an annual budget, budgetary information is not presented because the CSA is not legally required to adopt a budget.

**New Accounting Pronouncements**

The District adopted Statement on Governmental Accounting Standards (GASB Statement) No. 60, *Accounting and Reporting for Services Concession Arrangements*, GASB Statement No. 61 *Financial Reporting Entity: Omnibus*, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance contained in Pre-November 30, 1989 FASB and AICPA*, No. 63 *Financial Reporting for Deferred Outflows and Inflows*, and GASB Statement No. 64 *Derivative Instruments*. The adoption of the aforementioned pronouncements did not have a material effect on the District's June 30, 2013 financial statements.



**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note 2: CASH AND DEPOSITS**

Cash and cash equivalents includes cash balance of monies deposited with the County Treasurer which are pooled and invested for the purpose of increasing earnings through investment activities. Interest earned on pooled investments is deposited to the CSA's account based upon the CSA's average daily deposit balance during the allocation period. Cash and cash equivalents are shown at the fair value as of June 30, 2013.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their investment policy and disclosures related to investment credit risk, concentration of credit risk, interest rate risk and custodial credit risk, as required by GASB Statement No. 40.

**Note 3: ACCOUNTS RECEIVABLE**

At June 30, 2013, the accounts receivable balance was composed of the following:

Accounts receivable	\$ 70,143
Less: allowance for uncollectible	<u>-</u>
Total accounts receivable, net	<u>\$ 70,143</u>

**Note 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 3,500	\$ -	\$ -	\$ 3,500
Construction in progress	-	439	-	439
Total capital assets, not being depreciated	<u>3,500</u>	<u>439</u>	<u>-</u>	<u>3,939</u>
Capital assets, being depreciated:				
Improvements to land	2,627,381	-	-	2,627,381
Structures and improvements	109,058	-	-	109,058
Vehicles	82,936	-	-	82,936
Total capital assets, being depreciated	<u>2,819,375</u>	<u>-</u>	<u>-</u>	<u>2,819,375</u>
Less accumulated depreciation for:				
Improvements to land	(1,491,188)	(57,987)	-	(1,549,175)
Structures and improvements	(18,176)	(3,116)	-	(21,292)
Vehicles	(57,469)	(6,237)	-	(63,706)
Total accumulated depreciation	<u>(1,566,833)</u>	<u>(67,340)</u>	<u>-</u>	<u>(1,634,173)</u>
Total capital assets, being depreciated, net	<u>1,252,542</u>	<u>(67,340)</u>	<u>-</u>	<u>1,185,202</u>
Total capital assets, net	<u>\$ 1,256,042</u>	<u>\$ (66,901)</u>	<u>\$ -</u>	<u>\$ 1,189,141</u>

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

**Note 5: BONDS PAYABLE**

County Service Area No. 70, Zone W-1 sold bonds during fiscal years 1978-79 and 1979-80 to provide construction capital. The bonds were issued at 5% interest, and all bonds are scheduled to be paid by December 1, 2019. The following is a schedule of debt service requirements to maturity as of June 30, 2013 for the CSA's bonds payable.

<u>Year ending June 30</u>	<u>Zone W-1</u>	
	Principal	Interest
2014	\$ 70,000	\$ 23,750
2015	70,000	20,250
2016	75,000	16,750
2017	80,000	13,000
2018-2019	180,000	94,750
Total	\$ 475,000	\$ 168,500

**Change in long-term liabilities**

Long-term liability activity for the year ended June 30, 2013, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable	\$ 540,000	\$ -	\$ (65,000)	\$ 475,000	\$ 75,000

**Note 6: MOJAVE WATER AGENCY OPERATING LEASE**

On March 11, 1991, CSA 70, Zone W-1 entered into a noncancelable operating lease agreement 91-166. Zone W-1 agreed to pay lease payments to Mojave Water Agency as a 4% participant in the Morongo Basin Pipeline. The lease payments are comprised of a fixed portion to cover debt on the water project and a variable portion for Operating and Maintenance costs. On March 7, 1995, Amendment A-1 was added to agreement 91-166. Amendment A-1 reduced the participation rate on Zone W-1 to 1% from 4%. The total lease payments made for the year ended June 30, 2013 was \$8,141. The lease payments are reflected as operating expenses in the Statement of Revenues, Expenses and Changes in Net Assets. The future minimum lease payments for the lease are as follows:

<u>Year Ending June 30</u>	<u>Zone W-1</u>
2014	\$ 8,137
2015	8,133
2016	8,127
2017	8,144
2018-2022	33,684
Total	\$ 66,225

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 7: RETIREMENT PLAN

**Plan Description**

San Bernardino County Employees' Retirement Association (SBCERA) administers the SBCERA pension plan – a cost sharing multiple employer defined benefit pension plan (the Plan) operating under the California County Employees' Retirement Law of 1937 (the 1937 Act). SBCERA provides pensions for 18 active plan sponsors (employers) which are: The County of San Bernardino (and its Special Districts), Barstow Fire Protection District, California Electronic Recording Transaction Network Authority, California State Association of Counties, Crest Forest Fire Protection District, City of Big Bear Lake, City of Chino Hills, Crestline Sanitation District, Department of Water and Power for the City of Big Bear Lake, Hesperia Recreation and Park District, Inland Library System, Law Library for San Bernardino County, Local Agency Formation Commission, Mojave Desert Air Quality Management District, San Bernardino Associated Governments, SBCERA, South Coast Air Quality Management District (SCAQMD) and Superior Court of California County of San Bernardino.

Employees (members) become eligible for membership on their first day of regular employment and members become fully vested after 5 years of service credit. SBCERA administers retirement benefits for two membership classifications, General and Safety, and those benefits are tiered based upon date of SBCERA membership. Generally, those who become members prior to January 1, 2013 are Tier 1 members. All other members are Tier 2. SBCERA issues a stand-alone financial report, which may be obtained by contacting the Board of Retirement, 348 W Hospitality Lane - 3<sup>rd</sup> Floor, San Bernardino, California 92415-0014.

**Fiduciary Responsibility**

SBCERA is controlled by its own board, the Board of Retirement, which acts as a fiduciary agent for the accounting and control of employer and employee contributions and investment income. SBCERA publishes its own Comprehensive Annual Financial Report and receives a separate independent audit. SBCERA is also a legally separate entity from the County and not a component unit.

**Funding Policy**

Participating active members are required by statute (Government Code sections 31621.6, 31639.25 and 7522.30) to contribute a percentage of covered salary based on certain actuarial assumptions, their age at entry into the Plan and their tier. Participating employers are required by Government Code sections 31453.5 and 31454 to contribute a percentage of covered salary to the Plan. The contribution requirements of participating active members and employers are established and may be amended by the SBCERA Board of Retirement pursuant to Article 1 of the 1937 Act.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their annual pension cost, prepaid asset, required contributions, annual pension cost and net pension asset, for the current year and two preceding years computed in accordance with GASB 27, *Accounting for Pensions by State and Local Governmental Employers*, for the year ended June 30, 2013.

The County, along with the SCAQMD, issued Pension Refunding Bonds (Bonds) in November 1995 with an aggregate amount of \$420,527. These Bonds were issued to allow the County and the SCAQMD to refinance each of their unfunded accrued actuarial liabilities with respect to retirement benefits for their respective employees. The Bonds are the obligations of the employers participating in the Plan and the assets of the Plan do not secure the Bonds. The County's portion of the bond issuance was \$386,266.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 7: RETIREMENT PLAN (continued)

**Funding Policy (continued)**

On June 24, 2004, the County issued its County of San Bernardino Pension Obligation Bonds, Series 2004 A (Fixed Rate Bonds), its County of San Bernardino Pension Obligation Bonds, Series 2004 B (Auction Rate Bonds), and its County of San Bernardino Pension Obligation Bonds, Series 2004 C (Index Bonds) in a respective aggregate principal amounts of \$189,070, \$149,825, and \$125,000. The Bonds were issued to finance the County's share of the unfunded accrued actuarial liability of the SBCERA. In April 2008, the County refunded all of the 2004 Series B.

In April 2008, the County of San Bernardino issued its \$160,900 in Pension Obligation Refunding Bonds (POB), Series 2008 (Series 2008 Bonds).

Note 8: FEDERAL AND STATE GRANTS

From time to time the District may receive funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the CSA expects such amounts, if any, to be immaterial.

Note 9: RISK MANAGEMENT

The County has self-insurance programs for public liability, property damage, unemployment insurance, employee dental insurance, hospital and medical malpractice liability, and workers' compensation claims. Public liability claims are self-insured for up to \$2.5 million per occurrence. Excess insurance coverage over the Self-Insured Retention (SIR) up to \$100 million is provided through a combination of insurance policies as recommended by Arthur J. Gallagher & Co., Broker of Record, as follows: Primary Liability coverage \$25 million excess of \$2.5 million self-insured retention with Starr Indemnity & Liability Co.; Excess Liability coverage of \$10 million, excess of \$25 million with Allied World Assurance Co.; and Excess Liability coverage \$25 million, excess of \$35 million with Great American Insurance Company of New York. In addition, Allied World Assurance Co. provides excess liability coverage of \$15 million, excess of \$60 million; and Arch Insurance Co. provides \$25 million in excess of \$75 million. The Workers' Compensation program was restructured to include a cash flow SIR that applies per accident/per payment year as follows: \$2,000,000 1<sup>st</sup> year; \$1,000,000 2<sup>nd</sup> year; \$500,000 3<sup>rd</sup> year and each year thereafter, with coverage provided by Star Insurance Co. for up to \$3 million for employer's liability, and up to \$150 million limits for workers' compensation per occurrence. Property damage claims are insured on an occurrence basis over a \$25,000 deductible, and insured with several insurers like Affiliated FM, and Alterra Excess Ins. Co., and Lloyd's of London, among others.

The County supplements its self-insurance for medical malpractice claims with a \$25 million policy with Illinois Union Ins. Co., which provides annual coverage on a claim made form basis with a SIR of \$2 million for each claim.

All public officials and County employees are insured under a blanket Comprehensive Disappearance, Destruction, and Dishonesty policy covering County monies and securities, with Berkley Regional Insurance Co. with a \$100,000 deductible, and excess limits up to \$10 million per occurrence.

**COUNTY OF SAN BERNARDINO SPECIAL DISTRICTS**  
**COUNTY SERVICE AREA No. 70 – ZONE W-1**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2013**

Note 9: RISK MANAGEMENT (continued)

The activities related to such programs are accounted for in Risk Management except for unemployment insurance, and employee dental insurance, which are accounted for in the General Fund. The IBNR (Incurred But Not Reported) and IBNS (Incurred But Not Settled) liabilities stated on Risk Management's balance sheet are based upon the results of actuarial studies, and include amounts for allocated and unallocated loss adjustment expenses. The liabilities for these claims are reported using a discounted rate of 0.438% and an actuarially-determined 80% confidence level. It is Risk Management's practice to obtain actuarial studies on an annual basis.

See the County of San Bernardino's Comprehensive Annual Financial Report (CAFR) for details of their claims liability in accordance with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, at June 30, 2013.

Note 10: CONTINGENCIES

As of June 30, 2013, in the opinion of the CSA Administration, there are no outstanding matters, which would have a significant effect on the financial position of the CSA.

Note 11: PROPOSITION 111 APPROPRIATION LIMITS

Proposition 111, which added Article XIII B to the State Constitution, established limits on budget appropriations in order to restrict government spending. Management has reviewed the proceeds of taxes received by the CSA during the 2012-2013 fiscal year, and believes the revenue to be in accordance with the guidelines established by Proposition 111.

Note 12: SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 25, 2013, which is the date the financial statements were available to be issued, and has determined that there are no transactions that will have a significant impact on the CSA.

## **Bighorn-Desert View Water Agency Application:**

- d. Copy of Stipulated Judgment in Case Number  
211504 (Riverside Superior Court)**

**Attachment 3d**



COPY

**FAKED**

1 RICHARDS, WATSON & GERSHON  
A Professional Corporation  
2 JAMES L. MARKMAN (Bar No. 43536)  
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7  
8 Attorneys for Petitioner and Plaintiff  
BIGHORN-DESERT VIEW WATER AGENCY

**FILED**  
SUPERIOR COURT OF CALIFORNIA  
COUNTY OF RIVERSIDE

SEP 17 2014

L. Hall

**SUPERIOR COURT OF THE STATE OF CALIFORNIA**

**COUNTY OF RIVERSIDE**

**RIC**

**RAW RICHARDS | WATSON | GERSHON**  
ATTORNEYS AT LAW - A PROFESSIONAL CORPORATION

12 BIGHORN MOUNTAINS WATER  
AGENCY, a public entity, and DESERT  
13 VIEW WATER DISTRICT, a public entity,

Case No. 211504

**STIPULATION AND [PROPOSED]  
AMENDED AND RESTATED  
JUDGMENT**

Petitioners and Plaintiffs,

v.

15 HI-DESERT WATER DISTRICT, a public  
16 entity,

Respondent and Defendant.

18 MAINSTREAM WATER  
19 DEVELOPMENT COMPANY, a California  
limited partnership; MIKE V. PAGE, an  
20 individual doing business as  
MAINSTREAM WATER  
21 DEVELOPMENT COMPANY; and DOES  
1-25,

Real Parties in Interest.

Amended and Restated Judgment

1 This Stipulated Amended and Restated Judgment is made and entered into by and  
2 between Bighorn-Desert View Water Agency, Hi-Desert Water Agency, Mojave Water  
3 Agency, County of San Bernardino Service Area No. 70 W-1 Landers, and County of San  
4 Bernardino Service Areas No. 70 W-4 Pioneertown (singularly "Party," or collectively the  
5 "Parties"), and based upon the following facts:

6 On June 3, 1991, this Court entered a Judgment ("the Judgment" hereinafter)  
7 pursuant to a Stipulation for Judgment entered into by Bighorn-Desert View Water Agency  
8 ("BDV" hereinafter) and Hi-Desert Water District ("Hi-Desert" hereinafter). The Judgment  
9 specifically concerned Hi-Desert's proposed construction of a new production well  
10 ("Mainstream Well" hereinafter) to be located in an area between Bighorn and Hi-Desert  
11 service areas and more generally concerning the maintenance of an area referred to as Ames  
12 Valley Water Basin as a sustained source of groundwater for the beneficial use of BDV, Hi-  
13 Desert and their ratepayers. The Ames Valley Water Basin was found to consist of the  
14 Pipes and Reche Subbasins. The Judgment required monitoring of the subject groundwater  
15 supplies as to quantity and quality and the regulation of production from the Mainstream  
16 Well subject to this Court's continuing jurisdiction.

17 Paragraph 13 of the Judgment was stricken by Order of this Court dated September  
18 20, 2011.

19 Effective May 29, 2012, BDV, Hi-Desert, Mojave Water Agency ("MWA"  
20 hereinafter), County of San Bernardino Service Area No. 70 W-1 Landers ("W-1"  
21 hereinafter) and County of San Bernardino Service Area No. 70 W-4 Pioneertown ("W-4"  
22 hereinafter) entered into an agreement providing for more comprehensive regulation of the  
23 groundwater supplies protected in the Judgment, including the provision of supplemental  
24 water supplies for beneficial use, the allocation of water production, storage and transfer  
25 rights to all of the public entity water retailers utilizing the subject groundwater supply, and  
26 continuing monitoring of water supply quantities and qualities, all subject to this Court's  
27 continuing jurisdiction. All of those Parties have stipulated to this Court's entry of this  
28 Amended and Restated Judgment, a motion has been filed asking the Court to do so and



1 MWA, W-1 and W-4 have moved to intervene as parties herein to receive the benefits and  
2 undertake the obligations provided for herein.

3 Portions of the groundwater basin referred to in the Judgment as Ames Valley  
4 Groundwater Basin now are commonly referred to as the Pipes and Reche Groundwater  
5 Sub-basins and, together with that area commonly referred to as Pioneertown, form a  
6 management area for purposes of this Amended and Restated Judgment that is referred to  
7 herein as "the Basin." The boundaries of the Basin are generally described in Exhibit A  
8 and depicted on Exhibit B hereto. The Parties hereto have conducted studies which indicate  
9 that substantial portions of the Basin are likely overdrafted and that approximately 400,000  
10 acre-feet or more of subsurface storage space is available in the Basin. The studies  
11 conducted by the Parties have also estimated the amount of water available perennially in  
12 the Basin due to natural supplies, the amount of water produced from the Basin from  
13 calendar year 2004 through calendar year 2008, and the feasibility of a project by which  
14 MWA would import and recharge state project water to the Basin, thereby supplementing  
15 the local water supply.

16 MWA has constructed and shall maintain and operate recharge facilities ("the  
17 Recharge Facilities" hereinafter) on that land leased by BDV described and depicted on  
18 Exhibit C hereto at its sole cost subject to all regulatory requirements. Those facilities  
19 include pipeline and ancillary structures and equipment necessary to connect the Recharge  
20 Facilities to MWA's Morongo Pipeline, all as described in that BDV California  
21 Environmental Quality Act document approved on June 29, 2010 and entitled "Bighorn  
22 Desert View Water Agency (BDVWA) Mitigated Negative Declaration for Water  
23 Infrastructure Restoration Program (WIRP): Ames/Reche Groundwater Storage and  
24 Recovery Program; and Pipeline Installation/ Replacement Program and the Ames/Reche  
25 Groundwater Management Plan."

26  
27 ///

28 ///

1 NOW, THEREFORE, the Parties stipulate to the Court's execution of an Amended  
2 and Restated Judgment, stating as follows:

3 1. This Amended and Restated Judgment shall replace and supersede the  
4 Judgment and each and every term and provision contained therein.

5 2. This Court has jurisdiction of the subject matter of this action and jurisdiction  
6 over each of the Parties, i.e., the public entities having continuing rights, duties and  
7 obligations under the terms and provisions of this Amended and Restated Judgment:

8 (a) Bighorn-Desert View Water Agency, a public entity organized and  
9 operating pursuant to the provisions of the Bighorn Desert View Water Agency law,  
10 California Water Code Appendix, Sections 112-1, *et seq.*;

11 (b) Hi-Desert Water District, a county water district organized and  
12 operating pursuant to the provisions of the County Water District law, California Water  
13 Code Sections 30000, *et seq.*;

14 (c) Mojave Water Agency, a public entity organized and operating  
15 pursuant to the provisions of the Mojave Water Agency law, California Water Code  
16 Appendix Sections 97-1, *et seq.*;

17 (d) County of San Bernardino Service Area No. 70 W-1 Landers, a public  
18 entity governed by the San Bernardino County Board of Supervisors pursuant to the  
19 provisions of California Government Code Sections 25210, *et seq.*; and

20 (e) County of San Bernardino Service Area No. 70 W-4 Pioneertown, a  
21 public entity governed by the San Bernardino County Board of Supervisors pursuant to the  
22 provisions of California Government Code Sections 25210, *et seq.*

23 3. Each Party hereto hereby is prohibited and enjoined from producing or  
24 storing water in the Basin or any portion or portions thereof which is not based on  
25 production and storage rights articulated in this Amended and Restated Judgment.

26 4. There hereby is established for BDV, W-1, W-4 and Hi-Desert the following  
27 water production allowances ("Annual Baseline Amounts" hereinafter) based upon a  
28 methodology agreed to by the Parties. The Annual Baseline Amounts are based upon 135%

1 of amounts produced from the Basin by the Parties from calendar year 2004 through  
 2 calendar year 2008, as verified by meter readings or energy usage data:

3	<u>Party</u>	<u>Annual Baseline Amount</u>
4	CSA 70 .Z. W-1 (Landers)	267 Acre Feet
5	CSA 70 .Z. W-4 (Pioneer Town)	35 Acre Feet
6	Hi-Desert Water District	703 Acre Feet
7	Bighorn Desert View Water Agency	641 Acre Feet

8 Commencing upon entry of this Amended and Restated Judgment, each Party shall  
 9 have the right to produce native water from the Basin in each fiscal year (July 1 - June 30)  
 10 equal to its Annual Baseline Amount, prorated for any partial fiscal year on a 365 day year  
 11 basis, subject to the terms and provisions hereof. Any Party withdrawing less than its  
 12 Annual Baseline Amount in any fiscal year may carryover its right to produce that  
 13 unproduced amount for the next two fiscal years. The first water produced at any time by  
 14 any Party shall be deemed to be water credited to the Party which has been carried over for  
 15 two fiscal years and the next water produced by that Party shall be deemed to be water  
 16 credited to that Party which has been carried over for one fiscal year. Any Annual Baseline  
 17 Amount not produced by that Party, or any transferee of that right, for more than said two  
 18 fiscal years shall be deemed to be abandoned and the right to produce it knowingly and  
 19 intentionally waived and relinquished. No Party or other person or entity shall have the  
 20 right to produce such abandoned carryover which shall serve to provide protection against  
 21 over production of Basin water. Further, the Parties have agreed and are deemed to have  
 22 waived and relinquished any right they might assert to produce return flows emanating  
 23 from state project water percolated into the Basin on their account through the Recharge  
 24 Facilities.

25 5. Subject to the provisions of paragraph 7 and 9 hereof, BDV, W-1, W-4 and  
 26 Hi-Desert may purchase state project water from MWA to be percolated into the Basin at  
 27 the Recharge Facilities and later withdrawn from the Basin by the purchasing entity. MWA  
 28 shall maintain storage accounts reflecting the amount of water in storage in the Basin by

1 each other Party due to state project water percolated in the Basin on its behalf by MWA.  
2 Amounts withdrawn above a Party's Annual Baseline Amount must be based on water then  
3 credited in that Party's storage account. State Project water purchases are not subject to the  
4 maximum two year carryover imposed on the production of Annual Baseline Amounts. No  
5 Party shall produce water from the Basin not based upon either the Party's available Annual  
6 Baseline Amount or water present in its storage account except pursuant to an order of the  
7 Court obtained in accordance with the procedure referred to below, except pursuant to  
8 adjustment of the Annual Baseline Amounts in accordance with paragraph 10 hereof. No  
9 person or entity not a Party to this Amended and Restated Judgment shall store or be  
10 allowed to store water in the Basin.

11 A Party may by written motion seek an order of the Court which provides that it may  
12 produce water from the Basin in excess of water based upon its Annual Baseline Amount,  
13 carryover rights or stored water in its account provided that the following criteria are met:

14 A. The hearing of the motion must be upon at least 90 days' written notice  
15 provided to the other Parties hereto; and

16 B. At a minimum, the moving Party shall provide substantial evidence  
17 demonstrating that it has exhausted all reasonably available means to meet its demands  
18 based on water rights allocated hereunder, including, but not limited to, seeking in writing  
19 to purchase or lease other Parties' production rights at reasonable prices.

20 6. Subject to the provisions of paragraph 7 and 9 hereof, MWA may percolate  
21 state project water into the Basin for its own account for subsequent sale, production and  
22 use in any location within MWA's physical boundaries so long as such activity does not  
23 substantially impair or inhibit any other Party's use of the Basin as a source of water for its  
24 residents and businesses.

25 7. Five percent (5%) of all State Project water percolated into the Basin at the  
26 Recharge Facilities pursuant to orders from and for the banked credit of Hi-Desert, W-1 or  
27 W-4 shall be credited to the BDV storage account in consideration of various efforts and  
28 expenses undertaken by BDV in connection with the use of the site leased by BDV for the

1 Recharge Facilities without regard to which Party hereto other than BDV has purchased or  
2 owns the right to such water when so percolated. The Parties also recognize that BDV  
3 production results in return flows to the Basin to a degree substantially greater than the  
4 other Parties. For example, if MWA chooses to sell the water in storage to meet its IDM  
5 contractual obligations, MWA will charge the buyer only for the water credited to the  
6 buyer's account (95% of original water stored) with the balance credited to the BDV  
7 storage account. If a buyer requests transfer of water stored by MWA into buyers account,  
8 MWA will charge the buyer for the entire amount (100% of original water stored). All  
9 charges will be at the then current pricing policy of the MWA Board.

10 8. Water production rights as specified herein may be transferred from any Party  
11 hereto to any other Party hereto permanently or for any delineated period of time. A  
12 transfer of rights carried over by a Party as provided in paragraph 4 hereof shall not extend  
13 the two year period in which those rights must be exercised.

14 9. MWA shall offer water available for storage and later extraction through the  
15 Recharge Facilities to the other four Parties hereto whenever such water is made available  
16 to MWA from time to time in accordance with the policies and agreements concerning  
17 water allocation adopted by MWA as may be amended from time to time.

18 10. MWA shall administer a monitoring program to ensure protection of the  
19 Basin as a water supply and storage facility for the Parties hereto and their end users. The  
20 monitoring program will utilize the wells identified in Exhibit C hereto at a minimum. At  
21 MWA's direction, additional wells may be added to or removed from the program to  
22 provide a more accurate depiction of the state of the Basin as to maintenance of supplies  
23 and water quality. In accordance with schedules and protocols reasonably satisfactory to  
24 and approved in writing by the other Parties' general managers, the participants will take  
25 groundwater level measurement and samples for quality testing. BDV, W-1, W-4 and Hi-  
26 Desert agree to provide to MWA each year, no later than July 10, for the immediately prior  
27 12 months (July 1 - June 30), the water level and water quality laboratory analysis collected  
28 during the prior year in accordance with the approved monitoring program.

1           11.     BDV, W-1, W-4 and Hi-Desert agree to provide to MWA each year no later  
2 than July 10, the meter readings, electrical records and any available data reflecting the  
3 production of water from the Basin from all of the entities' wells for the immediately prior  
4 12 months (July 1 - June 30). On or before the following September 1, MWA shall provide  
5 to the other Parties a report which compiles all water production, water quality and Basin  
6 well elevation data for the immediately previous fiscal year (June 30 - July 1). Every five  
7 years, the MWA report shall make recommendations on the Parties' ability to produce their  
8 Annual Baseline Amounts commencing in the following current fiscal year and any other  
9 recommendations for actions which MWA believes are required to protect the Basin water  
10 supply based on the Ames/Reche Groundwater Management Plan. To ensure maintenance  
11 of Basin elevations at acceptable levels and still allow withdrawals and utilization of basin  
12 resources, and with the unanimous agreement of the general managers of BDV, W-1, W-4  
13 and Hi-Desert, the Annual Baseline Amount for each such Party may be reduced or  
14 increased by the same percentage for an annual or other specified period. The first  
15 determination on such potential reduction or increase shall occur within 90 days of MWA  
16 issuing its first report required hereunder. Records of any changes to Parties' Annual  
17 Baseline Amounts made pursuant to this paragraph shall be made and maintained by MWA,  
18 and included in each annual report required hereunder, yet shall not constitute an  
19 amendment to this Agreement or the Amended and Restated Judgment, and shall not  
20 require approval by or notification to the Court.

21           12.     Each Party shall indemnify, hold harmless and assume the defense of the  
22 other Parties, their officers, agents, employees, and elective boards, and that Party shall pay  
23 all court costs and reasonable attorneys fees relating thereto, in any action, with respect to a  
24 claim, loss, damage or injury, asserted by a third party against any Party entitled to  
25 indemnification under this Agreement, and arising out of a negligent act, error or omission,  
26 or willful misconduct, of an employee or agent of the Party whose actions under this  
27 Judgment gave rise to such third-party claim.

28           13.     Any notice, tender or delivery to be given hereunder by any Party to another

1 Party or Parties shall be effected by personal delivery in writing or by registered or certified  
2 mail, postage prepaid, return receipt requested, and shall be deemed communicated as of  
3 mailing or in case of personal delivery, as of actual receipt. Mailed notices shall be  
4 addressed as set forth below, but each Party may change its address by written notice in  
5 accordance with this paragraph.

6 To: Hi-Desert Water District  
7 55439 29 Palms Hwy.  
8 Yucca Valley, CA 92284  
9 Attention: General Manager

10 To: Bighorn-Desert View Water Agency  
11 622 S. Jemez Trail  
12 Yucca Valley, CA 92284  
13 Attention: General Manager

14 To: County of San Bernardino Special District  
15 County Service Area No. 70  
16 12402 Industrial Blvd., Building D, Suite 6  
17 Victorville, CA  
18 Attention: General Manager

19 To: Mojave Water Agency  
20 13846 Conference Center Drive  
21 Apple Valley, CA 92307  
22 Attention: General Manager

23 14. Full jurisdiction, power and authority shall be retained and reserved by the  
24 Court for the purpose of enabling the Court, upon application of any Party hereto by motion  
25 and upon at least thirty (30) days notice thereof, after hearing thereon, to make such further  
26 or supplemental orders or directions as may be necessary or appropriate for the  
27 construction, enforcement or implementation of this Amended and Restated Judgment,  
28 including independent review of any decision presented to the General Managers of BDV,  
W-1, W-4, Hi-Desert and MWA under paragraph 11 of this Amended and Restated  
Judgment which is not unanimously approved. A responding and/or defending Party who is  
determined to be a prevailing Party in any such hearing shall be entitled to recover as costs  
upon the conclusion of such hearing all attorneys fees or other costs actually incurred in  
connection with resolving the dispute by the making of such motion and the hearing  
thereon.

1 15. This Amended and Restated Judgment and the provisions hereof are all  
2 applicable to and binding upon not only the Parties hereto, but as well upon their respective  
3 successors, assigns, lessees, licensees and the agents and employees of any such persons  
4 having actual or constructive notice of this Amended and Restated Judgment from the date  
5 of its filing. The injunctive provisions herein contained run equally against all such  
6 persons.

7  
8 IT IS SO STIPULATED.

9  
10 Dated: May 23, 2014

RICHARDS, WATSON & GERSHON

11  
12 By: James L. Markman  
13 JAMES L. MARKMAN  
14 Attorneys for Petitioner and Plaintiff  
BIGHORN-DESERT VIEW WATER  
AGENCY

15 Dated: May 23, 2014

BEST, BEST & KRIEGER

16  
17 By: Steven M. Anderson  
18 STEVEN M. ANDERSON  
19 Attorneys for Respondent and Defendant  
HI-DESERT WATER DISTRICT

20 Dated: June 30, 2014

BRUNICK, McELHANEY & KENNEDY

21  
22 By: Lee McElhane  
23 LEE McELHANEY  
24 Attorneys for Intervening Party  
25 MOJAVE WATER AGENCY  
26  
27  
28

[Signatures and Order continued]



1 Dated: June 3, 2014

SOMACH SIMMONS & DUNN

2  
3 By: 

NICHOLAS A. JACOBS  
Attorneys for Intervening Party  
COUNTY OF SAN BERNARDINO  
SERVICE AREA NO. 70 W-1 LANDERS

4  
5  
6 Dated: June 3, 2014

SOMACH SIMMONS & DUNN

7  
8  
9 By: 

NICHOLAS A. JACOBS  
Attorneys for Intervening Party  
COUNTY OF SAN BERNARDINO  
SERVICE AREA NO. 70 W-2  
PIONEERTOWN

**Sharon J. Waters**

10  
11  
12  
13  
14 IT IS SO ORDERED:

15  
16 Dated: SEP 17 2014

Judge of the Superior Court

PROOF OF SERVICE

I, Linda I. Pomatto, declare:

I am a resident of the State of California and over the age of eighteen years and not a party to the within action. My business address is 355 South Grand Avenue, 40th Floor, Los Angeles, California 90071-3101. On September 4, 2014, I served the within document(s) described as:

**STIPULATION AND [PROPOSED] AMENDED AND RESTATED JUDGMENT**

on the interested parties in this action as stated below:

BEST, BEST & KRIEGER  
Steve M. Anderson  
3390 University Avenue, 5th Floor  
Riverside, California 92501

SOMACH SIMMONS & DUNN  
Nicholas A. Jacobs  
500 Capitol Mall, Suite 1000  
Sacramento, California 95814

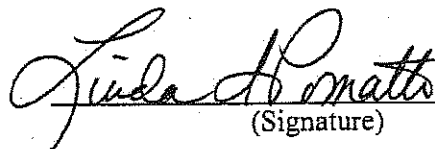
BRUNICK, MC ELHANEY & BECKETT,  
DOLAN and KENNEDY  
Leland McElhaney  
1839 Commercenter West  
P.O. Box 13130  
San Bernardino, CA 92423-3130

☒ (BY MAIL) By placing a true copy of the foregoing document(s) in a sealed envelope addressed as set forth above. I placed each such envelope for collection and mailing following ordinary business practices. I am readily familiar with this Firm's practice for collection and processing of correspondence for mailing. Under that practice, the correspondence would be deposited with the United States Postal Service on that same day, with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

I declare under penalty of perjury under the laws of the State of California that the foregoing is true and correct.

Executed on September 4, 2014, at Los Angeles, California.

Linda I. Pomatto  
(Type or print name)

  
(Signature)

**County Department of Special  
Districts Response to Application  
submitted by Bighorn and  
Questions of LAFCO Staff:**

- a. Email Response on Rate Study  
Question and Capital Improvement  
Program**

**Attachment 4a**

## Rollings-McDonald, Kathleen

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**Subject:** FW: W-1  
**Attachments:** SKM\_C654e14102010360.pdf; SKM\_C654e14102012170.pdf;  
SKM\_C654e14102012171.pdf

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**From:** Rigney, Jeff  
**Sent:** Thursday, November 13, 2014 1:44 PM  
**To:** Rollings-McDonald, Kathleen  
**Subject:** FW: W-1

Kathy,

My apologies, I had thought this was sent to you and the same time I received it. Please let me know if you have any questions or require further information.

Jeffrey O. Rigney  
Director  
Special Districts Department  
San Bernardino County  
909-387-5967

1. Please see the attached CIP listing from the Board Approved FY 2014/15 budget (1<sup>st</sup> attachment). Also, see link below that is posted on the County website:

<http://www.sbcounty.gov/Uploads/CAO/Budget/2014-2015-0/County/Recommended/2014-2015-0-CountyRecommended.pdf>

The Department policy, which has been approved by the CEO, is for every CSA and Zone to contribute 40% of operating costs to a Replacement Reserve fund for future Capital Improvement Projects. Each year the needs of each system is evaluated and prioritized as part of the planning process. Next, is to ensure that funding of available in the Replacement Reserve fund. If funding is available, then projects are budgeted, otherwise, they are deferred until a time when the funding is available.

2. Rates are determined by an estimate of annual operating costs in comparison to annual revenues. Operating costs consist of utility charges, testing, and maintenance costs. The largest cost for operations is for the allocation of pooled personnel, supplies, administration, and vehicle/equipment costs. In fiscal year 2013, these allocated costs for CSA 70 W-1 were \$316,594. At the time that the FY 2014 rates were calculated, this amount was used with an estimate of a 3% increase. However, due to the reorganization of Special Districts Water and Sanitation Division and setting up Regions for personnel to report to and be responsible for, a reduction in personnel, and the offset of revenues from outside contract work, the amount of the indirect costs allocation was decreased overall by approximately \$800,000. As a result, CSA 70 W-1 experienced a decrease in costs.

In addition to covering operating costs, it is the Department's policy, beginning in fiscal year 2013/14, is that all CSAs and Zones should keep a 25% operating contingency and contribute 40% of operating costs to Replacement Reserves for future replacement of infrastructure.

Lastly, beginning in fiscal year 2013/14, and approved by the CEO, the Department implemented a policy that 50% of revenue for water districts would be from meter charges and 50% from usage charges. This would provide a more consistent revenue stream regardless of usage changes year-to-year. On the initial calculation for fiscal year 2013/14, all of these factors indicated about a 53% overall increase in the average user monthly billing. (see 2<sup>nd</sup> attachment) It was decided to phase this increase in at 20% for the first year and an estimated 20% the second year. However, with the decrease in the indirect costs spread as mentioned above, the 20% for the first year covered all of the requirements for fiscal year 2014/15 (see 3<sup>rd</sup> attachment)

**Michael Wildes**  
**Principal Budget Officer**  
**Special Districts Department**  
**County of San Bernardino**  
**157 W. 5th St. - 2nd Floor**  
**San Bernardino, CA 92415-0450**  
**Pho. (909) 387-5938**  
**Fax. (909) 387-5968**

Special Districts Department

CAPITAL IMPROVEMENT PROGRAM

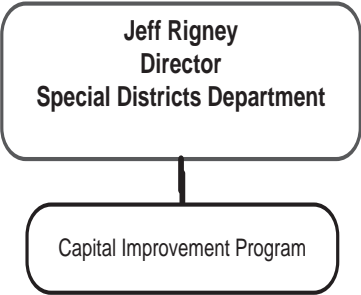
Jeff Rigney

MISSION STATEMENT

*The Capital Improvement Program receives and evaluates capital expenditure requests, recommends priorities for the acquisition or improvement of land, facilities and infrastructure, oversees and monitors major capital projects, and guides growth and change of County facilities and infrastructure by anticipating future needs.*



ORGANIZATIONAL CHART



SUMMARY OF BUDGET UNITS

Funding for capital projects is included in Capital Improvement Program funds for Special Districts General, Parks, Roads, Sanitation, and Water County Service Areas and Zones.

## DESCRIPTION OF MAJOR SERVICES

The Capital Improvement Program (CIP) is an internal planning tool administered by the Special Districts Department (Department) to provide the Board of Supervisors (Board) with information to assist in the decision-making process for the allocation of limited resources to capital projects. The CIP provides for the acquisition, construction, reconstruction, fixtures and equipment, renovation, rehabilitation or replacement of facilities, equipment, and infrastructure with a life expectancy of at least five years and capital costs of \$5,000 or more. The program:

- Recommends priorities for capital projects based on capital improvement criteria for the Department's general, parks, roads, sanitation, and water facilities and infrastructure;
- Prepares the annual CIP budget, monitors and directs implementation of approved projects through the department;
- Provides direct oversight for major capital projects;
- Performs long-range planning to:
  - Link department capital and operational budget plans to Countywide strategic plans
  - Conduct physical condition assessments through periodic surveys of facilities to identify major, large-scale projects to repair and rehabilitate department assets
  - Identify opportunities for energy efficiencies, life-cycle increases, and maintenance operating cost reductions
  - Identify future infrastructure needs of the department
  - Develop formal estimates of costs and seek adequate project funding

## BUDGET HISTORY

The CIP is funded by a number of sources, including the County general fund, and County Service Area (CSA) and Improvement Zone operating and reserve funding, and various other funding sources including grants:

- Discretionary General Funding: Funded from County General Fund discretionary dollars provided to CIP for department projects.
- Other Funding: Underlying funding source is from CSA and Improvement Zone funding, or is from a dedicated source for a specified purpose (such as grants).

The Department's CIP includes construction, rehabilitation, and repair projects for numerous facilities, structures, and infrastructure. CIP funds are budgeted in various capital budget units and expended in various capital asset object codes: 4005-Land, 4010-Improvements to Land, 4030-Structures and Improvements to Structures, 2445-Professional Services, and 5030-Operating Transfers Out.

## ANALYSIS OF 2014-15 RECOMMENDED BUDGET

Each year, Department Regional Managers are requested to submit possible capital improvement projects for the individual CSAs and Improvement Zones, including Big Bear Recreation and Park District and Bloomington Recreation and Park District. The Engineering Division prepares feasibility studies, scopes of work, and estimates for these projects. The Engineering Division also works closely with the Administrative/Budget Division to evaluate available funding for the projects. A total of 76 projects for a total of \$20.1 million are being requested by the Department within this budget for 2014-15.



## 2014-15 RECOMMENDED BUDGET

The following are funded in the 2014-15 Recommended Budget of \$20.1 million:

- General Districts** **\$4.4 million**
  - Snowdrop Road - \$4.0 million for design and construction of a new road in the Rancho Cucamonga area funded by a voter approved special assessment that was initiated in 2013-14.
  - CSA 40 Elephant Mountain – \$150,140 for service road paving.
  - CSA 70 D-1 Lake Arrowhead Dam - \$180,000 for construction of a detention basin for flood control that was initiated in 2013-14.
  - CSA 70 D-1 Lake Arrowhead Dam - \$66,000 for road repair.
  - CSA 70 TV-4 Wonder Valley - \$101,003 for replacing and updating television translator.
- Park Districts** **\$273,878**
  - CSA 20 Joshua Tree Park - \$200,000 for Desert View Conservatory to design and construct an interpretive trail system that was initiated in 2013-14.
  - CSA 20 Joshua Tree Park - \$50,000 for pavement resurfacing project.
  - CSA 20 Joshua Tree Park - \$10,135 from roof enclosure project to transfer remaining funds to operating fund SGD-200 due to completion of project.
  - CSA 56 Wrightwood Park - \$13,743 for Skatepark improvement fund to transfer remaining funds to operating fund due to completion of project.
- Big Bear Valley Recreation and Park District** **\$5.9 million**
  - Big Bear Alpine Zoo - \$5.8 million for design and construction of a new zoo site for relocation was initiated in 2013-14.
  - Big Bear Alpine Zoo – \$83,600 from relocation project fund for lease payment for existing location.
  - Erwin Park - \$21,685 for Erwin Park clubhouse renovation was initiated in 2013-14.
- Bloomington Recreation and Park District** **\$598,587**
  - Kessler Park - \$306,372 for Kessler Park improvements including ball field lighting, tot lot, and equestrian facilities that was initiated in 2013-14.
  - Kessler Park - \$290,000 for Kessler Park improvement fund to transfer remaining funds to operating fund SSD-625 after reimbursement from grant.
  - Kessler Park - \$425 for Kessler Park improvement fund to transfer remaining funds to operating fund SSD-625 due to completion of project.
  - Ayala Park - \$1,790 for Ayala Park to transfer out remaining funds to operating fund SSD-625 due to completion of project.
- Road Districts** **\$1.3 million**
  - Paving Projects – \$768,529 for road paving projects in CSA 59 Deer Lodge Park (\$190,000), CSA 69 Lake Arrowhead (\$548,529), and CSA 70 R-2 Twin Peaks (\$30,000)
  - Slurry Seal Projects – \$523,760 for slurry seal projects in CSA 70 R-33 Big Bear City (\$6,735), R-39 Pan Springs (\$40,125), R-5 Sugarloaf (\$375,000), and R-42 Windy Pass (\$101,900).
- Sanitation Districts** **\$3.0 million**
  - CSA 42 Oro Grande – \$54,659 for replacement of 300 feet of sewer line that was initiated in 2013-14.
  - CSA 53B Fawnskin – \$250,000 for vacuum system upgrades.
  - CSA 53B Fawnskin – \$30,000 for manhole raising project.
  - CSA 70 GH Glen Helen – \$9,500 to complete installation of manhole and piping for a Vector Dump Basin at the waste treatment plant that was initiated in 2013-14.
  - CSA 70 GH Glen Helen – \$16,000 to complete installation of an isolation valve at the Glen Helen Wastewater Treatment Plant that was initiated in 2013-14.
  - CSA 70 GH Glen Helen - \$940,000 to complete construction of sludge drying beds at the Glen Helen Wastewater Treatment Plant that was initiated in 2013-14.





- CSA 70 GH Glen Helen - \$68,630 to install new SCADA alarm system to monitor equipment operation at the Glen Helen Wastewater Treatment Plant.
- CSA 70 GH Glen Helen - \$95,000 for clarifier upgrade project.
- CSA 70 S-3 Lytle Creek – \$84,000 for Sludge Drying Bed repair/maintenance.
- CSA 70 S-3 Lytle Creek – \$66,000 for chemical feed degreaser system replacement.
- CSA 79 Green Valley Lake – \$359,785 to complete construction of 50,000 gallons additional wet well capacity to extend emergency response time at Awanhee Lift Station was initiated in 2013-14.
- CSA 79 Green Valley Lake – \$60,000 for televising and repair of sewer lines.
- CSA 82 Searles Valley – \$375,816 for Pioneer Point outfall replacement and repairs.
- Transfers to Reserves – The following transfers to reserves are also programmed as a result of remaining fund balances following project completion or the cancellation of projects:
  - CSA 42 Oro Grande (\$29,566) cancellation of the Victor Valley Wastewater Reclamation Authority connection vault and meter project.
  - CSA 64 Spring Valley Lake (\$162,852) cancellation of manhole sealing project.
  - CSA 64 Spring Valley Lake (\$106,344) cancellation of the Victor Valley Wastewater Reclamation Authority connection vault and meter project.
  - CSA 70 S-3 Lytle Creek (\$52,803) completion of project.
  - CSA 79 Green Valley Lake (\$4,500) cancellation of manhole sealing project.
  - CSA 79 Green Valley Lake (\$90,285) cancellation of pump rehabilitation project.
  - CSA 82 Searles Valley (\$100,666) cancellation of slip lining project.

• **Water Districts**

**\$4.6 million**

- CSA 70 J Oak Hills – \$146,421 to complete phase I of radio read meter replacement project that was initiated in 2013-14.
- CSA 70 J Oak Hills – \$1.4 million for phase II of radio read meter replacement project.
- CSA 70 J Oak Hills – \$165,000 to complete water line extensions and looping project that was initiated in 2013-14.
- CSA 70 J Oak Hills – \$150,000 to complete pipeline replacement project east of Escondido Road that was initiated in 2013-14.
- CSA 70 J Oak Hills – \$144,500 to complete replacement of 2,500 feet of existing pipeline within the Improvement Zone that has reached its full service life. This project was initiated in 2013-14.
- CSA 70 J Oak Hills – \$71,248 to construct a new booster station at Site 2A to increase water pressure at higher elevations within the Improvement Zone.
- CSA 70 J Oak Hills – \$120,000 to complete construction project for well house that was initiated in 2013-14.
- CSA 70 J Oak Hills – \$22,400 for well house roof repairs.
- CSA 42 Oro Grande – \$110,500 for land acquisition for possible tank site.
- CSA 42 Oro Grande – \$107,000 to complete the design phase of Reservoir 2 that was initiated in 2013-14.
- CSA 42 Oro Grande – \$79,986 to complete a mainline replacement project that was initiated in 2013-14.
- CSA 64 Spring Valley Lake – \$233,330 to complete phase I of the radio read meter replacement project that was initiated in 2013-14.
- CSA 64 Spring Valley Lake – \$251,820 to complete drilling and site preparation for Well #7 that was initiated if 2013-14.
- CSA 64 Spring Valley Lake – \$250,000 to complete site preparation for new 3 million gallon reservoir that was initiated in 2013-14.
- CSA 64 Spring Valley Lake – \$1,944 to complete design of new 3 million gallon reservoir that was initiated in 2013-14.
- CSA 64 Spring Valley Lake – \$87,150 to install pump motor.
- CSA 70 W-1 Landers – \$298,916 for completion of rehabilitation of pressure relief system that was designed in 2013-14.
- CSA 70 W-1 Landers – \$61,600 for completion of rehabilitation of Reservoir A, Site 2 that was initiated in 2013-14.
- CSA 70 W-1 Landers – \$150,000 for radio read meter replacement project that was initiated in 2013-14.



- CSA 70 W-1 Landers – \$150,000 to complete service line replacement project that was initiated in 2013-14.
- CSA 70 W-3 Hacienda – \$50,000 for radio read meter replacement project.
- CSA 70 W-3 Hacienda – \$30,390 for replacement of aged booster station.
- CSA 70 W-4 Pioneertown – \$60,919 for completion of design phase for offsite supply pipeline that was initiated in 2013-14.
- CSA 70 W-4 Pioneertown – \$275,000 for debt payment after grant reimbursement proceeds are received.
- Transfers to Reserves – The following transfers to reserves are also programmed as a result of remaining fund balances following project completion or the cancellation of projects:
  - CSA 70 CG Cedar Glen (\$937) completion of water system improvements project.
  - CSA 70 CG Cedar Glen (\$1,280) completion of water system improvements project.
  - CSA 70 J Oak Hills (\$208) completion of reservoir rehabilitation project.
  - CSA 70 J Oak Hills (\$58,331) cancellation of pump motor installation project.
  - CSA 64 Spring Valley Lake (\$132,900) cancellation of pressure relief valve rehabilitation project.
  - CSA 64 Spring Valley Lake (\$15,739) completion of well #4 rehabilitation project.
  - CSA 70 W-3 Hacienda (\$500) cancellation of mainline valve insertion project.
  - CSA 70 W-4 Pioneertown (\$34,188) cancellation of meter replacement project.
  - CSA 70 W-4 Pioneertown (\$50) cancellation of manifold piping project.

The 2014-15 new projects in the amount of \$5.2 million and carry over projects in the amount of \$14.9 million are included in the department's 2014-15 CIP program. These projects will extend the useful life of facilities, ensure continued service of infrastructures, and decrease operating expenses in some cases.



## Special Districts 2014-15 Capital Improvement Program Projects

Proj.	Location/ Address	Budget Book Group	Project Name-Description	CIP Log #	Fund	Proj #
1	CSA 70 TV-4 Wonder Valley	General Districts	Power System - replace and update the existing TV translator	1Z31	CAL	1Z31
2	CSA 70 Countywide	General Districts	Snow Drop Road Project - Design and construct a new road	4013	CLO	4013
3	CSA 40 Elephant Mountain	General Districts	Roadway Paving - paving of the service road	2005	CLY	2005
4	CSA 70 D-1 Lake Arrowhead Dam	General Districts	Detention Basin - construct a detention basin	2048	CSY	2048
5	CSA 70 D-1 Lake Arrowhead Dam	General Districts	Road Sealing	4012	CSY	4012
6	CSA 56 Wrightwood Park	Park Districts	Skatepark - to transfer remaining funds to operating fund SKD-380 due to completion of project.	2006	CDW	2006
7	CSA 20 Joshua Tree	Park Districts	Pavement Resurfacing Project	4017	CEW	4017
8	CSA 20 Joshua Tree	Park Districts	Desert View Conservation Program - design and construct improvements for an interpretive trail system	1Z05	CFU	1Z05
9	CSA 20 Joshua Tree	Park Districts	Roof enclosure project	3028	CQB	3028
10	Big Bear Alpine Zoo	Big Bear Valley Recreation and Park District	Relocation Project - design, construct new zoo, and relocate existing zoo to the new site	1Z19	CRR	1Z19
11	Big Bear Alpine Zoo	Big Bear Valley Recreation and Park District	Relocation Project - for lease payment at existing location until relocation has been completed	1Z19	CRR	1Z19
12	Big Bear Recreation and Park District	Big Bear Valley Recreation and Park District	Erwin Park Clubhouse Renovation	2004	CSZ	2004
13	Bloomington Recreation and Park District	Bloomington Recreation and Park District	Ayala Park Improvement Project - Transfer of remaining funds to operating fund SSD-625 due to completion of project.	1Z18	CAQ	1Z18
14	Bloomington Recreation and Park District	Bloomington Recreation and Park District	Kessler Park Improvements - multiple phased project to construct new facilities at an existing park including tot lot, baseball fields, skate park, concession building, and equestrian facilities	0009	CNJ	0009
15	Bloomington Recreation and Park District	Bloomington Recreation and Park District	Kessler Park Lighting - ballfield lighting, tot lot, and equestrian facilities - transfer remaining fund to operating fund SDD-625 after reimbursement of grant.	4007	CNJ	4007
16	Bloomington Recreation and Park District	Bloomington Recreation and Park District	Kessler Park Improvements - transfer remaining funds to operating fund SSD-625	NA	CNJ	NA
17	CSA 69 Lake Arrowhead	Road Districts	Road Paving Project - rehabilitate and repave road	3048	CFB	3048
18	CSA 70 R-36 Pan Springs	Road Districts	Road Slurry Seal Project - reseal existing roads	3031	CLV	3031
19	CSA 59 Deer Lodge Park	Road Districts	Road Paving Project - rehabilitate and repave road	4010	CMS	4010
20	CSA 70 R-33 Big Bear City	Road Districts	Road Slurry Seal Project - reseal existing roads	3030	CNS	3030
21	CSA 70 R-5 Sugarloaf	Road Districts	Road Slurry Seal Project - reseal existing roads	4009	CPG	4009
22	CSA 70 R-2 Twin Peaks	Road Districts	Road Paving Project - rehabilitate and repave road	4011	CPS	4011
23	CSA 70 R-42 Windy Pass	Road Districts	Road Slurry Seal Project - reseal existing roads	3032	CWR	3032
24	CSA 70 S-3 Lytle Creek	Sanitation Districts	Repair sludge drying beds	3049	CCU	3049
25	CSA 70 S-3 Lytle Creek	Sanitation Districts	Replace chemical feed degreaser system	3043	CCU	3043
26	CSA 70 S-3 Lytle Creek	Sanitation Districts	Transfer remaining funds to reserve fund at completion of project.	0	CCU	
27	CSA 82 Searles Valley	Sanitation Districts	Transfer remaining funds to reserve fund due to cancellation of slip line project	3037	CJN	3037
28	CSA 70 GH Glen Helen	Sanitation Districts	Vector Dump Basin - install a dump manhole and piping for vector truck unloading at the Lytle Creek North Wastewater Treatment Plant	1Z41	CVX	1Z41
29	CSA 70 GH Glen Helen	Sanitation Districts	Clarifier upgrade project	3044	CVX	3044
30	CSA 70 GH Glen Helen	Sanitation Districts	Isolation Valve - install an isolation valve at the Glen Helen Wastewater Treatment Plant	2071	CXL	2071
31	CSA 70 GH Glen Helen	Sanitation Districts	Sludge Drying Beds - build sludge drying beds at the Glen Helen Wastewater Treatment Plant	2072	CXL	2072
32	CSA 70 GH Glen Helen	Sanitation Districts	SCADA Alarms - install new SCADA alarms for the processing equipment at the Lytle Creek North Wastewater Treatment Plant	1Z42	CXL	1Z42



Special Districts  
2014-15 Capital Improvement Program Projects

Total Project Cost	NEW PROJECTS/FUNDING			CARRYOVER			2014-15 Recommended Requirements	Proj.
	Discretionary General Funding	Department/ Other Funding	Total New Projects	Discretionary General Funding	Department/ Other Dept Funding	Total Carryover Balances		
101,003			-		101,003	101,003	101,003	1
3,950,285			-		3,950,285	3,950,285	3,950,285	2
150,140		99,712	99,712		50,428	50,428	150,140	3
180,000			-		180,000	180,000	180,000	4
66,000		20,000	20,000		46,000	46,000	66,000	5
13,743			-		13,743	13,743	13,743	6
50,000		50,000	50,000			-	50,000	7
200,000		200,000	200,000			-	200,000	8
10,135			-		10,135	10,135	10,135	9
5,789,297			-		5,789,297	5,789,297	5,789,297	10
83,600			-		83,600	83,600	83,600	11
21,685			-		21,685	21,685	21,685	12
1,790			-		1,790	1,790	1,790	13
1,271,372			-		306,372	306,372	306,372	14
290,000			-		290,000	290,000	290,000	15
425			-		425	425	425	16
548,529			-		548,529	548,529	548,529	17
40,125		40,125	40,125			-	40,125	18
190,000		190,000	190,000			-	190,000	19
6,735		3,000	3,000		3,735	3,735	6,735	20
375,000		340,000	340,000		35,000	35,000	375,000	21
30,000			-		30,000	30,000	30,000	22
101,900		91,000	91,000		10,900	10,900	101,900	23
84,000			-		84,000	84,000	84,000	24
66,000			-		66,000	66,000	66,000	25
52,803			-		52,803	52,803	52,803	26
100,666			-		100,666	100,666	100,666	27
9,500			-		9,500	9,500	9,500	28
95,000			-		95,000	95,000	95,000	29
16,000		2,200	2,200		13,800	13,800	16,000	30
940,000			-		940,000	940,000	940,000	31
68,630			-		68,630	68,630	68,630	32



## Special Districts 2014-15 Capital Improvement Program Projects

Proj.	Location/ Address	Budget Book Group	Project Name-Description	CIP Log #	Fund	Proj #
33	CSA 53B Fawnskin	Sanitation Districts	Vacuum System upgrades	1Z13	EAI	1Z13
34	CSA 53B Fawnskin	Sanitation Districts	Manhole Raising project	4004	EBB	4004
35	CSA 64 Spring Valley Lake	Sanitation Districts	Transfer remaining funds to reserve fund due to cancellation of manhole sealing project	1Z33	EBL	1Z33
36	CSA 64 Spring Valley Lake	Sanitation Districts	Transfer remaining funds to reserve fund due to cancellation of Victor Valley Wastewater Reclamation Authority connection vault and meter project	2070	EBL	2070
37	CSA 82 Searles Valley	Sanitation Districts	Pioneer Point outfall replacement and repairs	4008	EFF	4008
38	CSA 42 Oro Grande	Sanitation Districts	Sewer Line Replacement - replace approximately 300 feet of existing sewerline that currently cannot be accessed by maintenance equipment	1Z32	EKA	1Z32
39	CSA 42 Oro Grande	Sanitation Districts	Transfer of funds to reserve fund due to cancellation of Victor Valley Wastewater Reclamation Authority connection vault and meter project.	2069	EKA	2069
40	CSA 79 Green Valley Lake	Sanitation Districts	Awanhee Lift Station - construction of 50,000 gallon of additional wet well capacity to extend the needed emergency response times	1Z28	ENF	1Z28
41	CSA 79 Green Valley Lake	Sanitation Districts	Televising and repairs of sewer lines	4006	ENF	4006
42	CSA 79 Green Valley Lake	Sanitation Districts	Transfer of funds to reserve fund due to cancellation of manhole sealing project.	1006	ENF	1006
43	CSA 79 Green Valley Lake	Sanitation Districts	Transfer of funds to reserve fund due to cancellation of pump rehabilitation project	2016	ENF	2016
44	CSA 70 J Oak Hills	Water Districts	Transfer of funds to reserve fund due to completion of water reservoir rehabilitation project	1010	CAM	1010
45	CSA 70 J Oak Hills	Water Districts	Radio Read Meter - replace existing manual read meters with radio read meters for more efficient and accurate meter measurement	1Z35	CCN	1Z35
46	CSA 70 J Oak Hills	Water Districts	Radio Read Meter Phase II - replace existing manual read meters with radio read meters for more efficient and accurate meter measurement	0	CCN	
47	CSA 70 W-1 Landers	Water Districts	PRV Stations - rehabilitate the pressure relief systems	2060	CCW	2060
48	CSA 70 W-1 Landers	Water Districts	Reservoir A / Site 2 - rehabilitate reservoir A at Site 2	2061	CCW	2061
49	CSA 70 W-1 Landers	Water Districts	Radio Read Meter - replace existing manual read meters with radio read meters for more efficient and accurate meter measurement	2062	CCW	2062
50	CSA 70 W-1 Landers	Water Districts	Service Line Replacement - replace service lines as needed throughout the district	2063	CCW	2063
51	CSA 70 W-4 Pioneertown	Water Districts	Transfer of funds to reserve fund due to cancellation of meter replacement project	2050	CEA	2050
52	CSA 64 Spring Valley	Water Districts	Radio Read Meter - replace existing manual read meters with radio read meters for more efficient and accurate meter measurement	2049	CEK	2049
53	CSA 70 J Oak Hills	Water Districts	Water Line Extensions - design and construct critical pipelines to close loops and eliminate dead end lines in the system	1Z02	CJU	1Z02
54	CSA 70 W-4 Pioneertown	Water Districts	Offsite Pipeline Supply - design and construct a 3.5 mile water pipeline, a 75,000 gallon water reservoir, and a 200gpm pump station	1Z27	CQP	1Z27
55	CSA 70 W-4 Pioneertown	Water Districts	Payment of debt after proceeds of grant reimbursement are received.	360	CQP	360
56	CSA 70 J Oak Hills	Water Districts	Pipeline Replacement E. of Escondido - Project with Public Works to replace pipeline on Escondido	4016	CQR	4016
57	CSA 70 J Oak Hills	Water Districts	Water Pipeline Replacement - replace approximately 2500 feet of existing waterlines that have reached their full service life	1Z03	CQR	1Z03
58	CSA 70 J Oak Hills	Water Districts	Booster Site 2A - construct a new replacement booster to pump additional water to high pressure zones in the district	2041	CQS	2041
59	CSA 70 J Oak Hills	Water Districts	Well House - install an enclosure around an existing well	2042	CQS	2042
60	CSA 70 J Oak Hills	Water Districts	Well house roofing repairs	2043	CQS	2043



Special Districts  
2014-15 Capital Improvement Program Projects

Total Project Cost	NEW PROJECTS/FUNDING			CARRYOVER			2014-15 Recommended Requirements	Proj.
	Discretionary General Funding	Department/ Other Funding	Total New Projects	Discretionary General Funding	Department/ Other Dept Funding	Total Carryover Balances		
250,000		214,509	214,509		35,491	35,491	250,000	33
30,000		10,303	10,303		19,697	19,697	30,000	34
			-		162,852	162,852	162,852	35
106,344			-		106,344	106,344	106,344	36
375,816		375,816	375,816			-	375,816	37
54,659			-		54,659	54,659	54,659	38
29,566			-		29,566	29,566	29,566	39
359,785		206,637	206,637		153,148	153,148	359,785	40
60,000		44,572	44,572		15,428	15,428	60,000	41
4,500			-		4,500	4,500	4,500	42
90,285			-		90,285	90,285	90,285	43
208			-		208	208	208	44
146,421			-		146,421	146,421	146,421	45
1,350,000		1,350,000	1,350,000			-	1,350,000	46
298,916			-		298,916	298,916	298,916	47
61,600			-		61,600	61,600	61,600	48
150,000		150,000	150,000			-	150,000	49
150,000		150,000	150,000			-	150,000	50
34,188			-		34,188	34,188	34,188	51
233,330		233,330	233,330			-	233,330	52
165,000		165,000	165,000			-	165,000	53
60,919		60,919	60,919			-	60,919	54
-		69,081	69,081		205,919	205,919	275,000	55
150,000		150,000	150,000			-	150,000	56
144,500		144,500	144,500			-	144,500	57
71,248		39,700	39,700		31,548	31,548	71,248	58
120,000		100,000	100,000		20,000	20,000	120,000	59
40,400			-		22,400	22,400	22,400	60



## Special Districts 2014-15 Capital Improvement Program Projects

Proj.	Location/ Address	Budget Book Group	Project Name-Description	CIP Log #	Fund	Proj #
61	CSA 70 J Oak Hills	Water Districts	Transfer of funds to reserve fund due to cancellation of pump motor installation	3039	CQS	3039
62	CSA 70 CG Cedar Glen	Water Districts	Transfer out of remaining fund to reserve fund due to completion of water system improvement project.	1Z15	CRD	1Z15
63	CSA 70 CG Cedar Glen	Water Districts	Transfer out of remaining fund to reserve fund due to completion of water system improvement project.	1Z16	CRL	1Z16
64	CSA 64 Spring Valley	Water Districts	Install pump motor	3041	CSJ	3041
65	CSA 42 Oro Grande	Water Districts	Land Acquisition / Design - the purchase of land and design	2066	EAV	2066
66	CSA 42 Oro Grande	Water Districts	Reservoir 2 (Design) - the design of reservoir 2	2067	EAV	2067
67	CSA 64 Spring Valley	Water Districts	Well #7 - design and site prep for a new well to comply with CA Dept of Health Requirements for water storage in the district	1Z37	EDB	1Z37
68	CSA 64 Spring Valley	Water Districts	Reservoir Site Preparation	1Z38	EDB	1Z38
69	CSA 64 Spring Valley	Water Districts	Transfer funds to reserve fund due to cancellation of pressure relief valve rehabilitation project.	2009	EDB	2009
70	CSA 64 Spring Valley	Water Districts	Transfer of remaining funds to reserve fund due to completion of Well #4 rehavilitation project	2010	EDB	2010
71	CSA 64 Spring Valley	Water Districts	Complete Design Phase of a reservoir to comply with CA Dept of Health requirements.	0	EDC	
72	CSA 70 W-3 Hacienda	Water Districts	Radio Read Meter - replace existing manual read meters with radio read meters for more efficient and accurate meter measurement	2056	EJQ	2056
73	CSA 70 W-3 Hacienda	Water Districts	Booster Replacement - replace aged booster stations	2059	EJQ	2059
74	CSA 70 W-3 Hacienda	Water Districts	Transfer funds to reserve fund due to cancellation of mainline valve insertion project.	350	EJQ	350
75	CSA 42 Oro Grande	Water Districts	Main Line Replacement - to replace existing water mainline	2081	ELR	2081
76	CSA 70 W-4 Pioneertown	Water Districts	Transfer of funds to reserve fund due to cancellation of manifold piping project.	360	END	360



Special Districts  
2014-15 Capital Improvement Program Projects

Total Project Cost	NEW PROJECTS/FUNDING			CARRYOVER			2014-15 Recommended Requirements	Proj.
	Discretionary General Funding	Department/ Other Funding	Total New Projects	Discretionary General Funding	Department/ Other Dept Funding	Total Carryover Balances		
58,331			-		58,331	58,331	58,331	61
			-		937	937	937	62
			-		1,280	1,280	1,280	63
87,150		87,150	87,150			-	87,150	64
110,500			-		110,500	110,500	110,500	65
107,000			-		107,000	107,000	107,000	66
251,820		251,820	251,820			-	251,820	67
250,000		250,000	250,000			-	250,000	68
132,900			-		132,900	132,900	132,900	69
40,000			-		15,739	15,739	15,739	70
1,944			-		1,944	1,944	1,944	71
50,000		50,000	50,000			-	50,000	72
30,390		1,004	1,004		29,386	29,386	30,390	73
350			-		500	500	500	74
79,980		79,986	79,986		(6)	(6)	79,980	75
50			-		50	50	50	76
20,642,463	-	5,220,364	5,220,364	-	14,855,057	14,855,057	20,075,421	0





**CSA 70 W1 Landers Water**
**ECS-345**
**Cost of Service**

	<b>FY12</b>	<b>FY13</b>	<b>FY14</b>	
	<b>Actual</b>	<b>Estimate</b>	<b>Projected</b>	<b>First run</b>
Services/Supplies	75,876	91,643	94,392	
Transfers/Indirect Costs	353,411	316,594	326,092	
Mitigation	0	0	0	
<b>Total Operating Costs</b>	<b>429,287</b>	<b>408,237</b>	<b>420,484</b>	
Debt Service	0	0	0	
Depreciation	0	143,800	135,000	Target goal is \$135,000 - 40% of op costs \$33,000 into replacement from taxes
<b>Total Requirements</b>	<b>429,287</b>	<b>552,037</b>	<b>555,484</b>	

Contingencies 337,519 190,451 114,395 Target is \$105,121 - 25% of Op Costs

**Revenues**

Water Sales/Services	188,310	201,957	259,704	0.286 increase
Meter Revenue	139,592	142,487	259,704	0.823 increase
Interest	1,058	1,007	1,076	
Other(Other Serv/Grants/etc.)	170,487	34,309	35,000	
<b>Total Revenue</b>	<b>499,447</b>	<b>379,760</b>	<b>555,484</b>	

**Beginning Fund Balance**
**FY15**

Operating Fund (ECS-345)	275,426	327,372	114,395	114,395
Replacement Reserve (EFQ-345)	489,892	446,454	734,454	
Expansion Reserve (EDY-345)	314,150	315,715	316,515	

\*Current valuation of system = \$1,255,499

# **CSA 70 W-1 Landers WATER**

## **Monthly Service Charge**

		#	\$259,704 50%		%				
Meter Size	Meters	Current	Proposed	Increase	Increase	HCF/min	Base Capacity Factor	New calculated proposed charge	
3/4"	409	\$24.59	\$43.63	77%	\$19.04	30	1	\$43.63	\$214,136.04
1"	49	\$35.66	\$72.72	104%	\$37.06	50	1.666667	\$72.72	\$42,757.40
1 1/2"	0	\$62.44	\$145.43	133%	\$82.99	100	3.333333	\$145.43	\$0.00
2"	1	\$91.42	\$232.69	155%	\$141.27	160	5.333333	\$232.69	\$2,792.32
3"	0	\$157.02	\$465.39	196%	\$308.37	320	10.66667	\$465.39	\$0.00
4"	0	\$241.32	\$727.17	201%	\$485.85	500	16.66667	\$727.17	\$0.00
6"	0	\$447.65	\$1,454.33	225%	\$1,006.68	1000	33.33333	\$1,454.33	\$0.00
8"	0	\$661.84	\$2,326.93	252%	\$1,665.09	1600	53.33333	\$2,326.93	\$0.00
	459					3760			\$259,685.76

**CSA 70 W-1**

From file CSA70W1 Tier Detail under usage folder

\$ 259,704.00

Tier 1	Tier 2	Tier 3	
18,032	13,349	2,463	2012 usage

\$ 7.08	\$ 8.14	\$ 9.36	Proposed
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\$ 127,666.56 \$ 108,687.56 \$ 23,061.81 \$ 259,415.93 Revenue

Base 15% over base 15% over tier 2

\$ 3.98	\$ 4.44	\$ 5.71	Current
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78%	83%	64%	Increase
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**CSA 70 W1 Landers Water**
**ECS-345**
**Cost of Service**
**FY13 FY14 FY15**
**Actual Estimate Projected**

1/6/2014

Services/Supplies	67,095	93,520	96,326
Transfers/Indirect Costs	315,594	173,557	196,857
Mitigation	0	0	0
<b>Total Operating Costs</b>	<b>382,689</b>	<b>267,077</b>	<b>293,183</b>

Debt Service	8,141	8,141	8,142
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Depreciation	0	180,000	117,273	Target goal is 40% of op costs
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<b>Total Requirements</b>	<b>382,689</b>	<b>447,077</b>	<b>418,598</b>
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Contingencies	96,951	55,211	96,665
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Target is 25% of Op Costs

**Revenues**

Water Sales/Services	155,446	127,437	166,077
Meter Revenue	200,457	245,094	235,050
Penalties	6,767	30,525	10,000
Interest	918	562	563
Use of fund balance		0	
Other(Other Serv/Grants/etc.)	9,020	7,419	7,419

Meter	0%
Usage	0%

<b>Total Revenue</b>	<b>372,608</b>	<b>411,037</b>	<b>419,109</b>
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**Beginning Fund Balance**

Operating Fund (ECS-345)	327,372	201,088	98,309
Replacement Reserve (EFQ-345)	446,454	540,279	458,506
Expansion Reserve (EDY-345)	315,715	316,744	318,294

\*Current valuation of system = \$1,255,499

CSA 70 W-1 Landers WATER													
<u>Monthly Service Charge</u>													
	#		\$195,309	50%			%		\$				
<u>Meter Size</u>	Meters		Current		Proposed		Increase		Increase	GPM	Base Capacity Factor	New calculated proposed charge	
3/4"	577		\$29.36		\$29.36		0%		\$0.00	30	1	\$29.36	\$203,288.64
1"	68		\$48.93		\$48.93		0%		\$0.00	50	1.666666667	\$48.93	\$39,926.88
1 1/2"	0		\$97.87		\$97.87		0%		\$0.00	100	3.333333333	\$97.87	\$0.00
2"	1		\$156.59		\$156.59		0%		\$0.00	160	5.333333333	\$156.59	\$1,879.08
3"	0		\$313.17		\$313.17		0%		\$0.00	320	10.66666667	\$313.17	\$0.00
4"	0		\$489.33		\$489.33		0%		\$0.00	500	16.66666667	\$489.33	\$0.00
6"	0		\$978.67		\$978.67		0%		\$0.00	1000	33.33333333	\$978.67	\$0.00
8"	0		\$1,565.87		\$1,565.87		0%		\$0.00	1600	53.33333333	\$1,565.87	\$0.00
	646									3760			\$245,094.60

**CSA 70 W-1**

From file CSA70W1 Tier Detail under usage folder

\$ 195,309.00

<b>Tier 1</b>	<b>Tier 2</b>	<b>Tier 3</b>	
18,038	13,368	1,063	2012 usage

\$	4.77	\$	5.49	\$	6.31	Proposed
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\$	86,041.26	\$	73,330.16	\$	6,705.75	\$	166,077.17	Revenue
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Base	15% over base	15% over tier 2
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\$	4.77	\$	5.49	\$	6.31	Current
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0%	0%	0% Increase
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## Water Districts Enterprise Funds - Consolidated

### DESCRIPTION OF MAJOR SERVICES

Special Districts Department provides for the management, funding, and maintenance of water distribution systems throughout unincorporated areas of the County Service Areas (CSA) and Improvement Zones. Sources include property taxes, service charges and user fees.

#### Budget at a Glance

Requirements Less Reimbursements*	\$9,947,857
Sources/Reimbursements	\$7,655,257
Net Budget**	(\$2,292,600)
Estimated Unrestricted Net Assets	\$2,292,600
Use of Unrestricted Net Assets	\$779,927
Total Staff	0

\*Includes Contingencies

**CSA 42 Oro Grande** was established by an act of the County of San Bernardino Board of Supervisors on December 27, 1965, and is located 5 miles northwest of Victorville. The water CSA provides funding for the operation and maintenance of water connections for 136 customers.

**CSA 64 Spring Valley Lake** was established by an act of the County of San Bernardino Board of Supervisors on December 30, 1968, to provide water services in the community of Spring Valley Lake. The water CSA provides funding for the operation and maintenance of water connections for 3,834 customers. The water CSA also maintains five wells, one booster station and three water tanks.

**CSA 70 CG Cedar Glen** was established by an act of the County of San Bernardino Board of Supervisors on July 12, 2005, to provide water service to the community of Cedar Glen. This water Improvement Zone serves approximately 332 customers.

**CSA 70 F Morongo Valley** was established by an act of the County of San Bernardino Board of Supervisors on September 20, 1971, to provide water service to the community of Morongo Valley. This water Improvement Zone maintains three wells, one booster station and a reservoir that stores 260,000 gallons of water for service to 84 customers.

**CSA 70 J Oak Hills** was established by an act of the County of San Bernardino Board of Supervisors on December 28, 1971, and is located 16 miles southwest of Victorville. The water Improvement Zone provides service to 3,191 customers. This water Improvement Zone also maintains four wells, five booster stations, nine water storage reservoirs and approximately 130 miles of water pipelines ranging from 6 inches to 16 inches in diameter.

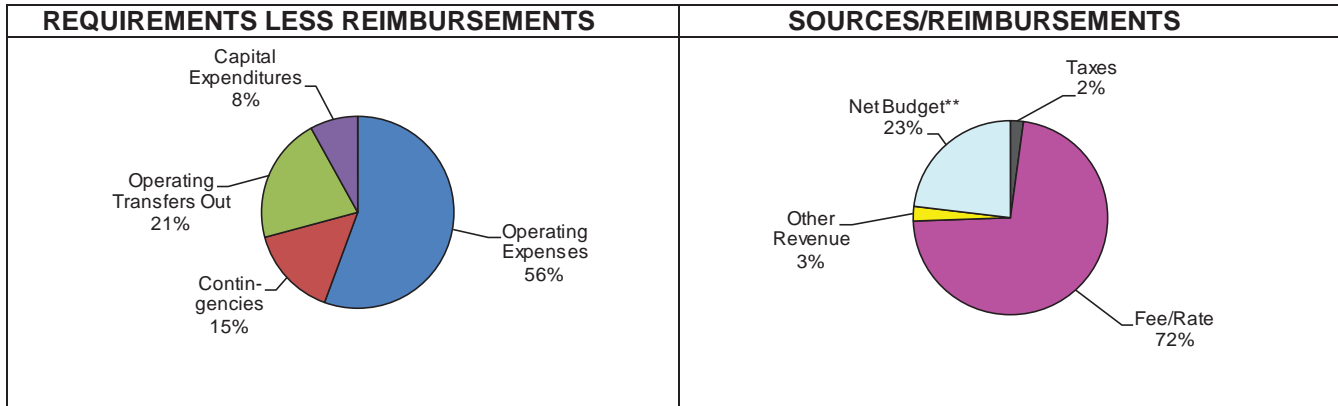
**CSA 70 W-1 Goat Mountain** was established by an act of the County of San Bernardino Board of Supervisors on November 5, 1973, and is located 10 miles north of Yucca Valley in the Landers area. The water Improvement Zone provides funding for the operation and maintenance of water connections for 646 customers. This water Improvement Zone also maintains three wells, two booster stations and 420,000 gallons of reservoir storage.

**CSA 70 W-3 Hacienda** was established by an act of the County of San Bernardino Board of Supervisors on December 6, 1976, and is located 10 miles north of Yucca Valley. The water Improvement Zone provides funding for the operation and maintenance of water connections for 167 customers. This water Improvement Zone also maintains two wells, four booster stations and 110,000 gallons of reservoir storage.

**CSA 70 W-4 Pioneertown** was established by an act of the County of San Bernardino Board of Supervisors on January 14, 1980, and is located five miles northwest of Yucca Valley. The water Improvement Zone provides funding for the operation and maintenance of water connections for 120 customers. This water Improvement Zone also maintains six wells and 310,000 gallons of reservoir storage.

\*\* Net Budget reflects Total Sources less Total Requirements for Internal Service and Enterprise funds. When Net Budget is negative, it means that the department will be using assets that have been carried over from the prior year.





### ANALYSIS OF 2014-15 RECOMMENDED BUDGET

GROUP: Special Districts  
 DEPARTMENT: Special Districts  
 FUND: Water Districts - Consolidated

BUDGET UNIT: Various  
 FUNCTION: Operations  
 ACTIVITY: Water

	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Estimate	2013-14 Modified Budget	2014-15 Recommended Budget	Change From 2013-14 Modified Budget
<b>Requirements</b>							
Staffing Expenses	0	0	0	0	0	0	0
Operating Expenses	6,230,731	6,067,743	6,042,513	5,075,719	5,268,006	5,531,645	263,639
Capital Expenditures	1,086,119	124,312	26,725	3,458	309,000	798,499	489,499
Contingencies	0	0	0	0	1,213,538	1,512,673	299,135
Total Exp Authority	7,316,850	6,192,055	6,069,238	5,079,177	6,790,544	7,842,817	1,052,273
Reimbursements	(8,360)	7,513	0	0	0	0	0
Total Appropriation	7,308,490	6,199,568	6,069,238	5,079,177	6,790,544	7,842,817	1,052,273
Operating Transfers Out	2,152,781	736,773	1,420,003	4,042,187	4,122,038	2,105,040	(2,016,998)
Total Requirements	9,461,271	6,936,341	7,489,241	9,121,364	10,912,582	9,947,857	(964,725)
<b>Sources</b>							
Taxes	312,471	225,927	201,461	215,465	262,079	214,034	(48,045)
Realignment	0	0	0	0	0	0	0
State, Fed or Gov't Aid	4,799	225,219	4,524	4,495	4,682	4,495	(187)
Fee/Rate	5,639,455	5,905,130	6,750,128	7,271,588	6,603,955	7,165,126	561,171
Other Revenue	287,112	622,472	437,963	239,602	221,601	239,602	18,001
Total Revenue	6,243,837	6,978,748	7,394,076	7,731,150	7,092,317	7,623,257	530,940
Operating Transfers In	3,783,444	554,639	312,400	151,150	288,601	32,000	(256,601)
Total Sources	10,027,281	7,533,387	7,706,476	7,882,300	7,380,918	7,655,257	274,339
Net Budget*	566,010	597,046	217,235	(1,239,064)	(3,531,664)	(2,292,600)	1,239,064
Budgeted Staffing					0	0	0

\*\*Net Budget reflects Total Sources less Total Requirements for Internal Service and Enterprise funds. When Net Budget is negative, it means that the department will be using assets that have been carried over from the prior year.





**DETAIL OF 2014-15 RECOMMENDED BUDGET**

	2014-15			
	Requirements	Sources	Net Budget	Staffing
<b>Enterprise Funds</b>				
CSA 42 Oro Grande (Fund EAS)	260,075	247,100	(12,975)	0
CSA 64 Spring Valley Lake (Fund ECB)	3,712,404	2,894,871	(817,533)	0
CSA 70 CG Cedar Glen (Fund ELL)	834,364	586,177	(248,187)	0
CSA 70 F Morongo Valley (Fund EBY)	129,926	112,635	(17,291)	0
CSA 70 J Oak Hills (Fund ECA)	4,031,360	3,103,329	(928,031)	0
CSA 70 W-1 Goat Mountain (Fund ECS)	617,153	425,407	(191,746)	0
CSA 70 W-3 Hacienda (Fund ECY)	208,456	166,805	(41,651)	0
CSA 70 W-4 Pioneertown (Fund EDD)	154,119	118,933	(35,186)	0
Total Enterprise Funds	9,947,857	7,655,257	(2,292,600)	0

**CSA 42 Oro Grande** – Requirements of \$260,075 include operating and maintenance costs, transfers for allocated indirect operational cost reimbursements, operating transfers out to provide funding for the Chlorinator project, and contingencies. Sources of \$247,100 are primarily from user fees, connection fees, and service charges.

**CSA 64 Spring Valley Lake** – Requirements of \$3.7 million primarily include operating and maintenance costs; transfers for allocated indirect operational cost reimbursements; operating transfers out to fund various capital improvement projects including Service Line Replacement, a Meter Replacement project, the installation of a pump and motor, a Chlorinator project, and depreciation for future replacement projects; and contingencies. Sources of \$2.9 million are primarily from property taxes, user fees, and service charges.

**CSA 70 CG Cedar Glen** – Requirements of \$834,364 include operating and maintenance costs, transfers for allocated indirect operational cost reimbursements, operating transfers out to the replacement reserves for future projects, debt service, and contingencies. Sources of \$586,177 are primarily from user fees, service charges, and special assessments.

**CSA 70 F Morongo Valley** – Requirements of \$129,926 include operating expenses for water connection services, including operations and maintenance costs, transfers for allocated indirect cost reimbursements, other charges for loan payments consisting of a CSA Revolving Loan and a County loan payment; and contingencies. Sources of \$112,635 are primarily from user fees and service charges.

**CSA 70 J Oak Hills** – Requirements of \$4.0 million primarily include operating and maintenance costs; transfers for allocated indirect operational cost reimbursements; other charges for debt service; operating transfers out to provide funding for the Water Pipeline Replacement project, Booster Site 2 project, and the Well House project; and contingencies. Sources of \$3.1 million are primarily from user fees, service charges, and an operating transfer in from the expansion reserve fund to assist in the cost of debt service.

**CSA 70 W-1 Goat Mountain** – Requirements of \$617,153 primarily include: operating and maintenance costs; transfers for allocated indirect operational cost reimbursements; operating transfers out to provide funding for the Rehab Pressure Reducing Valve (PRV) Stations project, the Meter Replacement project, the Service Line Replacement project, and the Chlorinator project; and contingencies. Sources of \$425,407 are primarily from user fees and service charges.

**CSA 70 W-3 Hacienda** – Requirements of \$208,456 include operating and maintenance costs, transfers for allocated indirect operational cost reimbursements, operating transfers out to provide funding for the Meter Replacement project, and contingencies. Sources of \$166,805 are primarily from user fees and service charges.



**CSA 70 W-4 Pioneertown** – Requirements of \$154,119 primarily includes operating and maintenance costs, transfers for allocated indirect operational cost reimbursements, operating transfers out to the replacement reserves for future capital improvement projects, and contingencies. Sources of \$118,933 are primarily from user fees and service charges.

### **BUDGET CHANGES AND OPERATIONAL IMPACT**

Requirements are decreasing by \$964,725. Major changes in requirements include an increase in operating expenses of \$263,639 primarily due to an increase in the allocation of both direct and indirect costs for CSA 70 Countywide support and services and supplies; an increase in capital expenditures of \$489,499 due to an increase in programmed capital improvement projects, an increase in contingencies of \$299,135 as a result of prior year operations, and a decrease in operating transfers out of \$2.0 million as a result of replacement reserves now being used to fund projects instead of the operating funds.

Sources are increasing by \$274,339. Major changes in sources include an increase in fee/rate revenue of \$561,171 primarily due to increased user rates in some districts and a decrease in operating transfers in of \$256,601 due to capital projects being funded by replacement reserve funds rather than operations.

### **STAFFING CHANGES AND OPERATIONAL IMPACT**

There is no staffing associated with Water Districts.



## SPECIAL DISTRICTS DEPARTMENT 2014-15 RESERVES

DISTRICT TYPE				FUNDING SOURCES OPERATING TRANSFER				
DISTRICT NAME and PROJECT NAME	FUND DEPT	2014-15 REQUIREMENTS	FUND BALANCE	DISTRICT FUNDS	LOAN or GRANT	CDH	OTHER	
GENERAL DISTRICTS								
CSA 70 Countywide Special Districts								
Termination Benefits Reserve	SKW 105	2,539,022	2,527,022	12,000	0	0	0	
General Reserve	SKU 105	1,035,338	833,338	202,000	0	0	0	
General Reserve	CAN 105	4,649,366	4,649,366	0	0	0	0	
CSA Loan Fund	SKI 105	689,328	89,328	600,000	0	0	0	
North Etiwand Trust Reserve	VFG 547	1,620,065	1,610,065	10,000	0	0	0	
District Totals		10,533,119	9,709,119	824,000	0	0	0	
TOTAL FOR GENERAL RESERVES		10,533,119	9,709,119	824,000	0	0	0	
PARK DISTRICTS								
CSA70 P-17 Bloomington								
Reserve Fund	SML 216	10,087	10,087					
District Totals		10,087	10,087	0	0	0	0	
TOTAL FOR PARK RESERVES		10,087	10,087	0	0	0	0	
ROAD DISTRICTS								
RESERVES MAINTAINED IN DISTRICT OPERATIONS BUDGET								
SANITATION DISTRICTS								
CSA 42 Oro Grande								
Capital Replacement Reserve	EAW 310	312,836	189,975	122,861			0	
Capital Expansion Reserve	EAZ 310	8,754	8,754	0	0	0	0	
District Totals		321,590	198,729	122,861	0	0	0	
CSA 53 B Fawnskin								
Capital Replacement Reserve	EAE 365	1,190,187	1,074,187	116,000	0	0	0	
Capital Expansion Reserve	EAK 365	179,473	175,578	3,895	0	0	0	
District Totals		1,369,660	1,249,765	119,895	0	0	0	
CSA 64 Spring Valley Lake								
Capital Replacement Reserve	EBR 420	2,394,660	1,505,649	889,011	0	0	0	
Capital Expansion Reserve	EBU 420	1,159,537	1,140,649	18,888	0	0	0	
District Totals		3,554,197	2,646,298	907,899	0	0	0	
CSA 70 GH Glen Helen								
Capital Replacement Reserve	ELI 306	2,114,496	1,609,748	504,748	0	0	0	
District Totals		2,114,496	1,609,748	504,748	0	0	0	
CSA 70 S-3 Lytle Creek								
Capital Replacement Reserve	ECM 305	829,380	689,545	139,835	0	0	0	
Capital Expansion Reserve	EFN 305	184,539	184,139	400	0	0	0	
District Totals		1,013,919	873,684	140,235	0	0	0	
CSA 70 SP-2 High Country								
Capital Replacement Reserve	EFU 490	447,398	437,200	10,198	0	0	0	
Capital Expansion Reserve	EFX 490	325,732	324,832	900	0	0	0	
District Totals		773,130	762,032	11,098	0	0	0	
CSA 70 SP-7 Lenwood								
Capital Replacement Reserve	ECZ 315	369,727	369,727	0	0	0	0	
Capital Expansion Reserve	ECU 315	122,119	122,119	0	0	0	0	
District Totals		491,846	491,846	0	0	0	0	
CSA 79 Green Valley Lake								
Capital Replacement Reserve	EFS 485	832,082	615,965	216,117	0	0	0	
Capital Expansion Reserve	EJS 485	101,344	100,698	646	0	0	0	
District Totals		933,426	716,663	216,763	0	0	0	
CSA 82 Searles Valley								
Capital Replacement Reserve	EIG 495	523,047	421,579	101,468	0	0	0	
Capital Expansion Reserve	EGB 495	257,289	256,589	700	0	0	0	
District Totals		780,336	678,168	102,168	0	0	0	
TOTAL FOR SANITATION RESERVES		11,352,600	9,226,933	2,125,667	0	0	0	



## SPECIAL DISTRICTS DEPARTMENT 2014-15 RESERVES

DISTRICT TYPE				FUNDING SOURCES OPERATING TRANSFER				
DISTRICT NAME and PROJECT NAME		FUND DEPT	2014-15 REQUIREMENTS	FUND BALANCE	DISTRICT FUNDS	LOAN or GRANT	CDH	OTHER
STREETLIGHTS								
RESERVES MAINTAINED IN DISTRICT OPERATIONS BUDGET								
WATER DISTRICTS								
CSA 42 Oro Grande								
Capital Replacement Reserve	EAX	310	456,337	452,157	4,180	0	0	0
Capital Expansion Reserve	EAT	310	134,108	134,108	0	0	0	0
District Totals			590,445	586,265	4,180	0	0	0
CSA 64 Spring Valley Lake								
Capital Replacement Reserve	EIV	420	3,415,532	2,366,069	1,049,463	0	0	0
Capital Expansion Reserve	EBT	420	479,912	476,412	3,500	0	0	0
District Totals			3,895,444	2,842,481	1,052,963	0	0	0
CSA 70 CG Cedar Glen								
Capital Replacement Reserve	ELO	563	884,517	528,660	355,857	0	0	0
Capital Expansion Reserve	ELN	563	7,408	5,395	2,013	0	0	0
District Totals			891,925	534,055	357,870	0	0	0
CSA 70 F Morongo Valley								
Capital Replacement Reserve	EIO	135	193,481	146,474	47,007	0	0	0
Capital Expansion Reserve	EBX	135	141,023	140,523	500	0	0	0
District Totals			334,504	286,997	47,507	0	0	0
CSA 70 J Oak Hills								
Capital Replacement Reserve	EFO	165	2,968,696	2,159,627	809,069	0	0	0
Capital Expansion Reserve	EFG	165	3,091,837	3,057,837	34,000	0	0	0
Rate Stabilization Fund	EFZ	165	2,151,967	2,150,767	1,200	0	0	0
District Totals			8,212,500	7,368,231	844,269	0	0	0
CSA 70 W-1 Goat Mountain								
Capital Replacement Reserve	EFQ	345	358,764	227,316	131,448	0	0	0
Capital Expansion Reserve	EDY	345	319,263	318,263	1,000	0	0	0
District Totals			678,027	545,579	132,448	0	0	0
CSA 70 W-3 Hacienda								
Capital Replacement Reserve	EFT	350	233,697	205,872	27,825	0	0	0
Capital Expansion Reserve	ECW	350	13,721	13,571	150	0	0	0
District Totals			247,418	219,443	27,975	0	0	0
CSA 70 W-4 Pioneertown								
Capital Replacement Reserve	EFW	360	178,626	115,657	62,969	0	0	0
District Totals			178,626	115,657	62,969	0	0	0
TOTAL FOR WATER RESERVES			15,028,889	12,498,708	2,530,181	0	0	0
GRAND TOTAL FOR RESERVES			36,924,695	31,444,847	5,479,848	0	0	0

### 2014-15 RESERVES

The department's 2014-15 recommended reserves represent both operational and capital improvement projects/program reserves. Operational reserves include general reserves and contingencies as well as termination benefits. Capital improvement projects/program reserves include funding for future projects for both water and sanitation division for system replacement and expansion.



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**County Department of Special  
Districts Response to Application  
submitted by Bighorn and  
Questions of LAFCO Staff:**

- b. August 27, 2014 Response to DRC  
Request for Information**

**Attachment 4b**

# INTEROFFICE MEMO



DATE: August 27, 2014

PHONE: 387-5967

FROM: **JEFFREY O. RIGNEY**, Director  
Special Districts Department

MAIL CODE: 0450

TO: **KATHLEEN ROLLINGS-MCDONALD**  
Executive Officer  
Local Agency Formation Commission

RECEIVED  
SEP 02 2014

LAFCO

San Bernardino County

SUBJECT: REQUEST FOR INFORMATION - 3181

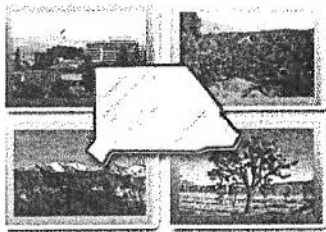
Attached is the information requested by LAFCo in its letter dated August 4, 2014 to the Special Districts Department. Specifically the following information was requested:

- **BUDGET INFORMATION** - Budgetary data and supporting documents for FY 2014-2015 and year-end unaudited documents for FY 2013-2014 for County Service Area 70 Zone W-1.
- **W-1 RATE STUDY** - A copy of the water rate study illustrating the projected rate increases within the W-1 service area.
- **MWA LOAN** - A copy of all documentations relating to the debt service obligation for the Morongo Basin pipeline referred to as the "MWA Loan."

Additionally, we were asked if the County is in support or in opposition of the proposal. The County has not taken a position either way and will rely on the LAFCo process to determine if the proposal is in the best interest of all affected.

Please contact me if you have any questions or require additional information.

Attachments



**LAFCO**

**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: [lafoo@lafco.sbcounty.gov](mailto:lafoo@lafco.sbcounty.gov)  
[www.sbcilafco.org](http://www.sbcilafco.org)

Established by the State of California  
to serve the Citizens, Cities, Special Districts  
and the County of San Bernardino

**COMMISSIONERS**

JIM BAGLEY  
Public Member

KIMBERLY COX, Vice Chair  
Special District

JAMES V. CURATALO, Chair  
Special District

ROBERT A. LOVINGOOD  
Board of Supervisors

LARRY McALLON  
City Member

JAMES RAMOS  
Board of Supervisors

DIANE WILLIAMS  
City Member

**ALTERNATES**

STEVEN FARRELL  
Special District

JANICE RUTHERFORD  
Board of Supervisors

SUNIL SETHI  
Public Member

ACQUANETTA WARREN  
City Member

**STAFF**

KATHLEEN ROLLINGS-McDONALD  
Executive Officer

SAMUEL MARTINEZ  
Assistant Executive Officer

MICHAEL TUERPE  
Project Manager

REBECCA LOWERY  
Clerk to the Commission

**LEGAL COUNSEL**

CLARK H. ALSOP

August 4, 2014

Jeff Rigney, Director  
San Bernardino County, Special Districts Department  
157 West 5<sup>th</sup> Street, 2<sup>nd</sup> Floor  
San Bernardino, CA 92415-0450

Dear Mr. Rigney:

During the July 30, 2014 Departmental Review Committee for LAFCO 3181, your interoffice memo dated July 25, 2014 was discussed with the applicant, affected parties and Michael Wildes, Principal Budget Officer representing the Special Districts Department. After review of the information provided, it was determined that several items must be submitted by the Special Districts Department to move forward with the LAFCO process.

The following items are required:

1. **Budget Information** – Budgetary data and supporting documents for FY 2014-2015 and year-end unaudited documents for FY 2013-2014 for County Service Area 70 Zone W-1 ("W-1").
2. **W-1 Rate Study** – A copy of the water rate study illustrating the projected rate increases within the W-1 service area.
3. **MWA Loan** – A copy of all documentations relating to the debt service obligation for the Morongo Basin pipeline referred to as the "MWA Loan."
4. **County's Position** – Please indicate whether the County is in support or in opposition of the proposal.

During our discussion, Michael Wildes indicated that this information was available and reiterated your current efforts with the County Executive Officer to provide an additional response letter. We look forward to the additional information, including the requested data listed above.

No tentative date for Commission consideration for this proposal has been scheduled. However, the materials requested and additional information identified in this letter is requested to be provided no later than September 8, 2014.

If you have any questions on this correspondence, please do not hesitate to contact me at the address listed above or by email at [kmcdonald@lafco.sbcounty.gov](mailto:kmcdonald@lafco.sbcounty.gov).

Sincerely,

Kathleen Rollings-McDonald  
Executive Officer

cc: Michael Wildes, Principal Budget Officer, Special Districts Dept.



## BUDGET

Special Revenue Summary

Appr Unit	Description	2013 Actual	2014 Adopted	2014 Q2 Budget	2014 Q4 Budget	2014 Estimated	2014 Actual	2015 Requested	2015 Recommended	2015 Adopted	Change
<b>APPROPRIATION</b>											
<b>Staffing Expenses</b>											
100	Salaries And Benefits	0	0	0	0	0	0	0	0	0	0
140	Earned Leave	0	0	0	0	0	0	0	0	0	0
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Operating Expenses</b>											
200	Services And Supplies	67,095	96,124	96,124	96,124	72,583	0	87,892	87,892	87,892	-8,232
241	Central Services	0	0	0	0	0	0	0	0	0	0
294	Travel and Related Costs	0	0	0	0	0	0	0	0	0	0
300	Other Charges	8,141	0	0	8,500	8,141	0	8,200	8,200	8,200	-300
540	Transfers	316,594	153,988	173,557	173,557	173,557	0	191,848	191,848	191,848	18,291
	<b>Subtotal</b>	<b>391,830</b>	<b>250,112</b>	<b>269,681</b>	<b>278,181</b>	<b>254,281</b>	<b>0</b>	<b>287,940</b>	<b>287,940</b>	<b>287,940</b>	<b>9,759</b>
<b>Capital Expenditures</b>											
400	Land	0	0	0	0	0	0	0	0	0	0
410	Improvements To Land	439	72,500	72,500	72,500	0	0	172,500	172,500	172,500	100,000
420	Easements/Right of Ways	0	0	0	0	0	0	0	0	0	0
430	Struct & Improv To	0	0	0	0	0	0	0	0	0	0
440	Equipment	0	0	0	0	0	0	0	0	0	0
450	Vehicles	0	0	0	0	0	0	0	0	0	0
460	Lease	0	0	0	0	0	0	0	0	0	0
465	Lease	0	0	0	0	0	0	0	0	0	0
470	Lease Purchase-Vehicles	0	0	0	0	0	0	0	0	0	0
480	Construction In Progress	0	0	0	0	0	0	0	0	0	0
490	Capitalized Software	0	0	0	0	0	0	0	0	0	0
	<b>Subtotal</b>	<b>439</b>	<b>72,500</b>	<b>72,500</b>	<b>72,500</b>	<b>0</b>	<b>0</b>	<b>172,500</b>	<b>172,500</b>	<b>172,500</b>	<b>100,000</b>
<b>Reimbursements</b>											
541	Reimbursements	0	0	0	0	0	0	0	0	0	0
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Contingencies</b>											
600	Contingencies and	0	55,211	55,211	46,711	0	0	96,665	96,665	96,665	49,954
	<b>Subtotal</b>	<b>0</b>	<b>55,211</b>	<b>55,211</b>	<b>46,711</b>	<b>0</b>	<b>0</b>	<b>96,665</b>	<b>96,665</b>	<b>96,665</b>	<b>49,954</b>
	<b>TOTAL</b>	<b>392,268</b>	<b>377,823</b>	<b>397,392</b>	<b>397,392</b>	<b>254,281</b>	<b>0</b>	<b>557,105</b>	<b>557,105</b>	<b>557,105</b>	<b>159,713</b>

Special Revenue Summary

Appr Unit	Description	2013 Actual	2014 Adopted	2014 Q2 Budget	2014 Q4 Budget	2014 Estimated	2014 Actual	2015 Requested	2015 Recommended	2015 Adopted	Change
<b>Operating Transfers Out</b>											
530	Operating Transfers Out	112,000	207,982	188,413	188,413	180,000	0	60,048	60,048	60,048	-128,365
	<b>Subtotal</b>	<b>112,000</b>	<b>207,982</b>	<b>188,413</b>	<b>188,413</b>	<b>180,000</b>	<b>0</b>	<b>60,048</b>	<b>60,048</b>	<b>60,048</b>	<b>-128,365</b>
	<b>TOTAL REQUIREMENTS</b>	<b>504,268</b>	<b>585,805</b>	<b>585,805</b>	<b>585,805</b>	<b>434,281</b>	<b>0</b>	<b>617,153</b>	<b>617,153</b>	<b>617,153</b>	<b>31,348</b>
<b>REVENUE</b>											
<b>Taxes</b>											
00	Taxes	5,173	3,701	3,701	3,701	4,911	0	4,911	4,911	4,911	1,210
	<b>Subtotal</b>	<b>5,173</b>	<b>3,701</b>	<b>3,701</b>	<b>3,701</b>	<b>4,911</b>	<b>0</b>	<b>4,911</b>	<b>4,911</b>	<b>4,911</b>	<b>1,210</b>
<b>State/Federal/Other Govt</b>											
40	State Aid	0	0	0	0	0	0	0	0	0	0
50	Federal Aid	0	0	0	0	0	0	0	0	0	0
60	Other Governmental Aid	0	0	0	0	0	0	0	0	0	0
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fee/Rate</b>											
10	Licenses, Permits &	0	0	0	0	0	0	0	0	0	0
20	Fines, Forfeitures &	6,767	7,161	7,161	7,161	8,208	0	8,208	8,208	8,208	1,047
70	Charges For Current	355,903	365,499	365,499	365,499	403,826	0	404,294	404,294	404,294	38,795
	<b>Subtotal</b>	<b>362,670</b>	<b>372,660</b>	<b>372,660</b>	<b>372,660</b>	<b>412,034</b>	<b>0</b>	<b>412,502</b>	<b>412,502</b>	<b>412,502</b>	<b>39,842</b>
<b>Other Revenue</b>											
30	Rev From Use of	918	1,007	1,007	1,007	719	0	719	719	719	-288
80	Other Revenue	8,901	7,349	7,349	7,349	7,275	0	7,275	7,275	7,275	-74
90	Other Financing Sources	119	0	0	0	0	0	0	0	0	0
	<b>Subtotal</b>	<b>9,938</b>	<b>8,356</b>	<b>8,356</b>	<b>8,356</b>	<b>7,994</b>	<b>0</b>	<b>7,994</b>	<b>7,994</b>	<b>7,994</b>	<b>-362</b>
	<b>TOTAL REVENUE</b>	<b>377,782</b>	<b>384,717</b>	<b>384,717</b>	<b>384,717</b>	<b>424,939</b>	<b>0</b>	<b>425,407</b>	<b>425,407</b>	<b>425,407</b>	<b>40,690</b>
<b>Operating Transfers In</b>											
98	Operating Transfers In	0	0	0	0	0	0	0	0	0	0
	<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>TOTAL FINANCING</b>	<b>377,782</b>	<b>384,717</b>	<b>384,717</b>	<b>384,717</b>	<b>424,939</b>	<b>0</b>	<b>425,407</b>	<b>425,407</b>	<b>425,407</b>	<b>40,690</b>
	<b>FUND BALANCE</b>	<b>126,487</b>	<b>201,088</b>	<b>201,088</b>	<b>201,088</b>	<b>9,342</b>	<b>0</b>	<b>191,746</b>	<b>191,746</b>	<b>191,746</b>	<b>-9,342</b>
	<b>TARGET FUND</b>	<b>0</b>	<b>201,088</b>	<b>0</b>	<b>0</b>	<b>201,088</b>	<b>0</b>	<b>191,746</b>	<b>191,746</b>	<b>191,746</b>	<b>191,746</b>
	<b>FUND BALANCE</b>	<b>-126,487</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>191,746</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Special Revenue Summary

Appr Unit	Description	2013 Actual	2014 Adopted	2014 Q2 Budget	2014 Q4 Budget	2014 Estimated	2014 Actual	2015 Requested	2015 Recommended	2015 Adopted	Change
	Budgeted Staffing		0					0	0	0	0

**FEES**

CSA 70 W1 Landers Water	ECS-345		Cost of Service	
	FY13	FY14	FY15	1/6/2014
	Actual	Estimate	Projected	
Services/Supplies	67,095	93,520	96,326	
Transfers/Indirect Costs	315,594	173,557	196,857	
Mitigation	0	0	0	
Total Operating Costs	382,689	267,077	293,183	
Debt Service	8,141	8,141	8,142	
Depreciation	0	180,000	117,273	Target goal is 40% of op costs

Total Requirements	382,689	447,077	418,598
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Contingencies	96,951	55,211	96,665	Target is 25% of Op Costs
Water Sales/Services	155,446	127,437	166,077	
Meter Revenue	200,457	245,094	245,094	
Penalties	6,767	30,525	20,000	
Interest	918	562	563	
Use of fund balance		0	-20,555	
Other(Other Serv/Grants/etc.)	9,020	7,419	7,419	

Total Revenue	372,608	411,037	418,598
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Beginning Fund Balance			
Operating Fund (ECS-345)	327,372	201,088	98,309
Replacement Reserve (EFQ-345)	446,454	540,279	458,506
Expansion Reserve (EDY-345)	315,715	316,744	318,294

\*Current valuation of system = \$1,255,499

Meter	0%
Usage	0%

From file CSA70W1 Tier Detail under usage folder

From file CSA70W1 Tier Detail under usage folder

	Tier 1	Tier 2	Tier 3		
	18,038	13,368	1,063	2012 usage	
\$	4.77	\$ 5.49	\$ 6.31	Proposed	
\$	86,041.26	\$ 73,330.16	\$ 6,705.75		Revenue
Base	15% over base	15% over tier 2			
\$	4.77	\$ 5.49	\$ 6.31	Current	
	0%	0%	0%	Increase	





## CSA 70 W-1 Landers Meter Revenue

### 2012

Size	Number	Cost/Month	Annual Revenue
3/4	414	\$ 23.87	\$ 118,586.16
1	48	\$ 34.62	\$ 19,941.12
1 1/2	0	\$ 60.62	\$ -
2	1	\$ 88.76	\$ 1,065.12
3	0	\$ 152.45	\$ -
4	0	\$ 234.29	\$ -
6	0	\$ 434.61	\$ -
8	0	\$ 642.56	\$ -
Total	463		\$ 139,592.40

### 2013

Size	Number	Cost/Month	Annual Revenue
3/4	577	\$ 24.59	\$ 170,261.16
1	68	\$ 35.66	\$ 29,098.56
1 1/2	0	\$ 62.44	\$ -
2	1	\$ 91.42	\$ 1,097.04
3	0	\$ 157.02	\$ -
4	0	\$ 241.32	\$ -
6	0	\$ 447.65	\$ -
8	0	\$ 661.84	\$ -
Total	646		\$ 200,456.76

### 2014

Size	Number	Cost/Month	Annual Revenue
3/4	577	\$ 29.36	\$ 203,288.64
1	68	\$ 48.93	\$ 39,926.88
1 1/2	0	\$ 97.87	\$ -
2	1	\$ 156.59	\$ 1,879.08
3	0	\$ 313.17	\$ -
4	0	\$ 489.33	\$ -
6	0	\$ 978.67	\$ -
8	0	\$ 1,565.87	\$ -
Total	646		\$ 245,094.60

LOAN

**ID #**  
**Estimation of Assessed Values**  
**and**  
**Collection of Taxes and Participant Cost Share**

**Increase to tax rate**

Payment Dates	Principal	Coupon Rate	Interest	Debt Service	Principal Bal. Outstanding	Assessed Value (1)	Tax Roll (2)	Participant (2) Fiscal Year	Amount Collected (3)	Interest Income	Acct Int./Collect Fee	Reserve Changes	Reserve Tax Rate Balance	Amount of Reserve in Excess (Deficiency) of 9/1 Pmt
09/01/05														
03/01/07	1,510,000	5.00%	870,625.00	870,625.00	34,825,000	2,242,278,274	24.0%	812,689	98%	3,150,580	37,833	86,968	2,200,900	3,522,508
03/01/08	1,565,000	5.00%	832,875.00	3,213,500.00	33,315,000	2,573,457,175	15.0%	795,561	25%	3,211,250	45,192	17,900	25,061	3,547,590
03/01/09	1,566,000	5.00%	793,250.00	3,241,125.00	31,730,000	2,775,758,480	7.6%	813,313	25%	3,244,568	8,192	11,001	30,634	3,578,224
03/01/10	1,750,000	5.00%	731,625.00	3,209,875.00	30,065,000	2,550,749,524	8.1%	813,938	25%	3,029,328	5,010	(165,597)	3,302,667	3,302,667
03/01/11	1,840,000	5.00%	707,875.00	3,209,500.00	28,315,000	2,375,011,808	6.9%	812,188	25%	2,811,116	133	6,265	(404,536)	2,998,130
03/01/12	1,925,000	5.00%	661,875.00	3,209,750.00	26,475,000	2,428,476,066	2.3%	813,125	25%	2,825,495	59,763	28,173	(352,695)	2,635,466
03/01/13	2,025,000	5.00%	613,750.00	3,200,625.00	24,550,000	2,477,045,587	2.0%	814,063	25%	3,291,108	79,054	24,679	134,868	2,770,334
03/01/14	2,130,000	5.00%	563,125.00	3,201,875.00	22,525,000	2,526,566,499	2.0%	813,583	25%	3,340,274	83,110	35,372	186,137	2,955,471
03/01/15	2,235,000	5.00%	509,875.00	3,203,000.00	20,395,000	2,507,384,094	3.0%	813,253	25%	3,285,515	118,259	34,612	166,162	3,122,633
03/01/16	2,345,000	5.00%	454,000.00	3,199,875.00	18,160,000	2,690,455,617	3.0%	814,688	25%	3,091,075	124,905	31,897	(14,792)	3,107,841
03/01/17	2,460,000	5.00%	395,375.00	3,194,375.00	15,815,000	2,760,869,285	3.0%	814,438	25%	3,161,176	124,314	32,954	58,261	3,186,101
03/01/18	2,590,000	5.00%	333,875.00	3,189,250.00	13,355,000	2,843,695,384	3.0%	813,313	25%	3,230,454	126,644	33,840	134,008	3,300,109
03/01/19	2,715,000	5.00%	269,125.00	3,193,000.00	10,765,000	2,923,005,225	3.0%	814,375	25%	3,304,030	132,004	34,855	208,179	3,508,288
03/01/20	2,835,000	5.00%	201,250.00	3,185,375.00	8,050,000	3,018,876,412	3.0%	814,938	25%	3,077,595	140,332	31,677	874	3,509,162
03/01/21	3,000,000	5.00%	129,875.00	3,186,125.00	5,195,000	3,107,382,704	3.0%	576,188	18%	2,906,725	140,366	32,628	(171,681)	3,337,501
03/01/22	2,195,000	5.00%	54,875.00	3,184,750.00	2,195,000	3,200,604,185	3.0%	349,812	11%	2,013,928	133,500	23,300	(1,060,624)	2,276,977
09/01/22	34,825,000		16,286,500	\$ 51,111,500.00				349,812	0%			(2,349,875)	27,002	27,002
					Total from 9/1/2006 to 9/1/2022		\$36,679,991	75%	\$ 12,294,364					
														\$ 48,974,355

Participant	Dollars	Pct
Hi-Desert Water District	\$480,297	59.0%
Joshua Basin Water District	\$219,797	27.0%
Big Horn Desert-Veiv Water District	\$73,266	9.0%
Mojave Water Agency	\$32,562	4.0%
County of San Bernardino	\$8,141	1.0%
<b>Totals</b>	<b>\$814,063</b>	<b>100.0%</b>

- (1) The assessed values are estimates in future years only. Adjustments to the tax rates and the participant cost share may vary based on the actual assessed values and the Reserve Balance.
- (2) For purposes of this forecast, it is assumed that the participating agencies and the tax payers will see reductions in the rates proportionately in future years.
- (3) The amount collected does not take into account delinquent payments, however, the reserve amount plus prior year collection has been sufficient to cover current year delinquencies.
- (4) Estimates only. Actual amounts may vary in the future, depending upon the actual assessed valuation.

# COUNTY SERVICE AREA 70 - NO. W-1

1979 Bonds Series A - \$750M Dated 6/20/79  
 Bonds 790M " 10/17/79

COLUMN WRITE @	1	2	3	4	5	
	MATY	BAL. BEFORE	PRINCIPAL	INT DUE	TOTAL	INT DUE
	YR.	MATY	DUE 6/1	ON 6/1	PR. + INT	12/1
			YRLY		6/1	
1	1980	1,540,000	—	6011370	6011370	38500
2	81	1,540,000	10,000	38500	48500	39250
3	82	1,530,000	15	38250	53250	37875
4	83	1,515,000	15	37875	52875	37500
5	84	1,500,000	15	37500	52500	37125
6	85	1,485,000	15	37125	52125	36750
7	86	1,470,000	15	36750	51750	36375
8	87	1,455,000	15	36375	51375	36000
9	88	1,440,000	20	36000	56000	35500
10	89	1,420,000	20	35500	55500	35000
11	90	1,400,000	20	35000	55000	34600
12	91	1,380,000	20	34500	54500	34000
13	92	1,360,000	20	34000	54000	33500
14	93	1,340,000	25	33500	58500	32875
15	94	1,315,000	25	32875	57875	32250
16	95	1,290,000	25	32250	57250	31625
17	96	1,265,000	25	31625	56625	31000
18	97	1,240,000	30	31000	61000	30250
19	98	1,210,000	30	30250	60250	29500
20	99	1,180,000	30	29500	59500	28750
21	2000	1,150,000	35	28750	63750	27875
22	01	1,115,000	35	27875	62875	27000
23	02	1,080,000	30	27000	62000	26125
24	03	1,045,000	40	26125	66125	25125
25	04	1,005,000	40	25125	65125	24125
26	05	965,000	45	24125	69125	23000
27	06	920,000	45	23000	68000	21875
28	07	875,000	50	21875	71875	20625
29	08	825,000	50	20625	70625	19375
30	09	775,000	55	19375	74375	18000
31	10	720,000	55	18000	73000	16625
32	11	665,000	60	16625	76625	15125
33	12	605,000	65	15125	80125	13500
34	13	540,000	65	13500	78500	11875
35	14	475,000	70	11875	81875	10125
36	15	405,000	70	10125	80125	8375
37	16	335,000	75	8375	83375	6500
38	17	260,000	80	6500	86500	4500
39	18	180,000	85	4500	89500	2375

AGREEMENT FOR CONSTRUCTION, OPERATION AND FINANCING  
OF THE MORONGO BASIN PIPELINE PROJECT

Dated as of March 15, 1991

By and Between

MOJAVE WATER AGENCY

and

COUNTY OF SAN BERNARDINO  
With Respect To  
COUNTY SERVICE AREA NO. 70,  
IMPROVEMENT ZONE W-1 and  
IMPROVEMENT ZONE W-4

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Table II.	Schedule of Fixed O&M Costs by Project Reach



AGREEMENT FOR CONSTRUCTION, OPERATION  
AND FINANCING OF THE MORONGO BASIN PIPELINE PROJECT

This Agreement, dated as of March 15, 1991, by and between the Mojave Water Agency (the "Agency"), a body politic and corporate created pursuant to the Mojave Water Agency Law, California Water Code Appendix Section 97-1 et seq. and County of San Bernardino with respect to County Service Area No. 70, Improvement Zone W-1 and Improvement Zone W-4 (the "Project Participant"), established pursuant to Government Code Section 25210 and following.

WITNESSETH:

WHEREAS, the Agency proposes to acquire and construct or cause to be acquired and constructed and to operate or cause to be operated the Project (capitalized terms used herein and not otherwise defined shall have the meanings set forth below); and

WHEREAS, on June 5, 1990, the voters in Improvement District M (defined below) within the Agency authorized the Agency to issue \$66,500,000 aggregate principal amount of general obligation bonds to finance the acquisition and construction of the Project; and

WHEREAS, the Agency and the Project Participant are each public agencies within the meaning of the Joint Exercise of Powers Act (the "Joint Exercise of Powers Act"), commencing with California Government Code Section 6500; and

WHEREAS, the Agency and the Project Participant are each empowered to construct water pipelines and to supply water under the provisions of California statutes applicable to each of them; and

WHEREAS, the Joint Exercise of Powers Act authorizes two or more public agencies to exercise any power common to them; and

WHEREAS, the Agency and the Project Participant now wish to enter into this Agreement to provide for the construction, operation and financing of the Project, the sale by the Agency to the Project Participant of the Project Participant's Project Allotment Percentage of Project Capacity and of the Project Participant's Project Allotment Percentage of the Agency's State Water Project Allotment;

NOW THEREFORE, the parties hereto do agree as follows:

Section 1. Definitions.

The following terms shall, for all purposes of this Agreement have the following meanings:

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

"Additional Water Purveyor" means any public district, agency or entity or private water company to which the Project Participant shall transfer ownership of all or any substantial portion of its Water System pursuant to Section 18 hereof or which shall be formed to serve areas within the Improvement District M not served by the Project Participants in accordance with Section 19 hereof.

"Authorized Representative" when used with respect to the Agency means the director and General Manager identified in Exhibit C hereof as a Commission member or alternate Commission member or any other officer or employee of the Agency authorized to perform the specific acts or duties to be performed by resolution duly adopted by the Agency, and when used with respect to the Project Participant means the director, officer or employee identified in Exhibit C hereof as a Commission member or alternate Commission member or any other officer or employee of the Project Participant authorized by resolution of the Project Participant to perform the specific acts or duties to be performed by the Project Participant.

"Bonds" means bonds, notes or other evidences of indebtedness of the Agency issued to finance or refinance the Project and includes additional Bonds to complete the Project.

"Bond Resolution" means the resolution or resolutions providing for the issuance of Bonds and the terms thereof.

"CEQA" means the California Environmental Quality Act, Public Resources Code Section 21000 et seq. and the guidelines promulgated thereunder.

"Commission" means the Morongo Basin Pipeline Commission consisting of two members from the Agency and one member from each Project Participant, together with alternate members for each of the Commission members.

"Contract Payments" means the Fixed Project Costs, Fixed O&M Costs and the Variable O&M Costs payable by the Project Participant hereunder together with the installment payments of interest and principal or lease payments scheduled

to be paid by the Project Participant under and pursuant to the Contracts and provided that the term Contract Payments shall include for any Fiscal Year, the sum of (1) the interest accruing during such Fiscal Year on all outstanding bonds of the Project Participant, assuming that all outstanding serial bonds are retired as scheduled and that all outstanding term bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of the sale of any bonds), (2) that portion of the principal amount of all outstanding serial bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the preceding twelve (12) calendar month period preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the Year preceding the first redemption date, as the case may be, and (4) that portion of the Contract Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year if such Contract Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Contract Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided further that, as to any such bonds or Contract Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be one hundred ten percent (110%) of the greater of (a) the daily average interest rate on such bonds or Contract Payments during the twelve (12) calendar months preceding the date of calculation (or the portion of the then current Fiscal Year that such bonds or the principal amount of such Contract Payments have borne interest) or (b) the most recent effective interest rate on such bonds or Contract Payments prior to the date of calculation; and provided further that, as to any such bonds or Contract Payments or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such bonds or Contract Payments or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the bonds and Contracts for which such debt service reserve fund was established and in each preceding Year until such amount is exhausted.

"Contracts" means this Agreement and all contracts, resolutions and indentures of the Project Participant authorized and executed by the Project Participant under and pursuant to the applicable laws of the State, the payments under which are secured by a pledge of and lien on the Net Water System Revenues and which are on a parity with the obligations of the Project Participant under this Agreement; provided that Contracts shall not include contracts, resolutions or indentures with respect to (i) assessment bonds of a Project Participant secured by and payable solely from assessments levied upon property within the Project Participant, (ii) special revenue bonds secured by and payable solely from special taxes levied upon property within the Project Participant, or (iii) general obligation bonds of a Project Participant secured by ad valorem property taxes.

"Debt Service" means, as of the date of calculation and with respect to each series of Bonds, an amount equal to the sum of (i) interest accruing during such period on Bonds of such series, except to the extent that such interest is to be paid from deposits made from Bond proceeds or the investment earnings thereon and (ii) that portion of each principal installment for such series of Bonds which would accrue during such period if such principal installment were deemed to accrue daily in equal amounts from the next preceding principal installment due date for such series (or, if there shall be no such preceding principal installment due date, from a date one Year preceding the date of such principal installment or from the date of issuance of the Bonds of such series, whichever date is later). Such interest and principal installments for such series shall be calculated on the assumption that no Bonds of such series outstanding at the date of calculation will cease to be outstanding except by reason of the payment of each principal installment on the due date thereof.

"Fiscal Agent" means the entity or entities designated by the Agency pursuant to any Bond Resolution to administer any funds or accounts required by such Bond Resolution or otherwise.

"Fiscal Year" means the twelve month period commencing at 12:01 a.m. on July 1 of each Year and ending at the time immediately preceding 12:01 a.m. on the following July 1.

"Fixed O&M Costs" means operation, maintenance, power, replacement and other costs incurred irrespective of the amount of water delivered to the Project Participants.



"Fixed Project Costs" means capital costs, including Debt Service, of the Project incurred irrespective of the amount of water delivered to the Project Participants.

"Independent Certified Public Accountant" means any firm of certified public accountants appointed by the Project Participant, and each of whom is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"Improvement District M" means Improvement District M of the Agency formed by Resolution No. 477-90 adopted by the Board of Directors on January 26, 1990, which Improvement District M is described in the map attached hereto as Exhibit F.

"Initial Operation Date" means the first date when the Project is available to provide transmission service, as shall be determined by the Board of Directors of the Agency in accordance with prudent utility practices.

"Maintenance and Operation Costs" means the reasonable and necessary costs spent or incurred by the Agency or the Project Participant, as the case may be, for maintaining and operating the Project or the Water System, respectively, calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Project or the Water System, respectively, in good repair and working order, and including administrative costs of the Agency or the Project Participant, respectively, salaries and wages of employees, payments to the Public Employees Retirement System (to the extent paid from moneys derived by the Agency with respect to the Project or Water System Revenues, respectively), overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the Agency or the Project Participant, respectively, or charges required to be paid by it to comply with the terms of the Bonds or of this Agreement, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Project or the Water System, which under generally accepted accounting principles are chargeable to a capital account or to a reserve for depreciation, and (iv) with respect to the Agency, charges for the payment or principal and interest on the Bonds and with respect to the Project Participant, charges for the payment of principal and

interest on any general obligation bond heretofore or hereafter issued for Water System purposes.

"Net Proceeds" means, when used with respect to any insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such proceeds.

"Net Water System Revenues" means, for any Fiscal Year, the Water System Revenues for such Fiscal Year less the Maintenance and Operation Costs of the Water System for such Fiscal Year.

"Project" means the Morongo Basin Pipeline Project which will provide water to the Improvement District M area of the Agency, including the following: (i) a turnout structure on the California Aqueduct; (ii) a pipeline from the turnout to the Improvement District M terminus with a minimum delivery capacity of 15 cubic feet per second; (iii) a booster pumping station in Johnson Valley; (iv) a terminal facility (which may include a reservoir of a minimum of five million gallons); (v) turnout and metering facilities in Improvement District M; and (vi) all other associated facilities, rights, properties and improvements appurtenant thereto as provided and necessary therefor. The Project may be amended by the Project Participant in accordance with Section 25 hereof by amendment of the definition of the term "Project" as set forth in this Agreement and each of the Project Agreements; provided that any such amendment shall not cause the Project to differ from the Project approved by the electorate which authorized the levy of ad valorem taxes to pay Debt Service on the Bonds.

"Project Agreement" or "Project Agreements" means each Agreement for Construction, Operation and Financing of the Morongo Basin Pipeline Project by and between the Agency and each Project Participant, as the same may be amended or supplemented from time to time.

"Project Allotment" means the maximum amount of water a Project Participant may request which is determined by multiplication of such Project Participant's Project Allotment Percentage by the amount which is determined in accordance with Section 4(b) hereof.

"Project Allotment Percentage" means, with respect to the Project Participant, the percentage set forth opposite the name of the Project Participant in Exhibit A hereto as such Project Allotment Percentage may be revised pursuant to Section 17, 18 and 19 hereof.

"Project Capacity" means the transmission delivery capacity of the Project which, as of the date hereof is estimated to be 10,900 acre feet annually, which capacity shall be determined upon the date of the Initial Operation Date of the Project.

"Project Participants" means those entities listed in Part I of Appendix A hereto executing Project Agreements with the Agency, together in each case with their respective successors or assigns together with any Additional Water Purveyors.

"Proportional Use of Facilities Method of Cost Allocation" means an allocation based on the ratio of Project Capacity provided in the Reach for the transport and delivery of water to the Project Participant to the total Project Capacity provided in the Reach for the transport and delivery of water to all Project Participants served from or through the Reach as more specifically set forth in Section 13(d) hereof.

"Prudent Utility Practice" means those practices, methods and procedures, so modified from time to time, that are currently and commonly used by water utilities to design, engineer, select, construct, operate, and maintain water facilities and equipment dependably, reliably, safely, efficiently, and economically, with due regard to the state of the art in the water utility industry.

"Reaches" means the segments of the Project from which Project Participants receive water which will be determined in accordance with Section 10(a) hereof.

"Report" means a written report signed by an Authorized Representative of the Project Participant setting forth the amount of water desired by the Project Participant during each month of the succeeding six Years.

"Request" means with respect to the Project Participant, a written certificate of an Authorized Representative of the Project Participant specifying the portion of the Project Participant's Project Allotment Percentage of the Agency's State Water Project Allotment which the Project Participant requests be delivered by the Agency to the Project Participant in each month of a Year in accordance with Section 4(b) hereof.

"Revenues" means all income, rents, rates, fees, charges, and other moneys derived by the Project Participant after the date of execution of this Agreement from the ownership or operation of its Water System, including, without

limiting the generality of the foregoing, (i) all income, rents, rates, fees, charges or other moneys derived from the sale, furnishing, and supplying of water and other services, facilities, and commodities sold, furnished, or supplied through the facilities of its Water System, (ii) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to law to its Water System and (iii) the proceeds derived by the Project Participant directly or indirectly from the sale, lease or other disposition of all or a part of the Water System as permitted hereby, but the term "Revenues" shall not include (v) customers' deposits or any other deposits subject to refund until such deposits have become the property of the Project Participant, (w) contributions from customers for the payment of costs of construction of facilities to serve them, (x) moneys held in self-insurance funds, which self-insurance funds are in the amounts and manner usually maintained in connection with water systems similar to the Water System and as are, in the opinion of an accredited actuary, actuarially sound, (y) reserves, taxes or assessments specifically pledged to the payment of debt service with respect to notes, bonds or other obligations of the Project Participant and which reserves, taxes or assessments are not available for any other purposes of the Project Participant or (z) amounts required to be paid into reserves or reserve funds with respect to notes, bonds or other obligations of the Project Participant existing prior to March 15, 1991 which are identified in Table I hereto, and which reserves or reserve funds are not available for any other purpose of the Project Participant.

"State" means the State of California, including applicable departments and agencies thereof.

"State Water Project" means those portions of the State Water Resources Development System (as defined in Section 12931 of the California Water Code) which provide water to the Agency pursuant to the State Water Supply Contract.

"State Water Project Allotment" means the amount of water which the Agency is entitled to receive during the applicable period under the State Water Supply Contract.

"State Water Resources Control Board" means the Water Resources Control Board of the State of California, and any successor thereto.

"State Water Supply Contract" means the Water Supply Contract between the State of California Department of Water Resources and the Agency executed as of June 22, 1963 as the



same has been amended and supplemented in accordance with its terms to the date hereof, and as the same may hereafter be amended and supplemented.

"Variable O & M Costs" means the operation, maintenance, power, replacement and other costs incurred in an amount which is dependant upon and varies with the amount of water delivered to the Project Participant.

"Water Service" means the water distribution service made available or provided by the Water System.

"Water System" means all properties and assets, real and personal, tangible and intangible, of the Project Participant now or hereafter existing, used or pertaining to the acquisition, transmission, distribution and sale of water, including all additions, extensions, expansions, improvements and betterments thereto and equipment relating thereto [and in the case of the County of San Bernardino shall be limited to properties and assets relating to the Water System in County Service Area No. 70, Improvement Zone W-1 or in County Service Area No. 70, Improvement Zone W-4, as the case may be]; provided, however, that to the extent the Project Participant is not the sole owner of an asset or property or to the extent that an asset or property is used in part for the above described water purposes, only the Project Participant's ownership interest in such asset or property or only the part of the asset or property so used for water purposes shall be considered to be part of the Water System.

"Year" means the twelve-month period from January 1, through December 31, both dates inclusive.

"Year of Initial Water Delivery" means the Year when Project water will first be available for delivery to a Project Participant pursuant to its contract with the Agency.

## Section 2. Purpose.

The purpose of this Agreement is to sell and deliver water available to the Agency pursuant to the State Water Supply Contract to the Project Participant, to sell Project Capacity available from the Project to the Project Participant, to sell Project Allotment and Project Capacity among the Project Participants, to provide the terms and conditions of such delivery and sale and to provide for a portion of the financing of the Project; provided that the rights to water available to the Agency pursuant to the State Water Supply Contract are subject to the terms of the State Water Supply Contract which includes the limitation that such supply of water is interruptible in accordance with the State Water Supply Contract; and provided further, that no provision

of this Agreement shall preclude the Agency from the exercise of its powers to develop and implement management and master plans and all deliveries of water will be consistent with the Agency's water service policy.

### Section 3. Construction and Operation.

The Agency will use its best efforts to cause or accomplish the construction, operation and financing of the Project, the obtaining of all necessary authority and rights, and the performance of all things necessary and convenient therefor. Upon completion of the Project, the Agency may contract with any public agency or private company for the operation and maintenance of the Project or any Reach thereof; provided that execution of such contract shall not affect the exclusion of interest on Bonds issued by the Agency from gross income for federal income tax purposes. The Project Participant will cooperate with the Agency to that end, and will give any and all clarifying assurances by supplemental agreements that may be reasonably necessary in the opinion of the Agency's legal counsel to make the obligations herein more specific and to satisfy legal requirements and provide security for the Bonds.

The Agency may pledge and assign to any Fiscal Agent for any Bonds, all or any portion of the payments received hereunder from the Project Participant and its other rights and interests under this contract. Such pledge and assignment by the Agency shall be made effective for such time as the Agency shall determine and provide and the Fiscal Agent shall have the power to enforce this Agreement in the event of a default by the Agency under a Bond Resolution.

### Section 4. Delivery of Water From the State Water Project.

(a) Request by Project Participant. Pursuant to the terms of this Agreement, the Agency shall provide to the Project Participant, and the Project Participant shall take, or cause to be taken, the portion of such Project Participant's Project Allotment Percentage of the Agency's State Water Project Allotment as set forth in a Request of the Project Participant; provided, however, that the Agency's obligation to provide State Water Project water to the Project Participant shall be subject to the terms and conditions of the Agency's State Water Supply Contract and the Agency makes no representations to the Project Participant with respect to the quality of water delivered to the Agency pursuant to the State Water Supply Contract.

(b) Maximum Project Allotment. Under the State Water Supply Contract, the Agency is entitled to a

maximum annual State Water Project Allotment of 50,800 acre-feet and pursuant to the terms of this Agreement, the Agency shall make available to the Project Participant its Project Allotment Percentage of the one-seventh of the portion of such State Water Project Allotment to which the Agency is entitled under the State Water Supply Contract, subject to the availability of water and the interruption of water supply by the State in accordance with the State Water Supply Contract. In addition, so long as the Agency shall have its portion of the State Water Project Allotment for which it has not entered into contractual commitments with other water purveyors or has not otherwise committed water from its State Water Project Allotment for use, the Agency shall make such surplus portion of the State Water Project Allotment available to the Project Participants, in the same proportions as the respective Project Allotment Percentages. The Project Participant may specify in its Request that it desires additional water from the State Water Project, subject to Project Capacity. In the event the State Water Supply Contract is amended to increase the State Water Project Allotment of the Agency, the obligations of the parties hereto shall be based upon a maximum annual State Water Project Allotment of 50,800 acre-feet. If pursuant to an amendment to the State Water Supply Contract, the Agency has a maximum annual State Water Project Allotment of more than 50,800 acre-feet and if the Agency has not entered into contractual commitments with other water purveyors or has not otherwise committed water from its State Water Project Allotment for use, upon request of a Project Participant, the Agency may deliver additional water to the Project Participant, subject to Project Capability.

(c) Points of Delivery. The Agency will remain available to do all things necessary and possible to deliver or cause to be delivered to or for the Project Participant, in accordance with its Project Allotment Percentage and as specified in each Request, water received by the Agency from the State Water Project, subject to the ability of the Agency to receive water under the State Water Supply Contract. Such delivery shall be at a point along the Project mutually agreed upon by the Agency and the Project Participant. Such agreement shall not be unreasonably withheld by either the Agency or the Project Participant. The Agency will remain available to make or cause to be made all necessary and possible arrangements for transmission and delivery of such water in accordance with this Agreement.

(d) Procedure for Determining Water Delivery Schedule. The amounts, times and rates of deliver of water to the Project Participant during any Year shall be in accordance with a water deliver schedule for that Year, such schedule to be determined in the following manner:

(1) On or before the date which is six weeks prior to the date the Agency must submit water delivery schedules to the State under the State Water Supply Contract, the Project Participant shall submit in writing to the Agency a preliminary water delivery schedule (subject to the provisions of the State Water Supply Contract) indicating the amounts of water desired by the Project Participant during each month of the succeeding six (6) Years or such lesser or greater period as the Agency shall be required under the State Water Supply Contract to submit the Agency's preliminary water delivery schedule.

(2) Upon receipt of a preliminary schedule the Agency shall review it and, after consultation with the Project Participant, shall make such modifications in it as are necessary to insure that the amounts, times, and rates of delivery to the Project Participant will be consistent with the Agency's overall delivery ability pursuant to the State Water Supply Contract, considering the then current delivery schedules of all Project Participants. Each Year, within 15 business days following receipt by the Agency from the State of the water delivery schedule, which is expected to be received by December 1 of each Year, the Agency shall determine and furnish to the Project Participant the water delivery schedule for the next succeeding Year which shall show the amounts of water to be delivered to the Project Participant during each month of that Year.

(3) To the extent the Agency may amend its water delivery schedule with the State, a water delivery schedule may be amended by the Agency upon the Project Participant's written request. Proposed amendments shall be submitted by the Project Participant within a reasonable time before the desired change is to become effective, and shall be subject to review and modification by the Agency in like manner as the schedule itself.

(e) Limit on Peak Deliveries of Water. In no event shall the Agency contract to deliver to any Project Participant from the Project in any one month of any Year a total amount of water greater than such Project Participant's annual entitlement for that Year multiplied by the percentage of water which the Agency is authorized to receive in any one month of any Year under the State Water Supply Contract; provided that to the extent that in any one month other Project Participants shall request less than the applicable percentage of their annual entitlement for any Year, the Agency shall deliver on a pro rata basis a greater percentage of the annual entitlement to those Project Participants who shall Request such delivery in their water delivery schedule for such month; and provided further that the percentage



provided for above may be revised for a particular Project Participant after submission to the Agency of that Project Participant's Requests with respect to maximum monthly deliveries, such revisions being subject to approval by the Agency.

(f) Limit on Rate of Delivery to Project Participant. In no event shall the Agency be obligated to deliver water to the Project Participant through all delivery structures at a total combined instantaneous rate of flow exceeding the cubic feet per second which is determined upon the date of the Initial Operation Date of the Project which delivery rate is estimated to be as set forth in Exhibit A, except as this rate of flow may be revised by amendment of this section by mutual agreement of the Agency and the Project Participant.

(g) Delivery of Water Not Delivered in Accordance with Schedule. If in any Year the Agency, as a result of causes beyond its control, is unable to deliver any portion of the Project Participant's Project Allotment for such Year as provided for in the delivery schedule established for that Year, the Project Participant may elect to receive the amount of water which otherwise would have been delivered to it during such period at other times during the Year or succeeding Years, to the extent that such water is then available under the State Water Supply Contract and such election is consistent with the Agency's overall delivery ability, considering the then current delivery schedules of all Project Participants.

#### Section 5. Rates and Charges.

(a) Establishment of Rates and Charges. Commencing on June 1, 1991, the Agency shall fix charges to the Project Participant under this Agreement to produce revenues to the Agency from the Project equal to the amounts anticipated to be needed by the Agency to meet the costs of the Agency to provide the Project Participant's Project Allotment Percentage of Project Capacity and to deliver water to the Project Participant through the Project, including but not limited to (i) Fixed Project Costs, including Debt Service on Bonds, reserves for the payment of Debt Service on Bonds and other payments required under Bond Resolutions other than payments described in (ii) or (iii) below, (ii) Fixed O&M Costs of the Project, a reasonable reserve for contingencies, and all other Fixed O&M Costs of the Project, including costs for reservation of the Project Participant's portion of the Agency's State Water Project Allotment, at a cost per acre-foot established in accordance with Exhibit B hereto, and (iii) Variable O&M Costs of the Project for delivering State

Water Project water pursuant to Section 4(d) of this Agreement, including costs and expenses to the Agency under the State Water Supply Contract and water supply costs at a cost per acre-foot established in accordance with Exhibit B hereto; provided that the charges for Fixed Project Costs shall take into account the collection of property taxes as set forth in Section 5(b) hereof. The Agency shall fix charges to the Project Participant to produce revenues to the Agency from the Project to meet the costs described in (i) and (ii) above as set forth in Section 13 hereof and to meet the cost described in (iii) above based on Requests of the Project Participant for water and the amount of water received by the Agency from the State Water Project as set forth in Section 13 hereof. If the Agency delivers water to or for the Project Participant pursuant to Section 4(d) of this Agreement, the Agency shall fix charges to the Project Participant so as to pay the costs of such delivery without liability to any Project Participant for whom water is not so delivered by the Agency.

(b) Commencement of Payment Obligation.

Commencing July 1, 1991, and on June 1, of each Year thereafter, the Project Participant shall pay its Project Allotment Percentage of estimated Fixed Project Costs for the then current Fiscal Year in the case of the July 1, 1991 payment and for the Fiscal Year commencing the next July 1 with respect to the June 1, 1992 payment and each June 1 payment thereafter; provided that estimated Fixed Project Costs shall include an amount based on the amount of Debt Service on the Bonds which are payable in the next calendar Year so that the Agency shall have on deposit the portion of such Debt Service payable from amounts billed to the Project Participant when calculating the amount of the tax levy to be imposed for the current Fiscal Year in the case of the July 1, 1991 payment and for the Fiscal Year commencing the next July 1 with respect to the June 1, 1992 payment and each June 1 payment thereafter; provided further that (i) that the aggregate amount of Fixed Project Costs paid by all Project Participants shall not exceed \$1,400,000 on July 1, 1991, \$1,400,000 on June 1, 1992 and \$2,400,000 on June 1, 1993, (ii) that the Agency shall levy property taxes on property subject to tax in Improvement District M in Fiscal Years 1991-92, 1992-93 and 1993-94 in the amount by which Debt Service exceeds the amounts specified in clause (i) above so as to provide moneys sufficient to pay Debt Service on Bonds at the times and in the amounts that such payments are due, and (iii) commencing with Fiscal Year 1993-94 the Agency shall levy property taxes in the amount of forty percent (40%) of Debt Service on the Bonds and each Project Participant shall pay on the preceding June 1 (commencing June 1, 1994) its Project Allotment Percentage of estimated Fixed Project Costs,

including an amount equal to sixty percent (60%) of Debt Service on the Bonds.

(c) Insufficiency of Funds. Because the funds provided under Section 5(a) and 5(b) of this Agreement are based on estimates if such funds are not sufficient for such purposes, the Project Participant shall pay to the Agency an amount equal to such Project Participant's share of the total cost to pay Fixed Project Costs, including Debt Service, reserves for the payment of Debt Service and other payments required under the Bond Resolutions and all other payments required to be made by the Agency relating to the Project under the State Water Supply Contract in the proportions established in accordance with Section 13 hereof. The obligation of this Section 5(c) is incurred by the Project Participant for the benefit of future owners of Bonds, and shall commence and continue to exist and be honored by Project Participant whether or not water is furnished to it from the Project at all times or at all (which provision may be characterized as an obligation to pay all costs on a take-or-pay basis whether or not water is delivered or provided and whether or not the Project is completed or is operable.)

(d) Source of Payments. The Project Participant shall make payments under this Agreement solely from the Revenues of, and as an operating expense of its Water System or other lawfully available funds. Nothing herein shall be construed as prohibiting the Project Participant from using any other funds and revenues for purposes of satisfying any provisions of this Agreement.

(e) Obligation Is Not Subject To Reduction. The Project Participant shall make payments under this Agreement whether or not the Project is completed, operable, operated or retired and notwithstanding the suspension, interruption, interference, reduction or curtailment of operation of the Project or of the Project Capacity or of water contracted for in whole or in part for any reason whatsoever. Such payments are not subject to any reduction, whether offset or otherwise, and are not conditioned upon performance by the Agency or any other Project Participant under this Agreement or any other agreement.

(f) Several Obligation. The Project Participant shall not be liable under this Agreement for the obligations of any other Project Participant. The Project Participant shall be solely responsible and liable for performance of its obligations under this Agreement, including the obligation pursuant to Section 16(d) hereof, and for the maintenance and operation of its respective properties not

included as part of the Project. The obligation of the Project Participant to make payments under this Agreement is a several obligation and not a joint obligation with those of the other Project Participants.

#### Section 6. Measurement of Water Delivered.

The Agency shall measure, or cause to be measured, all water delivered to the Project Participant and shall keep and maintain accurate and complete records thereof. For this purpose, the Agency shall install, operate, and maintain, or cause to be installed, operated and maintained, at all delivery structures for delivery of water to the Project Participant such measuring devices and equipment as are satisfactory and acceptable to both parties. Said devices and equipment shall be examined, tested, and serviced regularly to insure their accuracy. At any time or times, the Project Participant may inspect such measuring devices and equipment, and the measurements and records taken therefrom.

#### Section 7. Responsibilities for Delivery and Distribution of Water.

To the extent permitted by law, neither the Agency nor any of its officers, agents, or employees shall be liable for the control, carriage, handling, use, disposal, or distribution of water supplied to the Project Participant after such water has passed the delivery structures established in accordance with Section 4(c) hereof; nor for claim of damage of any nature whatsoever, including but not limited to property damage, personal injury or death, arising out of or connected with the control, carriage, handling, use, disposal or distribution of such water beyond said delivery structures; the Project Participant shall indemnify and hold harmless the Agency and its officers, agents, and employees from any such damages or claims of damages.

#### Section 8. Curtailment of Delivery for Maintenance Purposes.

(a) Agency May Curtail Deliveries. The Agency may temporarily discontinue or reduce the delivery of water to the Project Participant hereunder for the purposes of necessary investigation, inspection, maintenance, repair, or replacement of any of the Project facilities necessary for the delivery of water to the Project Participant. The Agency shall notify the Project Participant as far in advance as possible of any such discontinuance or reduction, except in cases of emergency, in which case notice need not be given.



(b) Project Participant May Receive Later Delivery of Water Not Delivered. In the event of any discontinuance or reduction of delivery of water pursuant to subsection (a) of this section, the Project Participant may elect to receive the amount of water which otherwise would have been delivered to it during such period under the water delivery schedule for that Year at other times during the Year or succeeding Years to the extent that such water is then available under the State Water Supply Contract and such election is consistent with the Agency's overall delivery ability, considering the then current delivery schedules of all Project Participants.

#### Section 9. Area Served By Project Participant.

Water delivered to the Project Participant pursuant to this Agreement shall not be sold or otherwise disposed of by the Project Participant for use outside the boundaries of the Agency.

#### Section 10. Construction of the Project.

(a) Determination of Capacities of Reaches. The Reaches of the Project will consist of the segments of the Project as identified upon completion of design of the Project, with a turnout for the Project Participant as determined by the Agency, upon consultation with the Project Participant, to best serve the interests of the Project Participant.

Subject to the rights of the Project Participant under subdivision (b) of this Section and the other provisions of this Agreement, the Agency shall provide in each Reach of the Project such maximum monthly delivery capability for the transport and delivery of water to the Project Participant as, in the judgment of the Agency, will best serve the interests of the Project Participant and all other Project Participants entitled to delivery of water from or through said Project facilities; provided, that prior to the effective date of this Agreement the Project Participant has previously furnished to the Agency a written request specifying such maximum monthly delivery capabilities, and the Agency shall give full consideration to such request in planning and designing said Project facilities.

(b) Criteria for Determining Capacity of Project. Subject to the State Water Supply Contract, the Agency shall design and construct the Project with the Reaches determined as set forth in Section 10(a) hereof, including reservoirs, the capacity necessary to enable delivery of water in each Year to the Project Participant and to other Project Participants in the maximum monthly amounts and at the

locations, times, and maximum rates specified or provided for in the respective Project Agreements for such Year, and shall include in each such Reach such capacity determined as is set forth in Section 10(a) hereof which capacity is estimated to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of Project facilities, and for losses of water due to evaporation, leakage, seepage, or other causes; provided, that regulatory storage reservoirs included in the Project transportation facilities may be utilized in conjunction with conveyance capacity provided in said Project facilities for delivery to the Project Participant of the foregoing monthly amounts.

(c) Inspection of Project Plans and Specifications; Preparation of Bid Materials; Award of Contracts. The Project Participant shall have a reasonable opportunity to inspect and study the Agency's plans and specifications for all Project facilities and may make comments and recommendations thereon to the Agency. The Agency shall prepare and put out to public bid a single set of bid materials (which may include multiple schedules) relating to construction and acquisition of the complete Project facilities, which facilities shall include the total length of the pipeline. The pipeline, as referenced in the preceding sentence, shall commence at a turnout structure on the California Aqueduct and shall terminate in Improvement District "M." Prior to the simultaneous award of a contract or contracts for the complete Project, the Agency shall determine whether the total amount of such contract or contracts, together with a reasonable contingency, can be funded totally from the proceeds derived from Bonds. Unless consented to in writing by all Project Participants, which consent shall not be unreasonably withheld, the Agency agrees it shall not award any contract or contracts other than simultaneously for the entire Project. The Agency shall not award any contracts which would cause the Agency to be obligated for an amount which is in excess of the proceeds (including interest income) to be derived from Bonds or other identified moneys then on deposit with the Agency and legally available for the Project. The Agency further agrees not to issue any change orders or contract amendments which would result in construction of a pipeline which does not traverse the full distance from the California aqueduct to Improvement District M.

(d) Failure to Complete the Project. In the event that the Agency fails or is unable to complete construction of any portion or portions of the Project necessary to deliver water to the Project Participant, and gives the Project Participant written notice thereof, or by reason of such failure or inability construction of said facilities has

ceased for a period of one (1) Year, the Project Participant, if it is not then in default and without exclusion of such other rights as it may have under this Agreement, shall exercise one of following options:

(1) The Project Participant may, together with the other Project Participants, provide funds to the Agency in such amounts and at such times as may be necessary to enable the Agency to complete construction of such incompleeted portion or portions of the Project to the extent necessary for the transport and delivery of water to the Project Participant and such other Project Participants; provided that the Agency shall be and remain the owner of such Project facilities or portions thereof constructed in whole or in part with funds provided by the Project Participant, and shall be and remain obligated to operate, maintain, repair and replace such Project facilities to the full extent contemplated in this Agreement; provided further, that the Project Participant shall be and remain obligated to pay its share of any Fixed Project Costs of the above-described Project facilities not paid for with such funds, together with its proportionate share of the costs and expenses relating to the Project, including Variable O&M Costs and Fixed O&M Costs.

(2) The Project Participant may at its own expense, and on a joint venture basis if such an arrangement is made with other Project Participants having similar options, connect to the Project for the purpose of receiving water to which it is entitled under this Agreement. In such event and notwithstanding any other provisions of this Agreement, the structures for delivery of water to the Project Participant pursuant hereto shall thereafter be deemed to be located at such point of connection. Specific arrangements for acquiring, constructing, operating, maintaining and replacing the Project Participant's facilities at the point of connection thereof with the Agency's Project facilities shall be in accordance with terms and conditions mutually agreed upon by the parties; provided, that the Agency shall be and remain the owner of all facilities constructed by it to said point of connection, and the Project Participant shall be and remain obligated to pay its proportionate share of the costs thereof.

#### Section 11. Shortage in Water Supply.

(a) Temporary Shortages; Delivery Priorities. In any Year in which there may occur a shortage or interruption due to drought or other temporary cause in the supply of water available for delivery to the Project Participant, with the result that such supply is less than the total of the annual Project Allotment of all Project Participants for that Year,

the Agency shall reduce the delivery of water to the Project Participant based upon water use for agricultural, commercial or residential use in accordance with the State Water Supply Contract.

(b) Permanent Shortage Entitlements. In the event that the State is unable to construct sufficient additional conservation facilities to prevent a reduction in the minimum State Water Project yield, or if for any other reason there is a reduction in the minimum State Water Project yield, which, notwithstanding preventive or remedial measures taken or to be taken by the State, threatens a permanent shortage in the supply of State Water Project water to be made available to the Agency under the State Water Supply Contract, the annual Project Allotment of the Project Participant shall be reduced in accordance with the State Water Supply Contract.

(c) No Liability for Shortages. Neither the Agency nor any of its officers, agents, or employees shall be liable for any damage, direct or indirect, arising from the shortages in the amount of water to be made available for delivery to the Project Participant under this Agreement caused by non-availability of water to the Agency under the State Water Supply Contract or caused by drought, operation of area of origin statutes, or any other cause beyond its control.

#### Section 12. Annual Budget and Billing Statement.

Following receipt by the Agency from the State of a written statement of the credits and charges to the Agency under the State Water Supply Contract, the Board of Directors of the Agency will adopt an annual budget for the applicable Year for credits, costs and expenses relating to the Project, including Fixed Project Costs, Variable O&M Costs and Fixed O&M Costs and shall promptly give notice to each Project Participant of its projected share of such credits, costs and expenses; provided that in the event that the Agency shall not receive the written statement of credits and charges from the State by May 15 of any Year, the Board of Directors of the Agency shall adopt an annual budget by June 15 of such Year based upon its best estimates of credits, costs and expenses relating to the Project so that the Project Participant may incorporate the applicable portion of such estimated credits, costs and expenses in its budget.

#### Section 13. Allocation of Costs and Expenses.

For the purpose of allocations of costs and expenses pursuant to this Agreement, the Project shall be segregated into such Reaches as are determined by the Agency to be necessary for such allocations of costs. Subject to such



modifications as are determined by the Agency to be required by reason of any Request furnished by the Project Participant to the Agency pursuant to Section 4 of this Agreement, or by reason of Project Agreements entered into by the Agency with other Project Participants, the Reaches of the Project are to be established as set forth in Section 10 of this Agreement.

(a) Method of Computation of Fixed Project Costs. The Fixed Project Costs shall be sufficient to return to the Agency those capital costs of the Project necessary to deliver water to the Project Participant which are allocated to the Project Participant pursuant to subdivision (b) of this Section.

(b) Allocation of Fixed Project Costs Among Project Participants. The total amount of Fixed Project Costs of the Project shall be allocated among all Project Participants based upon Project Allotment Percentage of each Project Participant.

(c) Method of Computation of Fixed O&M Costs. The Fixed O&M Costs shall return to the Agency those costs of the Project necessary to deliver water to the Project Participants which constitute Fixed O&M Costs incurred irrespective of the amount of water delivered to the Project Participants and which are allocated to the Project Participant pursuant to (d) below; provided that to the extent permitted by law, the Agency may establish reserve funds to meet anticipated minimum replacement costs; and provided further deposits in such reserve funds by the Agency (1) shall be made in such amounts so that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the Fixed O&M Costs for the Year in which such deposits are made.

(d) Allocation of Fixed O&M Costs. The total amount of Fixed O&M Costs of each Reach of the Project for the respective Year shall be allocated among all Project Participants entitled to delivery of water from said facilities by the Proportionate Use of Facilities Method of Cost Allocation, in accordance with (1) and (2) below; provided that such Fixed O&M Costs as are incurred generally for the Project first shall be allocated to each Reach in an amount which bears the same proportion to the total amount of such general costs that the amount of the costs incurred directly for the Reach bears to the total of all direct costs for all Reaches. The measure of the proportionate use of each Project Participant of each Reach shall be the ratio of the Project Capacity provided in the Reach for the transport and delivery of water to the Project Participant to the total Project Capacity provided in the Reach for the transport and

delivery of water to all Project Participants served from or through the Reach. Allocations of Project Allotments to the Project Participant pursuant hereto shall be on the basis of relevant values which will be set forth in Table II of this Agreement by the Agency as soon as designs and cost estimates are prepared by it subsequent to the effective date of this Agreement as to the maximum monthly delivery capability to be provided in each Reach of the Project for the transport and delivery of water to the Project Participant pursuant to Section 10 hereof; provided further that the principles and procedures set forth in this subsection shall be controlling as to allocations of Fixed O&M Costs to the Project Participant.

- (1) The total amount of Fixed O&M Costs allocated to a Project Participant shall be the sum of the products obtained when there is multiplied, for each Reach necessary to deliver water to the Project Participant, the total amount of the Fixed O&M Costs of the Reach to be returned to the Agency by the foregoing ratios for such Reach as said average is set forth in the appropriate table included this Agreement.
- (2) Where additional capacity is provided in any Reach to compensate for loss of water due to evaporation, leakage, seepage, or other causes, or to compensate for scheduled outages for purposes of necessary investigation, inspection, maintenance, repair or replacement of the facilities of the Project then, for the purpose of any allocation of costs pursuant to this subsection: (i) the maximum annual Project Allotment to be delivered from or through the Reach of each Project Participant entitled to delivery of water from or through the Reach shall be increased by an amount which bears the same proportion to the maximum annual delivery capability provided by such additional capacity that the Project Participant's maximum annual Project Allotment to be delivered from or through the Reach bears to the total of the maximum annual entitlements to be delivered from or through the Reach under all Project Agreements and (ii) the capacity provided in the Reach for each Project Participant entitled to delivery of water from or through the Reach shall be increased in the same proportion that such Project Participant's maximum annual Project Allotment to be delivered from or through the Reach is increased pursuant to (i) above.

- (3) The projected amounts of Fixed O&M Costs to be allocated annually to the Project Participant shall be determined by the Agency in accordance with the cost allocation principles and procedures set forth in this Section, which principles and procedures shall be controlling as to allocations of Fixed O&M Costs to the Project Participant. Such amounts will be set forth in Table II of this contract by the Agency as soon as designs and cost estimates are prepared by it subsequent to receipt of requests from the Project Participant as to the maximum monthly delivery capability to be provided in each Reach for transport and delivery of water to the Project Participant.

(e) Method of Computation of Variable O&M Costs.

The Variable O&M Costs shall return to the Agency those costs of the Project transportation facilities necessary to deliver water to the Project Participant which constitute Variable O&M Costs incurred in an amount which is dependent upon and varies with the amount of water delivered to the Project Participant and which are allocated to the Project Participant pursuant to (1) and (2) below; provided that to the extent permitted by law, the Agency may establish reserve funds to meet anticipated Variable O&M Costs; and provided further deposits in such reserve funds by the Agency: (1) shall be made in such amounts so that such reserve funds will be adequate to meet such anticipated costs as they are incurred, and (2) shall be deemed to be a part of the Variable O&M Costs for the Year in which such deposits are made. The amount of this component shall be determined as follows:

- (1) There shall be computed for each Reach of the Project a charge per acre-foot of water which will return to the Agency the total projected Variable O&M Costs of the Reach for the respective Year. This computation shall be made by dividing said total by the number of acre-feet of water estimated to be delivered from or through the Reach to all Project Participants during the Year.
- (2) The amount of the Variable O&M Costs shall be the sum of the products obtained when the charges per acre-foot of water, determined under (1) above, for each Reach necessary to deliver water to the Project Participant are multiplied by the number of acre-feet of water delivered to the Project Participant from or through that Reach during the Year; provided,

that when water has been requested by a Project Participant and delivery thereof has been commenced by the Agency, and, through no fault of the Agency, such water is wasted as a result of failure or refusal by the Project Participant to accept delivery thereof, the amount of said Variable O&M Costs to be paid by such Project Participant during such period shall be the product of the above sum and the sum of the number of acre-feet of water delivered to the Project Participant and the number of acre-feet wasted.

(f) Revenue From Power Recovery Plants. There shall be credited against the amount of the Variable O&M Costs to be paid by the Project Participant, as determined pursuant to subdivision (e) of this Section, a portion of the projected net value of any power recovered during the respective Year at Project power recovery plants located upstream on the particular Reach from the delivery structures for delivery of water to the Project Participant. Such portion shall be in an amount which bears the same proportion to said projected net value that the number of acre-feet of water delivered to the Project Participant through said plants during the Year bears to the number of acre-feet of water delivered to all Project Participants through said plants during the Year.

#### Section 14. Determination of Costs and Expenses.

The Agency shall determine the values and amounts of Fixed Project Costs, Fixed O&M Costs and Variable O&M Costs in order that the costs and expenses to the Project Participant may accurately reflect increases or decreases from Year to Year in projected costs, outstanding indebtedness of the Agency incurred to construct the Project, annual Project Allotments, estimated deliveries, and all other factors which are determinative of such charges. In addition, each such determination shall include an adjustment to be paid by the Project Participant for succeeding Years which shall account for the differences, if any, between projections of costs used by the Agency in determining the amounts of said costs and expenses for all preceding Years and actual costs incurred by the Agency during such Years.

#### Section 15. Time and Method of Payment.

(a) Initial Payment - Fixed Project Costs. Payments by the Project Participants of the Fixed Project Costs shall commence July 1, 1991 and shall occur on June 1 of each Year thereafter.



(b) Initial Payment - Fixed O&M Costs. Payments by the Project Participant of the Fixed O&M Costs shall commence for each Reach on the June 1 preceding the estimated Year of the Initial Operation Date.

(c) Initial Payment - Variable O&M Costs. Payments by the Project Participant of the Variable O&M Costs shall commence on the January 1, April 1, July 1 or October 1 which is at least three months immediately preceding the date on which initial water delivery is estimated to be made to the Project Participant.

(d) Statement of Charges. The Agency shall within 30 days of the receipt from the State of the written statement of the charges to be paid by the Agency and credits to be received by the Agency under the State Water Supply Contract (but in no event later than June 15 of each Year), furnish the Project Participant with a written statement of the estimated Fixed Project Costs and Fixed O&M Costs of the Project Participant for the next succeeding Fiscal Year, taking into account applicable credits received by the Agency and estimated investment earnings on moneys related to the Project held by the Agency; provided, that amounts paid to the Agency for Fixed Project Costs shall not be invested at a yield or in any manner which would result in interest on any Bonds being includable in gross income for federal income tax purposes. The Agency shall, on or before March 15, June 15, September 15 and December 15 of each Year, commencing with the Fiscal Year in which the Initial Operation Date is estimated to occur furnish the Project Participant with a statement of the charges to the Project Participant for the Variable O&M Costs for the three-month period commencing on the July 1, October 1, January 1 or April 1, commencing three and one-half months subsequent to such date.

(e) Times of Payment - Fixed Project Costs. The Project Participant shall pay to the Agency, on or before June 1 of each Year, commencing as set forth in Section 15(a) hereof, 100% of the charge to the Project Participant for the next succeeding Fiscal Year of the Fixed Project Costs.

(f) Times of Payment - Fixed O&M Costs. The Project Participant shall pay to the Agency, on or before June 1 of the Year preceding the Year of anticipated initial water delivery to the Project Participant, the sum of the charges to the Project Participant for the Year or partial Year for the Fixed O&M Costs.

(g) Times of Payment - Variable O&M Costs. The Project Participant shall pay to the Agency the charges to the Project Participant for the Variable O&M Costs for the

three-month period commencing on the next succeeding January 1, April 1, July 1 or October 1 so that the Agency receives quarterly payments of Variable O&M Costs three months in advance of the time when such Variable O&M Costs will begin to be incurred by the Agency.

(h) Contest of Accuracy of Charges. If a Project Participant questions or disputes the correctness of any billing statement by the Agency, it shall pay the Agency the amount claimed when due and shall within thirty (30) days of receipt of such billing statement request an explanation from the Agency. If the bill is determined to be incorrect, the Agency will adjust the bill to such Project Participant in the next Fiscal Year. If the Agency and the Project Participant fail to agree on the correctness of a bill within thirty (30) days after the Project Participant has requested an explanation, the parties shall promptly submit the dispute to arbitration under Section 1280 et seq. of the Code of Civil Procedure.

#### Section 16. Obligation in the Event of Default.

(a) Written Demand Upon Failure to Make Payment. Upon failure of the Project Participant to make any payment in full when due under this Agreement or to perform any other obligation hereunder, the Agency shall make written demand upon the Project Participant, and if said failure is not remedied within thirty (30) days from the date of such demand or for such additional time as is reasonably required, to correct the same, such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to each other Project Participant by the Agency. Upon failure of the Agency to perform any obligation of the Agency hereunder, the Project Participant shall make written demand upon the Agency, and if said failure is not remedied within thirty (30) days from the date of such demand or for such additional time as is reasonably required, to correct the same, such failure shall constitute a default at the expiration of such period. Notice of such demand shall be provided to each Project Participant by the Project Participant making such written demand.

In addition to any default resulting from breach by the Agency or the Project Participant of any agreement, condition, covenant or term hereof, if the Agency or the Project Participant shall file any petition or institute any proceedings under any act or acts, state or federal, dealing with or relating to the subject of bankruptcy or insolvency or under any amendment of such act or acts, either as a bankrupt or as an insolvent or as a debtor or in any similar capacity,

wherein or whereby the Agency or the Project Participant asks or seeks or prays to be adjudicated a bankrupt, or is to be discharged from any or all of its debts or obligations, or offers to its creditors to effect a composition or extension of time to pay its debts, or asks, seeks or prays for a reorganization or to effect a plan of reorganization or for a readjustment of its debts or for any other similar relief, or if the Agency or the Project Participant shall make a general or any assignment for the benefit of its creditors; then in each and every such case the Agency, or the Project Participant, shall be deemed to be in default hereunder.

(b) Transfer for Defaulting Project Participant's Account. Upon the failure of the Project Participant to make any payment which failure constitutes a default under this Agreement, the Agency shall use its best efforts to transfer for the defaulting Project Participant's account all or a portion of such Project Participant's Project Allotment Percentage of Project Capacity and of such Project Participant's Project Allotment Percentage of the Agency's State Water Project Allotment for all or a portion of the remainder of the term of the Agreement. Notwithstanding that all or any portion of the Project Participant's Project Allotment Percentage of Project Capacity and of such Project Participant's Project Allotment Percentage of the Agency's State Water Project Allotment is so transferred, the Project Participant shall remain liable to the Agency to pay the full amount of its share of costs as if such sale or transfer has not been made, except that such liability shall be discharged to the extent that the Agency shall receive payment from the transferee thereof.

(c) Termination of Entitlement to Project Allotment Percentage; Continuing Obligations. Upon the failure of the Project Participant to make any payment which failure constitutes a default under this Agreement and causes the Agency to be in default under the State Water Supply Contract or any Bond Resolution, the Agency may (in addition to the remedy provided by subsection (b) of this Section) terminate the provisions of this Agreement insofar as the same entitle the defaulting Project Participant to its Project Allotment Percentage of Project Capacity and of such Project Participant's Project Allotment Percentage of the Agency's State Water Project Allotment. Irrespective of such termination, the obligations of the Project Participant under this Agreement shall continue in full force and effect.

(d) Increase in Allotment Percentage of Nondefaulting Project Participant. Upon the failure of any Project Participant to make any payment which failure constitutes a default under the applicable Project Agreement,

and except as transfers are made pursuant to subsection (b) of Section 16 of the applicable Project Agreement, (i) the Project Allotment Percentage of each nondefaulting Project Participant shall be automatically increased for each Year of the remaining term of the applicable Project Agreement pro rata with those of the other nondefaulting Project Participants and (ii) the defaulting Project Participant's Project Allotment Percentage shall (but only for purposes of computing the respective Project Allotment Percentages of the nondefaulting Project Participants) be reduced correspondingly; provided, however, that the sum of such increases for any nondefaulting Project Participant in any Year shall not exceed, without written consent of such nondefaulting Project Participant, an accumulated maximum of 25% of the nondefaulting Project Participant's Project Allotment Percentage in such Year determined as nearly as practicable under the circumstances as if the defaulting Project Participant were not in default.

(e) Right of Recovery From Defaulting Project Participant. If a Project Participant shall fail or refuse to pay any amounts due to the Agency, the fact that the Project Participant has increased its obligation to make such payments shall not relieve the defaulting Project Participant of its liability for such payments, and the Project Participant shall have a right of recovery from the defaulting Project Participant to the extent of such respective increase in obligation caused by the defaulting Project Participant.

(f) Enforcement of Remedies. In addition to the remedies set forth in this Section, upon the occurrence of an Event of Default as defined herein, the Agency or the Project Participant, as the case may be, shall be entitled to proceed to protect and enforce the rights vested in such party by this Agreement by such appropriate judicial proceeding as such party shall deem most effectual, either by suit in equity or by action at law, whether for the specific performance of any covenant or agreement contained herein or to enforce any other legal or equitable right vested in such party by this Agreement or by law. The provisions of this Agreement and the duties of each party hereof, their respective boards, officers or employees shall be enforceable by the other party hereto by mandamus or other appropriate suit, action or proceeding in any court of competent jurisdiction. Without limiting the generality of the foregoing, the Agency or the Project Participant, as the case may be, shall have the right to bring the following actions:

(1) Accounting. By action or suit in equity to require the board of the Agency or the Project Participant, its officers and employees and its assigns to account as the trustee of an express trust.



(2) Injunction. By action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Agency or the Project Participant, as the case may be.

(3) Mandamus. By mandamus or other suit, action or proceeding at law or in equity to enforce its rights against the other party hereto (and its board, officers and employees) and to compel the other party hereto to perform and carry out its duties and obligations under the law and its covenants and agreements as provided herein.

In addition, in the event of a dispute between the Agency or the Project Participant with respect to the terms of the Agreement or any Project Agreement, the Agency and the Project Participant agree to submit such matter to arbitration under Section 1280 et seq. of the Code of Civil Procedure with the losing party paying all costs and attorney fees.

(g) Waiver. The waiver by the Agency or the Fiscal Agent of any breach by the Project Participant of any agreement, condition, covenant or term hereof shall not operate as a waiver of any subsequent breach of the same or any other agreement, condition, covenant or term hereof.

(h) Fiscal Agent is Third Party Beneficiary. Any Fiscal Agent for Bonds shall have the right, as a third party beneficiary, to initiate and maintain suit to enforce this Agreement to the extent provided in any Bond Resolution.

#### Section 17. Unutilized Project Allotment.

When a Project Participant has a Project Allotment or Project Capacity that exceeds that Project Participant's needs or demands in any one Year, the Agency shall, if requested by such Project Participant to do so, transfer unutilized Project Allotment or Project Capacity in the following manner:

(a) The Agency shall use its best efforts to transfer such unutilized Project Allotment or Project Capacity at a cost at least equal to the Project Participant's Fixed Project Costs, Fixed O&M Costs, Variable O&M Costs, and any other reasonable identifiable costs therefor and credit such payments received therefor to the Project Participants which have requested the Agency to transfer unutilized Project Allotment or Project Capacity on a pro rata basis based upon their respective Project Allotment Percentages.

(b) Other Project Participants shall have a first option to take delivery of such unutilized Project

Allotment or Project Capacity, at the costs set forth in subsection (a) of this Section.

In the event the Agency is unable to transfer unutilized Project Allotment or Project Capacity, the provisions of Section 5 hereof shall apply. To the extent that Project Participants have not requested the Agency to transfer unutilized Project Allotment or to the extent the Agency is unable to transfer unutilized Project Allotment, the Agency may make water represented by such unutilized Project Allotment available to other water purveyors within the Agency in accordance with the Agency's policy for water allocation, as in effect from time to time, and the Project Participant shall not be relieved of any of its obligations hereunder as a result of such water being made available to other water purveyors.

Section 18. Transfers, Sales and Assignments of Project Allotment Percentage.

The Project Participant has rights to make transfers, sales, assignments and exchanges (collectively "transfers") of its Project Allotment Percentages only as expressly provided in this Agreement.

(a) Transfer of Ownership. The Project Participant shall not transfer ownership of all or any substantial portion of its Water System to another entity until it has first complied with the provisions of this subsection (a). An annexation, consolidation, merger or reorganization with another governmental entity or a change in governmental form in accordance with the Cortese-Knox Local Government Reorganization Act of 1985, as amended (commencing with California Government Code Section 56000, et seq.), in which the surviving entity or entities assume in the aggregate all obligations of the Project Participant under this Agreement, and in which the rights under this Agreement may be enforced as provided in Government Code Section 56121 is not deemed a transfer of ownership.

(1) Such disposition or transfer shall be under terms and conditions that provide assurance that the obligations of the Project Participant under this Agreement, and that the Agency's obligations under this Agreement, and any Bond Resolution, and under other agreements made or to be made by the Agency to carry out the Project, will be promptly and adequately met. The Agency may require that sufficient moneys of the Project Participant to discharge such obligations be irrevocably set aside and maintained in a trust account, as a condition to the transfer of the Water System, if no

other adequate assurance is available. In the event that the Project Participant transfers a substantial portion of its Water System to another entity in accordance with this Agreement, a portion of the Project Allotment Percentage of the Project Participant shall be transferred from the Project Participant to such entity based upon the respective ratios of the water pumped or delivered during the preceding Year by the Project Participant with respect to the area to be served by the Project Participant and with respect to the area to be served by such entity to the aggregate amount of water pumped or delivered during the preceding Year by the Project Participant or on such other basis as the Commission shall determine to be fair and reasonable.

(2) The Project Participant shall give ninety (90) days advance written notice to the Agency of any proposed transfer pursuant to this subsection (a). Appendix A to this Agreement shall be amended as appropriate to reflect any transaction pursuant to this subsection (a).

(b) Maintenance of Tax-Exempt Status of Bonds. Notwithstanding any other provision of this Agreement, the Project Participant shall not transfer, assign, sell or exchange any portion of the Project Allotment Percentage, directly or indirectly, in any manner, and shall not take or permit to be taken any other action or actions, which would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1986, as amended, by reason of classification of such Bond as a "private activity bond" within the meaning of Section 141 of said Code or for any other reason.

Section 19. Rights with Respect to Additional Water Purveyors or Annexation of Property.

(a) Formation of Additional Water Purveyor. The Project Participant acknowledges that a portion of the Debt Service on the Bonds is being provided from property taxes levied upon property located within Improvement District M of the Agency and which property is not served by any of the Project Participants. Upon formation of an Additional Water Purveyor serving areas within Improvement District M not served by Project Participants or the annexation to a Project Participant of property which is not then served by any of the Project Participants but which will then be served by such Project Participant, the Project Allotment Percentage of the Project Participant may be transferred such that an Additional Water Purveyor or a Project Participant shall, upon entering into a Project Agreement with the Agency or an amendment to a Project Agreement, be entitled to a Project Allotment

Percentage to be determined based upon the amount of water pumped or delivered during the preceding Year within the boundaries of the area served by such Additional Water Purveyors or annexed to such Project Participant and the amount of water pumped and delivered during the preceding Year by the Project Participants or on such other basis as the Commission shall determine to be fair and reasonable. The Project Agreement shall establish a price (which may be \$0) to be paid by the Additional Water Purveyor or such Project Participant to the Project Participant for the transfer of a portion of the Project Allotment Percentage such that the Project Participant shall receive an amount which reasonably compensates the Project Participant for Fixed Project Costs and Fixed O&M Costs previously paid by the Project Participant which are fairly allocable to the Project Allotment Percentage transferred to the Additional Water Purveyor or such Project Participant. Such transfer of Project Allotment Percentages of the Project Participants shall be under terms and conditions that provide assurance that the obligations of the Project Participants under the Project Agreements, and that the Agency's obligations under the Project Agreements, and any Bond Resolution, and under other agreements made or to be made by the Agency to carry out the Project, will be promptly and adequately met. The Agency may require that sufficient moneys of the Additional Water Purveyor or such Project Participant to discharge such obligations be irrevocably set aside and maintained in a trust account, as a condition to the transfer of Project Allotment Percentages of the Project Participants, if no other adequate assurance is available.

The Additional Water Purveyor or Project Participant shall give written notice to the Agency of any proposed transfer pursuant to this subsection (a) and the Project Participant agrees to cooperate with the Agency to accomplish such transfer. Appendix A to this Agreement shall be amended as appropriate to reflect any transaction pursuant to this subsection (a).

(b) Maintenance of Tax-Exempt Status of Bonds. Notwithstanding any other provision of this Agreement, no transfer of any portion of the Project Allotment Percentage shall be made in any manner, whether directly or indirectly, and no action or actions shall be made, which would result in any of the Bonds being treated as an obligation not described in Section 103(a) of the Internal Revenue Code of 1986, as amended, by reason of classification of such Bond as a "private activity bond" within the meaning of Section 141 of said Code.



Section 20. Covenants of the Project Participant.

(a) Amount of Rates and Charges. The Project Participant will fix, prescribe and collect rates and charges for the Water System which are reasonably fair and nondiscriminatory and which, together with other unrestricted moneys available therefor, will be at least sufficient to yield during each Fiscal Year Net Water System Revenues equal to one hundred twenty-five percent (125%) of the Contract Payments for such Fiscal Year. The Project Participant may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Water System Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

The Project Participant will establish and at all times maintain and collect rates and charges for the Water System sufficient to permit the Project Participant to issue and sell bonds or enter into Contracts to finance the cost of such additions, betterments, extensions and improvements to the Water System as may be reasonably necessary to enable the Project Participant to satisfy its then projected demand upon the Water System. The Project Participant will proceed with all reasonable diligence to construct to completion all such additions, betterments, extensions and improvements, and will issue and sell such bonds or enter into such Contracts at the earliest practicable time.

(b) Against Sale or Other Disposition of Property. The Project Participant will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Water System Revenues except as provided in Section 18 hereof. The Project Participant will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Net Water System Revenues for the payment of the obligations imposed under this Agreement or which would otherwise impair the rights of the Agency with respect to the Water System Revenues or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold at not less than the market value thereof if such sale will not materially reduce the Net Water System Revenues and if the proceeds of such sale are deposited in a special water fund of the Project Participant and used for the payment of expenses relating to the Water System.

(c) Against Competitive Facilities. The Project Participant will not, to the extent permitted by existing law, acquire, construct, maintain or operate and will not, to the extent permitted by existing law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the boundaries of the Project Participant any water system competitive with the Water System.

(d) Maintenance and Operation of the Water System: Budgets. The Project Participant will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Water System as they become due and payable. The Project Participant will adopt and file with the Agency, on or before the effective date hereof, a budget approved by the legislative body of the Project Participant, including therein the estimated Maintenance and Operation Costs of the Water System for the period from such date until the close of the then current Fiscal Year. On or before the first day of each Fiscal Year thereafter, the Project Participant will adopt and file with the Agency a budget approved by the legislative body of the Project Participant, including therein in the estimated Maintenance and Operation Costs of the Water System for such Fiscal Year the estimated Fixed Costs, Fixed O&M Costs and Variable O&M Costs payable. Any budget may be amended at any time during any Fiscal Year and such amended budget shall be filed by the Project Participant with the Agency.

(e) Payment of Claims. The Project Participant will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Water System Revenues or any part thereof or on any funds in the hands of the Project Participant or the Fiscal Agent prior or superior to the lien of the payments to be made under this Agreement or which might impair the security of the payments to be made under this Agreement, but the Project Participant shall not be required to pay such claims if the validity thereof shall be contested in good faith.

(f) Compliance with Contracts. The Project Participant will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the Project Participant is a party thereto.

(g) Insurance.

(i) The Project Participant shall procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers so long as such insurance is available from reputable insurance companies, or, alternatively, shall establish a program of self-insurance, or participate in a joint powers agency providing insurance or other pooled insurance program, in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System; provided that earthquake insurance shall be acquired only if both (a) required by any rating agency rating the Bonds as a condition precedent to obtaining or maintaining a rating on the Bonds and (b) available on the open market from reputable insurance companies at reasonable cost. Such insurance shall be in an amount no less than the lesser of (a) one hundred percent (100%) of the replacement cost (without deduction for depreciation) of all structures constituting any part of the Water System (except that such insurance may be subject to deductible clauses of not to exceed \$250,000 or, in the case of earthquake insurance, ten percent (10%) of the insured amount). In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The Project Participant shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If the Net Proceeds are insufficient to pay in full the cost of reconstruction, repair or replacement of the damaged or destroyed portion of the Water System, then the Project Participant shall complete the work and pay any costs in excess of the amount of the Net Proceeds from Net Water System Revenues.

(ii) The Project Participant will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Agency, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water System; provided that any such insurance may be maintained under a

self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained herein shall, to extent reasonably obtainable, provide that the Agency and the Fiscal Agent shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

(h) Accounting Records; Financial Statements and Other Reports.

(i) The Project Participant will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water System, which records shall be available for inspection by the Agency and the Fiscal Agent at reasonable hours and under reasonable conditions.

(ii) The Project Participant will prepare and file with the Agency annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1991) --

(1) financial statements of the Project Participant for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to his attention in connection with such examination that caused him to believe that the Project Participant was not in compliance with any of the financial agreements or financial covenants contained herein; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the Project Participant with respect to the Water System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

(c) The Project Participant will prepare annually not more than one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1991) a summary report showing in reasonable



detail the Water System Revenues and the Maintenance and Operation Costs of the Water System for such Fiscal Year and containing a general statement of the physical condition of the Water System. The Project Participant will furnish a copy of such summary report to the Agency and to the Fiscal Agent.

(i) Protection of Security and Rights of the Agency. The Project Participant will preserve and protect the rights of the Agency and the Fiscal Agent to the obligations of the Project Participant hereunder and will warrant and defend such rights against all claims and demands of all persons.

(j) Payment of Taxes and Compliance with Governmental Regulations. The Project Participant will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof or upon the Water System Revenues when the same shall become due. The Project Participant will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the Project Participant shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

(k) Further Assurances. The Project Participant will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carryout the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Agency and the Fiscal Agent of the rights and benefits provided to them herein.

Section 21. Insurance and Indemnification;  
Accounting Records; Financial Statements and Other Reports.

The Agency shall procure and maintain or cause to be procured and maintained insurance on the Project with responsible insurers so long as such insurance is available from reputable insurance companies, or, alternatively, shall establish a program of self-insurance, or participate in a joint powers agency providing insurance or other pooled insurance program, covering such risks (including earthquakes), in such amounts and with such deductibles as shall be determined by the Agency; provided that earthquake insurance shall only be acquired if both (a) required by any rating agency rating the Bonds as a condition precedent to obtaining or maintaining a rating on the Bonds and (b) available on the open market from reputable insurance companies at reasonable cost. Such insurance shall be in an

amount no less than the lesser of (a) one hundred percent (100%) of the replacement cost (without deduction for depreciation) of all structures constituting any part of the Project (except that such insurance may be subject to deductible clauses of not to exceed \$250,000 or, in the case of earthquake insurance, ten percent (10%) of the insured amount. The Agency shall indemnify and hold harmless the Project Participant from any liability for personal injury or property damage resulting from any accident or occurrence arising out of or in any way related to the construction or operation of the Project; provided, however, that such liability of the Agency shall be limited to the extent the proceeds of insurance and other moneys available to the Agency hereunder are available therefore.

(b) Accounting Records; Financial Statements and Other Reports.

(i) The Agency will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Project, which records shall be available for inspection by the Project Participant and the Fiscal Agent at reasonable hours and under reasonable conditions.

(ii) The Agency will prepare annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1991) --

(1) financial statements of the Agency for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereof and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to his attention in connection with such examination that caused him to believe that the Agency was not in compliance with any of the financial agreements or financial covenants contained herein; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the Agency with respect to the Project as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

(c) The Agency will prepare annually not more than one hundred eighty (180) days after the close of each Fiscal

Year (commencing with the Fiscal Year ending June 30, 1991) a summary report showing in reasonable detail the revenues of the Agency for the Project and the Fixed Project Costs, the Fixed O&M Costs and the Variable O&M Costs of the Project for such Fiscal Year and containing a general statement of the physical condition of the Project. The Agency will make available for inspection by the Project Participant a copy of such summary report to the Agency and will furnish a copy thereof to the Fiscal Agent.

Section 22. Direction and Review.

(a) General. The Agency and the Project Participant hereby establish the "Morongo Basin Pipeline Commission" for purposes of meeting to review, evaluate and approve items related to the acquisition, construction, financing, operation and maintenance of the Project. The Commission shall consist of two members from the Agency and one member from each Project Participant, together with alternate members for each Commission member. The Agency, the Project Participant and each Commission member shall act in good faith and in a reasonable and prudent manner to accomplish the purposes of the Project Agreements.

The primary purpose of the Commission shall be to represent the interests of the residents and taxpayers within Improvement District M, including the interests of residents and taxpayers within areas not served by the Project Participants, whether such residents and taxpayers are impacted by the Project directly or indirectly.

A Project Organizational Chart setting forth the relationship of the Agency, the Commission, the Project Participants and Project contractors and consultants is set forth in Exhibit D hereto.

The Agency shall comply with all lawful directions of the Commission with respect to the applicable Project Agreements, while not stayed or nullified by a court action, to the fullest extent authorized by law.

All contractors and consultants with respect to the Project will work under contract with the Agency and all directions to the contractors and consultants shall be through the Agency.

(b) Compliance with Agency Agreements. No action by the Commission pursuant to the Project Agreements or otherwise shall require the Agency to act in a manner inconsistent with, or refrain from acting as required by, any Bond Resolution, any agreement entered into by the Agency for

the construction or operation of the Project or any applicable licenses, permits or regulatory provisions and the Agency shall be responsible for executing contracts relating to construction and operation of the Project and fulfilling the obligations of the Agency thereunder. If the Commission is unable to, or fails to, agree with respect to any matter or dispute which it is authorized to determine, resolve, approve or otherwise act upon after a reasonable opportunity to do so, the Agency may, upon written notice to each member of the Commission, pending action by the Commission, take such action, consistent with Prudent Utility Practice, as it determines is necessary for the timely performance of its obligations under any Bond Resolution or any agreement entered into by the Agency for the construction or operation of the Project.

(c) Meetings. Actions of the Commission will be taken only at meetings of the Commission duly called and held pursuant to the Ralph M. Brown Act or other laws applicable to such meetings. Regular meetings of the Commission to act only on matters relating to the Project shall be held once per month at such time and place as shall be established by resolution of the Commission. The Agency shall prepare an agenda for meetings of the Commission and any Project Participant may request that any item relating to the Project be included on the agenda. Copies of the agenda and supporting information shall be provided to the Authorized Representatives in accordance with the time requirements and procedures established by the Ralph M. Brown Act.

Meetings of the Commission to act only on matters relating to the Project may be called by a majority of the members of the Commission upon notice as required by the Ralph M. Brown Act for special meetings of public entities or other laws applicable to such meetings, in effect from time to time.

### Section 23. Term.

(a) This Agreement shall not take effect until it and Project Agreements of other Project Participants have been duly executed and delivered to the Agency by Project Participants the Project Allotment Percentage of which, in the aggregate, equal 100% of the Project Capacity and accompanied by an opinion for each Project Participant of an attorney or firm of attorneys in substantially the form attached hereto as Exhibit E.

(b) Notwithstanding the delay in effective date of this Agreement until the Project Allotment Percentages in the aggregate equal 100% and the other provisions of subsection



(a) of this Section have been complied with, it is agreed by the Project Participant that in consideration for the Agency's signature hereto, and for its commitment to use its best efforts to obtain the commitment for Project Allotment Percentages in the aggregate equal to 100% of Project Capacity, the Project Participant upon its execution and delivery of this Agreement to the Agency along with the required opinion and any required evidence of compliance as required by subsection (a) of this Section shall be immediately bound not to withdraw its respective offer herein made to enter into this Agreement as executed and/or supplemented or to decrease or terminate its Project Allotment Percentage before June 1, 1991. Such a decrease or termination by the Project Participant may be made only if this Agreement has not taken effect before June 1, 1991 and only by giving written notice thereof to the Agency between June 1, and June 15, 1991.

(c) Notwithstanding the foregoing, the Project Participant shall be entitled to decrease or terminate its Project Allotment Percentage upon giving written notice hereof to the Agency within fifteen (15) days after July 1, 1991, if by July 1, 1991 the Agency shall not have issued any Bonds secured by this Agreement.

The term of this Agreement shall continue until the earlier of (i) the date on which all Bonds issued have been retired, or full provision made for their retirement, including interest until their retirement date, or (ii) fifty (50) years.

#### Section 24. Option for Continued Use of the Project.

By written notice to the Agency at least six (6) months prior to the expiration of the term of this Agreement, the Project Participant may elect to receive continued use of the Project after expiration of said term under the following conditions unless otherwise agreed to:

- (1) Service of water, subject to the Agency's agency-wide policy for the sale of water, as in effect from time to time; and
- (2) Use of the Project at no greater cost to the Project Participant than would have been the case had this Agreement continued in effect, subject, in the case of the cost of the water, to the Agency's agency-wide policy for the sale of water, as in effect from time to time.

Other terms and conditions of the continued use of the Project shall be reasonable and equitable and shall be mutually agreed upon. In the event that said terms and conditions provide for continued use of the Project for a limited number of years only, the Project Participant shall have the same option to receive continued use of the Project here provided for upon the expiration of that and each succeeding period of continued use of the Project.

Section 25. Termination and Amendments.

This Agreement shall not be subject to termination by any party under any circumstances, whether based upon the default of any other party under this Agreement, or any other instrument, or otherwise, except as specifically provided herein.

Except as otherwise provided in this Agreement, so long as any Bonds are outstanding and unpaid and funds are not set aside for the payment or retirement thereof in accordance with the applicable Bond Resolution, this Agreement shall not be amended, modified or otherwise changed or rescinded by agreement of the parties without the consent of each Fiscal Agent for Bonds whose consent is required under the applicable Bond Resolution. This Agreement may only be amended, modified or otherwise changed or rescinded in writing by each of the parties hereto.

Notwithstanding the foregoing, this Agreement may be amended without the consent of the owners of the Bonds for any of the following purposes:

(a) to add to the agreements, conditions, covenants and terms contained herein required to be observed or performed by the Agency or the Project Participant other agreements, conditions, covenants and terms hereafter to be observed or performed by the Agency or the Project Participant, or to surrender any right reserved herein to or conferred herein on the Agency or the Project Participant, and which in either case shall not adversely affect the interests of the owners of any Bonds;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Agency or the Project Participant may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the owners of any Bonds;

(c) to make any modifications or changes necessary or appropriate in the opinion of a firm of nationally recognized standing in the field of law relating to municipal bonds to preserve or protect the exclusion from gross income of interest on the Bonds for federal income tax purposes;

(d) to make any modifications or changes to this Agreement in order to enable the execution and delivery of Bonds on a parity with any Bonds previously issued and to make any modifications or changes necessary or appropriate in connection with the execution and delivery of Bonds; or

(e) to make any other modification or change to the provisions of this Agreement which does not materially adversely affect the interests of the owners of any Bonds.

#### Section 26. Miscellaneous.

The headings of the sections hereof are inserted for convenience only and shall not be deemed a part of this Agreement.

If any one or more of the covenants or agreements provided in this Agreement to be performed should be determined to be invalid or contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

IN WITNESS WHEREOF the Project Participant has executed this Agreement with the approval of its governing body, and caused its official seal to be affixed and the Agency has executed this Agreement in accordance with the authorization of its Board of Directors.

MOJAVE WATER AGENCY

[SEAL]

Attest:

By: Thomas H. Irwin  
Thomas H. Irwin,  
Secretary

By: John H. Russell  
John H. Russell, President  
By: Elayne Joy Gaines  
Elayne Joy Gaines, Director  
Division No. 2

COUNTY OF SAN BERNARDINO with  
respect to  
COUNTY SERVICE AREA NO. 70,  
IMPROVEMENT ZONE W-1 and  
IMPROVEMENT ZONE W-4

By: Larry Walker  
Larry Walker, Chairman  
Board of Supervisors

MAR 11 1991

SIGNED AND CERTIFIED THAT A COPY OF THIS  
DOCUMENT HAS BEEN REMITTED TO THE CHAIR-  
MAN OF THE BOARD.



EXHIBIT A

PART I: SCHEDULE OF PROJECT PARTICIPANTS,  
PROJECT ALLOTMENT PERCENTAGES OF  
PROJECT CAPACITY AND OF FIXED O&M  
COSTS AND PEAK DELIVERY RATES\*

<u>Water Purveyor</u>	<u>Project Allotment Percentage of Project Capacity and of Fixed O&amp;M Costs</u>	<u>Peak Delivery Rate Based on 10,900 Acre-Feet/Year</u>	<u>Peak Delivery Rate Based on 7,257 Acre-Feet/Year</u>
1. Bighorn-Desert View Water Agency	9%	1.35 cfs	1.19 cfs
2. a. County Service Area No. 70, Improvement Zone W-1	4%	.60 cfs	.53 cfs
b. County Service Area No. 70, Improvement Zone W-4	1%	.15 cfs	.13 cfs
3. Hi-Desert Water District	59%	8.85 cfs	7.83 cfs
4. Joshua Basin Water District	27%	4.05 cfs	3.58 cfs
Total	100%	15.00 cfs	13.26 cfs

\* These percentages shall be revised in accordance with  
Section 19 hereof.

PART II: SCHEDULE OF PROJECT PARTICIPANTS AND  
ALLOCATION OF DEBT SERVICE\*

<u>Water Purveyor</u>	<u>Allocation of Debt Service Costs</u>
1. Bighorn-Desert View Water Agency	5.4% <sup>1/</sup>
2. a. County Service Area No. 70, Improvement Zone W-1	2.4% <sup>1/</sup>
b. County Service Area No. 70, Improvement Zone W-4	0.6% <sup>1/</sup>
3. Hi-Desert Water District	35.4% <sup>1/</sup>
4. Joshua Basin Water District	16.2% <sup>1/</sup>
5. Mojave Water Agency	40.0% <sup>2/</sup>
Total	<u>100%</u>

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<sup>1/</sup> Commencing Fiscal Year 1993-94. Prior to Fiscal Year 1993-94, the Project Participants shall pay an amount of Fixed Project Costs for Debt Service based upon the amounts set forth in Section 5(b) hereof. These percentages shall be revised in accordance with Section 19 hereof.

<sup>2/</sup> The debt service costs allocated to the Mojave Water Agency are being derived from property taxes levied in Improvement District M.

## EXHIBIT B

### WATER SUPPLY COSTS

The costs to a Project Participant for supply of a portion of the Agency's annual State Water Project Allotment in an amount equal to or less than the Project Allotment Percentage, shall be determined in accordance with the Policy of the Agency regarding State Water Delivery Costs (the "Policy").

Under the Policy, the Agency's incurred costs shall be separated into two categories:

- 1) Fixed Costs, independent of water deliveries to the Agency.
- 2) Variable Costs, which are dependent upon actual deliveries of water.

#### Fixed Costs (independent of water deliveries)

Water System Revenue Bond Surcharge (WSR)

Capital Cost Component (CCC)

- Delta Water Charge
- Transportation Charge

Minimum OMP&R Component (MOC)

- Facilities Transportation Charge  
Minimum Operation, Maintenance,  
Power and Replacement ("OMP&R")  
Component

East Branch Enlargement (EBE)

- Facilities Transportation Charge  
Minimum OMP&R Component

#### Variable Costs (dependent upon actual delivery of water)

Variable Transportation Component (VTC)

Off-Aqueduct Power Costs (OAP)

Replacement Account (RA)

\* Use-of-Facilities Fee

(UFF)

- \* The Use-of-Facilities Fee will only apply to water delivered via Lake Silverwood, or the Las Flores Turnout prior to the completion of the East Branch Enlargement.

In accordance with the Policy, Fixed Costs shall be offset by MWA #1 and #2 revenues, and Variable Costs shall be paid by the Project Participant as follows:

Variable Costs

Cost of Delivery                      [VTC + OAP + RA + UFF\*] X \*\*1.15  
Per Acre-Foot

- \* If applicable  
\*\* 15% administration and overhead  
relating to the State Water Supply  
Contract

NOTES

1. All Costs Components are variable and are adjusted annually by the State of California Department of Water Resources (DWR).
2. The costs of delivery described above do not include any costs for the Project. Any OMP&R costs associated with the Project shall be in addition to the cost of delivery as defined in the Policy and as set forth in this Exhibit B.



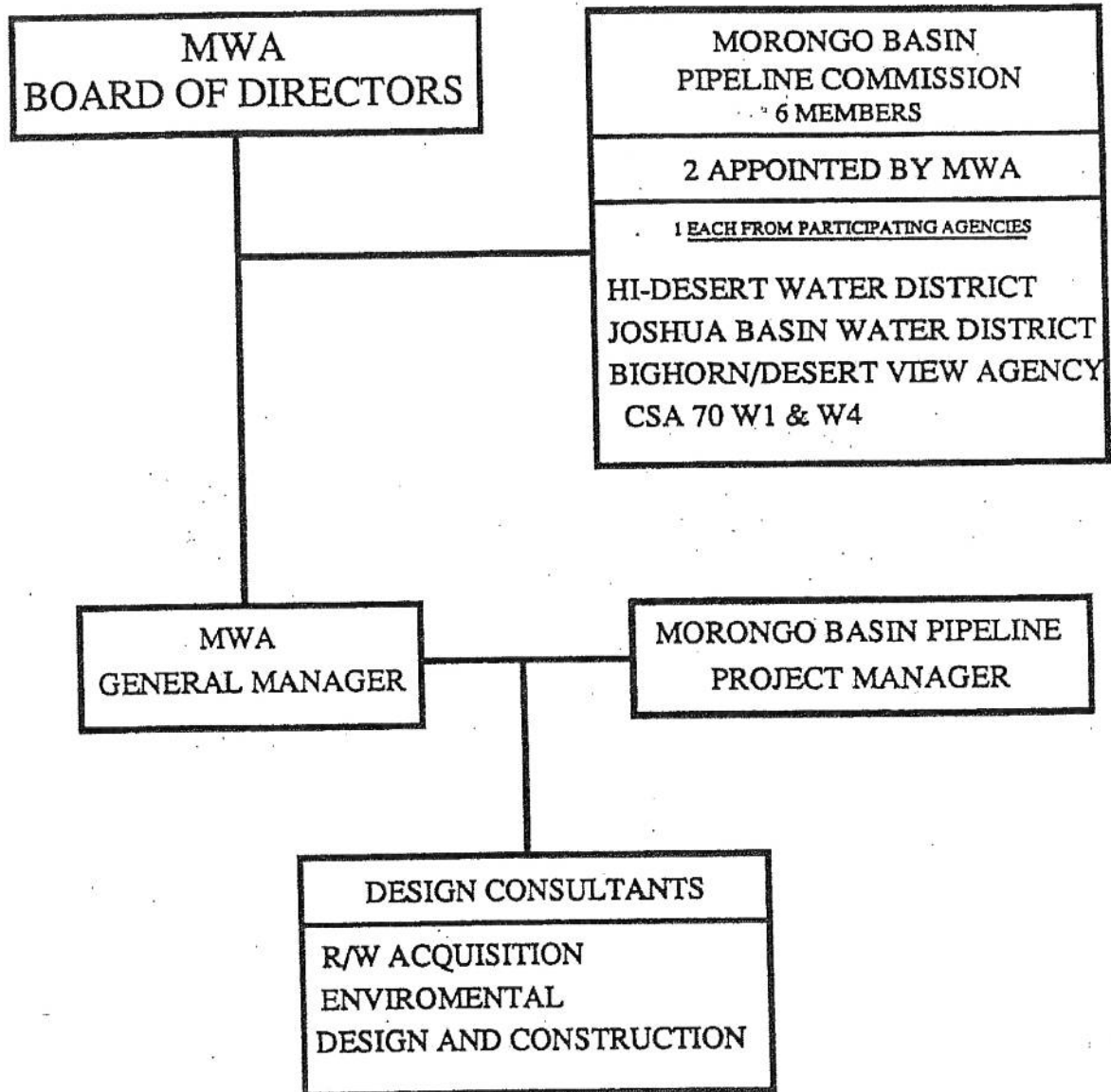
# EXHIBIT C

## DESIGNATION OF AUTHORIZED REPRESENTATIVES AND INITIAL MORONGO BASIN PIPELINE COMMISSION REPRESENTATIVES

	<u>Designated Authorized Representative</u>	<u>Alternative</u>
1. Bighorn-Desert View Water Agency	Ruth Reiman, Director	Michael Maline, Manager
2. County Service Area No. 70, Improvement Zone W-1 and Improvement Zone W-4	Vern Knourek, Assistant Administrative Officer for Special Districts	Ronald L. Bangert, Supervisor - Water and Sanitation Operations
3. Hi-Desert Water District	Carl Dalton, Director	Marsh Goldblatt, Manager
4. Joshua Basin Water District	George Becker, Director	Bill Avery, Manager
5. Mojave Water Agency	Joy Gaines, Director  Larry Rowe, General Manager	Thomas Irwin, Director (first alternate)  John Russell, Director (second alternate)

\* This Exhibit is for illustration purposes. The Agency and each Project Participant will designate who their respective Authorized Representative and alternative for the Commission will be.

# MORONGO BASIN PIPELINE PROJECT ORGANIZATIONAL CHART



THE PIPELINE PROJECT MANAGER WILL ATTEND MEETINGS OF THE MWA AND THE COMMISSION

EXHIBIT E

[This opinion shall be delivered upon execution of the Project Agreement and a second opinion encompassing the same matters, as well as language relating to the Project Participant in each official statement shall be delivered at the time of issuance of each Series of Bonds]

\_\_\_\_\_, 199\_

Mojave Water Agency  
22450 Headquarters Way  
Apple Valley, California 92308

[Project Participant]  
[Fiscal Agent]  
Prudential-Bache Capital Funding

Ladies and Gentlemen:

I am acting as counsel to the [Project Participant] (the "Project Participant") under the Agreement for Construction, Operation and Financing of Morongo Basin Pipeline Project, dated as of \_\_\_\_\_, 1991 (the "Agreement"), between the Mojave Water Agency (the "Agency") and the Project Participant, and I have acted as counsel to the Project Participant in connection with the matters referred to herein. As such counsel I have examined and am familiar with (i) documents relating to the existence, organization and operation of the Project Participant provided to me by the Project Participant, (ii) certifications by officers of the Project Participant, (iii) all necessary documentation of the Project Participant relating to the authorization, execution and delivery of the Agreement, and (iv) an executed counterpart of the Agreement. Terms used herein and not otherwise defined have the respective meanings set forth in the Agreement.

Based upon the foregoing and such examination of law and such other information, papers and documents as I deem necessary or advisable to enable me to render this opinion, including the Constitution and laws of the State of California, together with the resolutions, ordinances and public proceedings of the Project Participant, I am of the opinion that:

1. The Project Participant is a \_\_\_\_\_, duly created, organized and existing under the laws of the State of California and duly qualified to furnish water service within said State.

2. The Project Participant has legal right, power and authority to enter into the Agreement and to carry out and consummate all transactions reasonably contemplated thereby, and the Project Participant has complied with the provisions of applicable law relating to such transactions.

3. The Agreement has been duly authorized, executed and delivered by the Project Participant, is in full force and effect as to the Project Participant in accordance with its terms and, subject to the qualifications set forth in the second to the last paragraph hereof, and assuming that the Agency has all requisite power and authority, and has taken all necessary action, to authorize, execute and deliver such Agreement, the Agreement constitutes the valid and binding obligation of the Project Participant.

4. Payments by the Project Participant under the Agreement will constitute an operating expense of the Project Participant and are to be made solely from the Revenues of its Water System or other lawfully available funds as provided in Section 5(d) of the Agreement.

5. No approval, consent or authorization of any governmental or public agency, authority or person is required for the execution and delivery by the Project Participant of the Agreement or the performance by the Project Participant of its obligations thereunder, other than permits or approvals required in construction or operation of the Project which cannot yet be acquired.

6. The authorization, execution and delivery of the Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of, or default under, any instrument relating to the organization, existence or operation of the Project Participant, any commitment, agreement or other instrument to which the Project Participant is a party or by which it or its property is bound or affected, or any ruling, regulation, ordinance, judgment, order or decree to which the Project Participant (or any of its officers in their respective capacities as such) is subject or any provision of the laws of the State of California relating to the Project Participant and its affairs.

\_\_\_\_\_, 199\_

7. There is no action, suit, proceeding, inquiry or investigation at law or in equity, or before any court, public board or body, pending or, to my knowledge, threatened against or affecting the Project Participant or any entity affiliated with the Project Participant or any of its officers in their respective capacities as such (nor to the best of my knowledge is there any basis therefor), which questions the powers of the Project Participant referred to in paragraph 2 above or the validity of the proceedings taken by the Project Participant in connection with the authorization, execution or delivery of the Agreement, or wherein any unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by the Agreement, or which, in any way, would adversely affect the validity or enforceability of the Agreement.

8. [Language to the effect that the disclosure in the official statements relating to the Project Participant is not in violation of Rule 10b-5 of the Securities Exchange Act will be included in the opinion delivered at the time of issuance of each series of Bonds.]

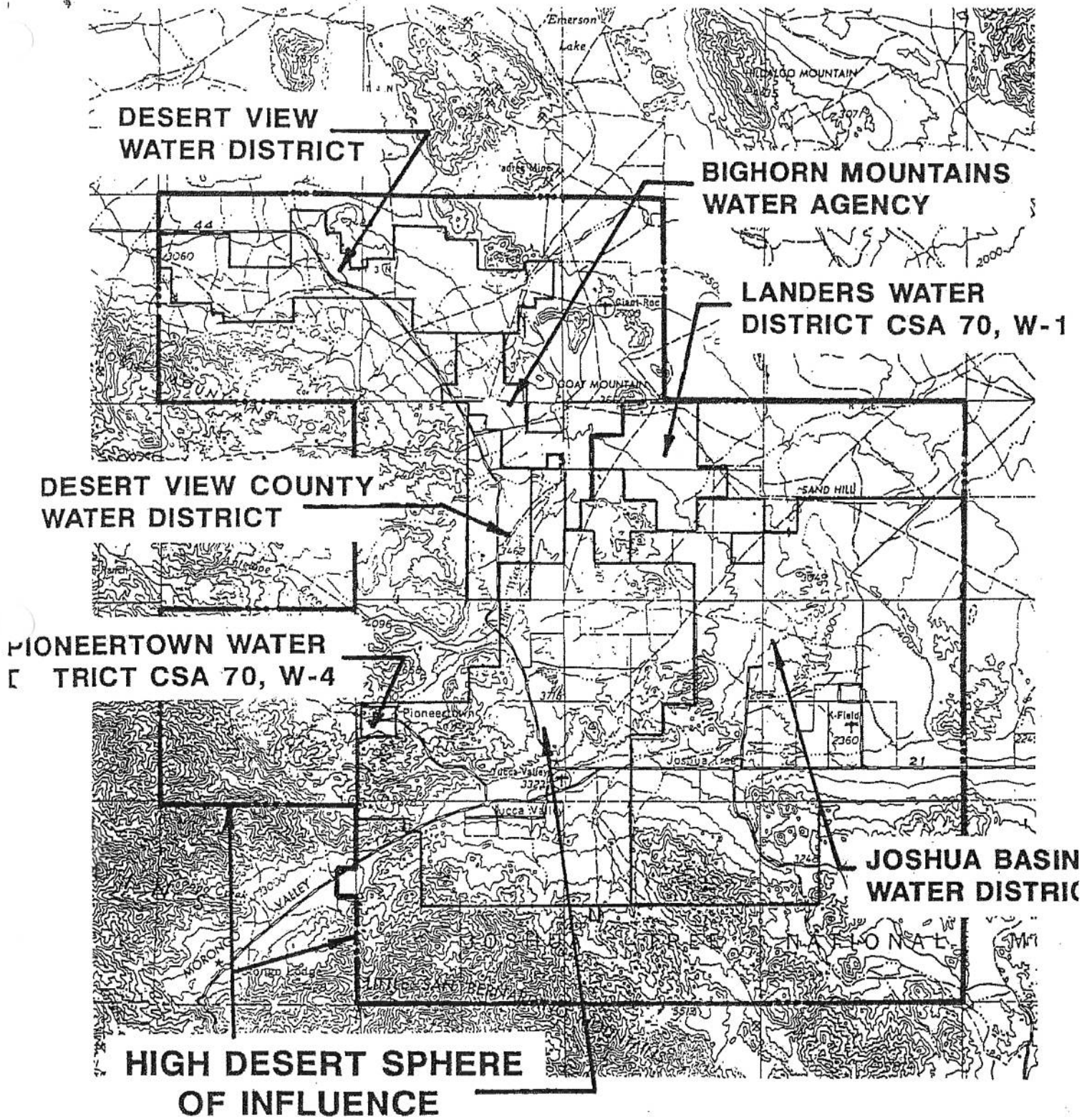
The opinion expressed in paragraph 3 above is qualified to the extent that the enforceability of the Agreement may be limited by any applicable bankruptcy, insolvency, reorganization, arrangement, moratorium, or other laws affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against water agencies in the State of California and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein.

This opinion is rendered only with respect to the laws of the State of California and the United States of America and is addressed only to the Mojave Water Agency, the Project Participant, the [Fiscal Agent] and Prudential-Bache Capital Funding. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

Very truly yours,



EXHIBIT F



**DIVISION NO. 2 AND  
IMPROVEMENT DISTRICT "M" BOUNDARY**

TABLE I

## COUNTY SERVICE AREA NO. 70

LIST OF NOTES, BONDS OR OTHER OBLIGATIONS  
OF THE PROJECT PARTICIPANT AS OF  
MARCH 15, 1991 TO WHICH REVENUES OF THE  
PROJECT PARTICIPANT ARE PLEDGED

<u>DESCRIPTION</u>	<u>DEBT SERVICE</u>		<u>RESERVE</u>	<u>REQUIRED</u>
	<u>INTEREST</u>	<u>PRINCIPAL</u>	<u>FUND</u> (as of 3/15/91)	<u>RESERVE</u> <u>FUND</u> <u>DEPOSITS</u>
A. Improvement Zone W-1				
1. \$1,540,000 General Obligation to Farmers Home Admin- istration	[Ad valorem property taxes collected for the payment of debt service on general obligation bonds are excluded from the definition of Revenues.]			
B. Improvement Zone W-4				
1. \$536,115 Loan payable from assessments payable to Department Of Water Resources	[Assessments collected for the payment of debt service on these bonds are excluded from the definition of Revenues; no Revenues are pledged for the payment of these bonds.]			

TABLE II

SCHEDULE OF FIXED O&M COSTS BY PROJECT REACH

PERCENTAGE

Reach 1

1. Bighorn - Desert View Water Agency
2. a. County Service Area 70 (W-1)  
b. County Service Area 70 (W-4)
3. Hi-Desert Water District
4. Joshua Basin Water District

Reach 2

1. Bighorn - Desert View Water Agency
2. a. County Service Area 70 (W-1)  
b. County Service Area 70 (W-4)
3. Hi-Desert Water District
4. Joshua Basin Water District

Reach 3

1. Bighorn - Desert View Water Agency
2. a. County Service Area 70 (W-1)  
b. County Service Area 70 (W-4)
3. Hi-Desert Water District
4. Joshua Basin Water District

Reach 4

1. Bighorn - Desert View Water Agency
2. a. County Service Area 70 (W-1)  
b. County Service Area 70 (W-4)
3. Hi-Desert Water District
4. Joshua Basin Water District



**County Department of Special  
Districts Response to Application  
submitted by Bighorn and  
Questions of LAFCO Staff:**

- c. County Adoption of Fees for Fiscal  
Year 2014-15 (Agenda Item of May 6,  
2014)**

**Attachment 4c**

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF THE BOARD GOVERNED COUNTY SERVICE AREAS  
AND RECORD OF ACTION**

**84**

May 6, 2014

**FROM:** JEFFREY O. RIGNEY, Director  
Special Districts Department

**SUBJECT:** INTRODUCTION OF VARIOUS ORDINANCES AND ADOPTION OF  
RESOLUTIONS RELATING TO THE 2014-15 RECOMMENDED ANNUAL FEES  
AND CHARGES FOR VARIOUS BOARD GOVERNED COUNTY SERVICE  
AREAS AND ZONES

**RECOMMENDATION(S)**

Acting as the governing body of the Board Governed County Service Areas and their Zones, conduct a public hearing regarding resolutions and ordinances specified below:

1. Adopt Resolution repealing Resolution No. 2013-111 confirming the charges for detention basin maintenance, park and landscape maintenance, road maintenance and streetlight services for named County Service Areas and Zones and authorizing their collection on the 2014-15 tax roll.
2. Adopt Resolution, repealing Resolution No. 2013-112, confirming assessments for administrative costs for 2014-15 for collection and administration of 1915 Bond Act assessments on parcels within Special Assessment District 2001-1 (Lenwood).
3. Adopt Resolution, repealing Resolution No. 2013-113, confirming refuse collection charges for County Service Area 70, Zone HL (Havasu Lake) and authorizing their collection on the 2014-15 tax roll.
4. Adopt Resolution, repealing Resolution No. 2013-114, confirming water and sewer standby charges for County Service Areas and Zones, and authorizing their collection on the 2014-15 tax roll.
5. Adopt Resolution, repealing Resolution No. 2013-115, to establish and continue water and sewer fees for County Service Areas and Zones as shown on Attachment A and authorizing their collection on the 2014-15 tax roll.
6. Consider proposed Ordinance relating to repealing Ordinance No. SD 13-03 and establishing recreation and park activity fees for 2014-15 for County Service Areas and Zones as shown on Attachments B through I.
  - a. Make alterations, if necessary, to proposed ordinance.
  - b. Approve introduction of proposed ordinance.
  - c. Read title of proposed ordinance; waive reading of the entire text and **SCHEDULE FOR FINAL ADOPTION ON TUESDAY, MAY 20, 2014** on the Consent Calendar.
7. Consider proposed Ordinance relating to repealing Ordinance No. SD 13-04 and establishing cemetery charges for 2014-15 for County Service Area 29 (Lucerne Valley), as shown on Attachment J.

Page 1 of 4

INTRODUCTION OF VARIOUS ORDINANCES AND ADOPTION OF  
RESOLUTIONS RELATING TO THE 2014-15 RECOMMENDED ANNUAL  
FEES AND CHARGES FOR VARIOUS BOARD GOVERNED COUNTY  
SERVICE AREAS AND ZONES

84

MAY 6, 2014  
PAGE 2 OF 4

- a. Make alterations, if necessary, to proposed ordinance.
  - b. Approve introduction of proposed ordinance.
  - c. Read title only of proposed ordinance; waive reading of the entire text and **SCHEDULE FOR FINAL ADOPTION ON TUESDAY, MAY 20, 2014** on the Consent Calendar.
8. Consider proposed ordinance relating to repealing Ordinance No. SD 13-05 and establishing the water and sewer connection fees for 2014-15 for named County Service Areas and Zones, as shown on Attachments K and L.
- a. Make alterations, if necessary, to proposed ordinance.
  - b. Approve introduction of proposed ordinance.
  - c. Read title only of proposed ordinance; waive reading of the entire text and **SCHEDULE FOR FINAL ADOPTION ON TUESDAY, MAY 20, 2014** on the Consent Calendar.
9. Consider proposed ordinance relating to repealing Ordinance No. SD 13-06 and establishing fees and charges for 2014-15 for all County Service Areas and Zones, as shown on Attachment M.
- a. Make alterations, if necessary, to proposed ordinance.
  - b. Approve introduction of proposed ordinance.
  - c. Read title only of proposed ordinance; waive reading of the entire text and **SCHEDULE FOR FINAL ADOPTION ON TUESDAY, MAY 20, 2014** on the Consent Calendar.
10. Consider proposed ordinance relating to repealing Ordinance No. SD 13-07 and establishing property mitigation fees for 2014-15 for named County Service Area 120 (North Etiwanda Preserve), as shown on Attachment N.
- a. Make alterations, if necessary, to proposed ordinance.
  - b. Approve introduction of proposed ordinance.
  - c. Read title only of proposed ordinance; waive reading of the entire text and **SCHEDULE FOR FINAL ADOPTION ON TUESDAY, MAY 20, 2014** on the Consent Calendar.

(Presenter: Jeffrey O. Rigney, Director, 387-5967)

**BOARD OF SUPERVISORS COUNTY GOALS AND OBJECTIVES**

**Operate in a Fiscally-Responsible and Business-Like Manner.**

- Develop a long-term budget plan which brings the County into operational and programmatic balance.

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). The fees and charges established in the proposed ordinances and resolutions, along with property tax revenue received by individual County Service Areas (CSA) and Zones, will cover the cost of providing all associated services. The recommended fee adjustments will generate approximately \$581,385 in additional revenue to recover costs incurred to provide services, products, and certain benefits and privileges to members of the public and others. The primary reason for fee increases is due to the implementation of a more precise calculation methodology which captures all costs associated with services provided.

The financial impact of these recommendations will be included in the recommended 2014-15 budgets for each individual CSA and Zone.

**BACKGROUND INFORMATION**

The Special Districts Department (Department) introduces various fee ordinances and resolutions to the Board of Supervisors (Board) annually which typically includes fee revisions, the deletion of fees, and the addition of new fees. The proposed ordinances and resolutions represent the Department's calculation of costs to provide various services in 2014-15. This item will authorize actions necessary to establish and adjust fees and service charges for refuse, water, sanitation, road maintenance, parks and recreation, detention basin maintenance, landscaping, streetlighting, and bond act administration in various CSAs and Zones, as set forth in various Resolutions and Ordinances as detailed above. If new programs are developed or revisions are required during the course of the fiscal year, the Department, as appropriate, will bring such action before the Board for approval.

Approval of this item will allow for operational and programmatic balance of a long term budget by ensuring that the costs for providing services, products, and certain benefits will be fully funded by the fees and charges included in this item.

As part of the Department's annual fee review, the proposed ordinances and resolutions include revised fees, the addition of new fees, and the deletion of fees to better provide a user-friendly fee schedule to customers. The effective date of the changes will be July 1, 2014. The revenue generated by the recommended fees, combined with property tax revenues received by the District, will fully fund all services provided by each CSA and Zone.

In those CSAs and Zones providing water and sewer services, parcel owners were mailed a notice of proposed fee increases in accordance with the Proposition 218 requirements. Required notices have been published and the appropriate fee schedule and report has been filed with the Clerk of the Board.

Required notices have been published and the appropriate fee schedule has been filed with the Secretary of the Board. For 2014-15, the District ensures that the fee amounts comply with Proposition 26. Proposition 26 generally requires fees not to be higher than the cost of the activity and/or service provided, unless an exception applies as provided in Proposition 26.

The majority of fees in this fee program were calculated using the full cost recovery methodology. Some recommended fee amounts are not using the full cost recovery method where property tax revenue is collected in the CSA for the purpose of providing specified service or where fee increases are limited to fixed annual percent increases and full cost recovery would exceed the percent limit. The calculation includes all direct and indirect costs to determine the fees and charges for each service.

**REVIEW BY OTHERS**

**INTRODUCTION OF VARIOUS ORDINANCES AND ADOPTION OF  
RESOLUTIONS RELATING TO THE 2014-15 RECOMMENDED ANNUAL  
FEES AND CHARGES FOR VARIOUS BOARD GOVERNED COUNTY  
SERVICE AREAS AND ZONES**

**MAY 6, 2014**

**PAGE 4 OF 4**

**84**

This item has been reviewed by County Counsel (Dawn Messer, Deputy, 387-4322) on April 21, 2014; Finance (Jessica Brown, Administrative Analyst, 387-4919) on April 18, 2014; and County Finance and Administration (Mary Jane Olhasso, Assistant Executive Officer, 387-4599) on April 21, 2014.

RESOLUTION NO. 2014-\_\_\_\_\_

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF SAN BERNARDINO, STATE OF CALIFORNIA, ACTING IN ITS CAPACITY AS THE GOVERNING BODY OF THE NAMED COUNTY SERVICE AREAS AND ZONES, ESTABLISHING VARIOUS FEES FOR WATER AND SEWER SERVICES AND REPEALING RESOLUTION NO. 2013-115**

County Service Area 42	(Oro Grande)
County Service Area 53	
Zone B	(Fawnskin)
County Service Area 64	(Spring Valley Lake)
County Service Area 70	
Zone CG	(Cedar Glen)
Zone F	(Morongo Valley)
Zone GH	(Glen Helen)
Zone J	(Oak Hills)
Zone S-3	(Lytle Creek)
Zone SP-2	(High Country)
Zone W-1	(Goat Mountain)
Zone W-3	(Hacienda)
Zone W-4	(Pioneertown)
County Service Area 79	(Green Valley Lake)
County Service Area 82	(Searles Valley)

On Tuesday \_\_\_\_\_, 2014, on motion of Supervisor \_\_\_\_\_, duly seconded by Supervisor \_\_\_\_\_ and carried, the following resolution is adopted by the Board of Supervisors of San Bernardino County, State of California, acting in its capacity as the governing body of the above-named County Service Areas and Zones.

SECTION 1. The Board of Supervisors of the County of San Bernardino, acting as the governing body of the above-named County Service Areas and Zones, hereby finds and determines:

(a) That, pursuant to Government Code Section 25215.5, the Board may establish fees and charges for services provided by a County Service Area and Zone.

(b) That the fees and charges set out in Attachment A, incorporated herein by this reference, are not in excess of the cost of providing such services, are required to fund the provision of such services, and reflect the costs of providing such services

(c) That required notice was properly given and a public hearing was held this date and all interested persons desiring to make any comment or protest with respect to the imposition of such fees and charges were heard and that testimony and evidence for and against the proposed fees and charges, if any, were duly considered.





**ATTACHMENT A**  
**BOARD GOVERNED COUNTY SERVICE AREAS AND ZONES**  
**WATER/SEWER FEES AND CHARGES**  
**FY 2014-15**

**WATER SERVICE**

**County Service Area 42 – Oro Grande**

<b>Meter Size</b>	<b>Existing Monthly Fee</b>	<b>Proposed Monthly Fee</b>
¾" meter	\$30.78	\$30.78
1" meter	\$51.30	\$51.30
1 ½" meter	\$102.60	\$102.60
2" meter	\$164.16	\$164.16
3" meter	\$328.32	\$328.32
4" meter	\$513.00	\$513.00
6" meter	\$1026.00	\$1,026.00
8" meter	\$1641.00	\$1,641.00
<b>Bi-Monthly Use</b>	<b>Existing Fee</b>	<b>Proposed Fee</b>
0 – 14 hcf	\$2.75	\$2.75
>14 – 80 hcf	\$3.16	\$3.16
>80 hcf and above	\$3.64	\$3.64

**County Service Area 64 – Spring Valley Lake**

<b>Meter Size</b>	<b>Existing Monthly Fee</b>	<b>Proposed Monthly Fee</b>
¾" meter	\$13.26	\$14.10
1" meter	\$22.10	\$23.50
1 ½" meter	\$44.20	\$47.00
2" meter	\$70.72	\$75.20
3" meter	\$141.44	\$150.40
4" meter	\$221.00	\$235.00
6" meter	\$442.00	\$470.00
8" meter	\$707.20	\$752.00
<b>Bi-Monthly Use</b>	<b>Existing Fee</b>	<b>Proposed Fee</b>
0 – 14 hcf	\$.81	\$.85
>14 – 80 hcf	\$.93	\$.98
>80 hcf and above	\$1.07	\$1.12

**County Service Area 70 CG – Cedar Glen**

<b>Meter Size</b>	<b>Existing Monthly Fee</b>	<b>Proposed Monthly Fee</b>
Flat Rate	\$151.06	\$151.06
5/8" meter	\$19.60	\$19.60
¾" meter	\$19.60	\$19.60
1" meter	\$32.67	\$32.67
1 ½" meter	\$65.33	\$65.33
2" meter	\$104.53	\$104.53
3" meter	\$209.07	\$209.07
4" meter	\$326.67	\$326.67
6" meter	\$653.33	\$653.33
8" meter	\$1045.33	\$1,045.33
<b>Bi-Monthly Use</b>	<b>Existing Fee</b>	<b>Proposed Fee</b>
0 – 14 hcf	\$10.15	\$10.15



**ATTACHMENT A**  
**BOARD GOVERNED COUNTY SERVICE AREAS AND ZONES**  
**WATER/SEWER FEES AND CHARGES**  
**FY 2014-15**

>14 – 40 hcf	\$11.67	\$11.67
>40 – 80 hcf	\$13.42	\$13.42
>80 hcf and above	\$15.44	\$15.44

**County Service Area 70 F – Morongo**

<b>Meter Size</b>	<b>Existing Monthly Fee</b>	<b>Proposed Monthly Fee</b>
¾" meter	\$58.78	\$58.78
1" meter	\$97.97	\$97.97
1 ½" meter	\$195.93	\$195.93
2" meter	\$313.49	\$313.49
3" meter	\$626.99	\$626.99
4" meter	\$979.67	\$979.67
6" meter	\$1,959.33	\$1,959.33
8" meter	\$3,134.93	\$3,134.93
<b>Bi-Monthly Use</b>	<b>Existing Fee</b>	<b>Proposed Fee</b>
0 – 14 hcf	\$6.58	\$6.58
>14 – 80 hcf	\$7.57	\$7.57
>80 hcf and above	\$8.70	\$8.70

**County Service Area 70 W-3 – Hacienda**

<b>Meter Size</b>	<b>Existing Monthly Fee</b>	<b>Proposed Monthly Fee</b>
¾" meter	\$43.93	\$43.93
1" meter	\$73.22	\$73.22
1 ½" meter	\$146.43	\$146.43
2" meter	\$234.29	\$234.29
3" meter	\$468.59	\$468.59
4" meter	\$732.17	\$732.17
6" meter	\$1,464.33	\$1,464.33
8" meter	\$2,342.93	\$2,342.93
<b>Bi-Monthly Use</b>	<b>Existing Fee</b>	<b>Proposed Fee</b>
0 – 14 hcf	\$4.49	\$4.49
>14 – 80 hcf	\$5.16	\$5.16
>80 hcf and above	\$5.94	\$5.94

**County Service Area 70 W-4 – Pioneertown**

<b>Meter Size</b>	<b>Existing Monthly Fee</b>	<b>Proposed Monthly Fee</b>
¾" meter	\$37.00	\$39.00
1" meter	\$61.67	\$65.00
1 ½" meter	\$123.33	\$130.00
2" meter	\$197.33	\$208.00
3" meter	\$394.67	\$3416.00
4" meter	\$616.67	\$650.00
6" meter	\$1233.33	\$1300.00
8" meter	\$1973.33	\$2080.00
<b>Bi-Monthly Use</b>	<b>Existing Fee</b>	<b>Proposed Fee</b>
First 10 hcf	\$6.28	\$6.62
>10 – 25 hcf	\$7.22	\$7.61

**ATTACHMENT A  
BOARD GOVERNED COUNTY SERVICE AREAS AND ZONES  
WATER/SEWER FEES AND CHARGES  
FY 2014-15**

>25 – 50 hcf	\$8.31	\$8.75
>50 hcf	\$9.55	\$10.07

**County Service Area 70 W-1 – Goat Mtn., Landers**

<b>Meter Size</b>	<b>Existing Monthly Fee</b>	<b>Proposed Monthly Fee</b>
¾" meter	\$29.36	\$29.36
1" meter	\$48.93	\$48.93
1 ½" meter	\$97.87	\$97.87
2" meter	\$156.59	\$156.59
3" meter	\$313.17	\$313.17
4" meter	\$489.33	\$489.33
6" meter	\$978.67	\$978.67
8" meter	\$1,565.87	\$1,565.87
<b>Bi-Monthly Use</b>	<b>Existing Fee</b>	<b>Proposed Fee</b>
0 – 14 hcf	\$4.77	\$4.77
>14 – 80 hcf	\$5.49	\$5.49
>80 hcf and above	\$6.31	\$6.31

**County Service Area 70 J – Oak Hills**

<b>Meter Size</b>	<b>Existing Monthly Fee</b>	<b>Proposed Monthly Fee</b>
¾" meter	\$26.50	\$30.40
1" meter	\$30.44	\$30.40
1 ½" meter	\$52.23	\$60.80
2" meter	\$78.75	\$97.28
3" meter	\$146.20	\$194.56
4" meter	\$225.10	\$304.00
6" meter	\$496.86	\$608.00
8" meter	\$771.82	\$972.50
<b>Bi-Monthly Use</b>	<b>Existing Fee</b>	<b>Proposed Fee</b>
0 – 14 hcf	\$2.06	\$2.09
>14 – 72 hcf	\$2.37	\$2.40
>72 – 108 hcf	\$3.07	\$3.09
>108 – 144 hcf	\$3.25	\$3.27
>144 – 180 hcf	\$3.42	\$3.60
>180 hcf	\$3.59	\$3.77

**SEWER USER CHARGE**

The owner of each house, building or property connected to the Public Sewer shall pay a User Charge based upon assigned Equivalent Dwelling Units (EDU). The EDU for each property shall be established in accordance with the State

**ATTACHMENT A**  
**BOARD GOVERNED COUNTY SERVICE AREAS AND ZONES**  
**WATER/SEWER FEES AND CHARGES**  
**FY 2014-15**

of California Uniform Plumbing Code. The User Charge per month per assigned EDU shall be:

<b>DISTRICT</b>	<b>EXISTING USER FEE PER EDU (Equivalent Dwelling Unit)</b>	<b>PROPOSED CHARGE PER EDU (Equivalent Dwelling Unit)</b>
County Service Area 42, Oro Grande	\$79.44	\$79.44
County Service Area 53 B, Fawnskin	\$61.96	\$61.96
County Service Area 64, Spring Valley Lake	\$38.90	\$45.90
County Service Area 70, Zone S-3, Lytle Creek	\$59.56	\$59.56
County Service Area 70, Zone SP-2, High Country	\$43.90	\$47.15
County Service Area 70, Zone GH, Glen Helen	\$36.67	\$36.67
County Service Area 79, Green Valley Lake	\$65.77	\$65.77
County Service Area 82, Searles Valley	\$40.59	\$43.58

**WHOLESALE WATER CHARGES DURING WATER SHORTAGE CONDITIONS**

To provide wholesale water during water shortage conditions, resulting from high demand and private well failures, to water haulers within the District.

<b>COUNTY SERVICE AREA 29, LUCERNE VALLEY</b>	<b>EXISTING</b>	<b>PROPOSED CHARGE</b>
Per 2,000 gallon load of water sold for 60 days or less of service	\$ 50.00	\$ 55.00
Per 2,000 gallon load of water sold for a period that extends beyond 60 days of service during a water shortage event	\$167.00	\$183.70

CSA 70 W1 Landers Water	ECS-345				Cost of Service	
	FY12		FY13		FY14	
	Actual	Estimate	Projected	Projected	Projected	First run
Services/Supplies	75,876	91,643	94,392			
Transfers/Indirect Costs	353,411	316,594	326,092			
Mitigation	0	0	0			
Total Operating Costs	429,287	408,237	420,484			
Debt Service	0	0	0			
Depreciation	0	143,800	135,000			
Target goal is \$135,000 - 40% of op costs						
\$33,000 into replacement from taxes						
Total Requirements	429,287	552,037	555,484			
Contingencies	337,519	190,451	114,395			
Target is \$105,121 - 25% of Op Costs						
Revenues						
Water Sales/Services	188,310	201,957	259,704			0.286 increase
Meter Revenue	139,592	142,487	259,704			0.823 increase
Interest	1,058	1,007	1,076			
Other(Other Serv/Grants/etc.)	170,487	34,309	35,000			
Total Revenue	499,447	379,760	555,484			
Beginning Fund Balance						
Operating Fund (ECS-345)	275,426	327,372	114,395			FY15 114,395
Replacement Reserve (EFQ-345)	489,892	446,454	734,454			
Expansion Reserve (EDY-345)	314,150	315,715	316,515			

\*Current valuation of system = \$1,255,499

**\$259,704 50%**

## #

Meter Size	Meters	Current	Proposed	Base Capacity Factor			New calculated proposed charge
				Increase	HCF/min	Factor	
3/4"	409	\$24.59	\$43.63	77%	30	1	\$43.63
1"	49	\$35.66	\$72.72	104%	50	1.666667	\$72.72
1 1/2"	0	\$62.44	\$145.43	133%	100	3.333333	\$145.43
2"	1	\$91.42	\$232.69	155%	160	5.333333	\$232.69
3"	0	\$157.02	\$465.39	196%	320	10.66667	\$465.39
4"	0	\$241.32	\$727.17	201%	500	16.66667	\$727.17
6"	0	\$447.65	\$1,454.33	225%	1000	33.33333	\$1,454.33
8"	0	\$661.84	\$2,326.93	252%	1600	53.33333	\$2,326.93
	459				3760		\$259,685.76

## CSA 70 W-1

From file CSA70W1 Tier Detail under usage folder

Tier 1	Tier 2	Tier 3		
	18,032	13,349	2,463	2012 usage
\$	7.08	\$ 8.14	\$ 9.36	Proposed
\$	127,666.56	\$ 108,687.56	\$ 23,061.81	\$ 259,415.93 Revenue
Base	15% over base	15% over tier 2		
\$	3.98	\$ 4.44	\$ 5.71	Current
	78%	83%	64%	Increase
				\$ 259,704.00

## CSA 70 W1 Landers Water

## ECS-345 Cost of Service

	FY13 Actual	FY14 Estimate	FY15 Projected	1/6/2014
Services/Supplies	67,095	93,520	96,326	
Transfers/Indirect Costs	315,594	173,557	196,857	
Mitigation	0	0	0	
<b>Total Operating Costs</b>	<b>382,689</b>	<b>267,077</b>	<b>293,183</b>	
Debt Service	8,141	8,141	8,142	
Depreciation	0	180,000	117,273	Target goal is 40% of op costs

<b>Total Requirements</b>	<b>382,689</b>	<b>447,077</b>	<b>418,598</b>
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Contingencies	96,951	55,211	96,665	Target is 25% of Op Costs
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## Revenues

Water Sales/Services	155,446	127,437	166,077	Meter	0%
Meter Revenue	200,457	245,094	235,050	Usage	0%
Penalties	6,767	30,525	10,000		
Interest	918	562	563		
Use of fund balance		0			
Other(Other Serv/Grants/etc.)	9,020	7,419	7,419		

<b>Total Revenue</b>	<b>372,608</b>	<b>411,037</b>	<b>419,109</b>
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## Beginning Fund Balance

Operating Fund (ECS-345)	327,372	201,088	98,309
Replacement Reserve (EFQ-345)	446,454	540,279	458,506
Expansion Reserve (EDY-345)	315,715	316,744	318,294

\*Current valuation of system = \$1,255,499





From file CSA70W1 Tier Detail under usage folder

From file CSA70W1 Tier Detail under usage folder

Tier 1	Tier 2	Tier 3		
	18,038	13,368	1,063 2012 usage	
\$	4.77	\$ 5.49	6.31 Proposed	
\$	86,041.26	\$ 73,330.16	6,705.75	\$ 166,077.17 Revenue
Base	15% over base	15% over tier 2		
\$	4.77	\$ 5.49	6.31 Current	
	0%	0%	0% Increase	
				\$ 195,309.00

**County Department of Special  
Districts Response to Application  
submitted by Bighorn and  
Questions of LAFCO Staff:**

- d. Request for Information Response  
dated July 25, 2014**

**Attachment 4d**

# INTEROFFICE MEMO



DATE: July 25, 2014

PHONE: 387-5967

FROM: JEFFREY O. RIGNEY, Director  
Special Districts Department

MAIL CODE: 0450

TO: KATHLEEN ROLLINGS-MCDONALD, Executive Officer  
Local Agency Formation Commission

RECEIVED  
JUL 28 2014

SUBJECT: REQUEST FOR INFORMATION CONCERNING LAFCO 3181

**LAFCO**  
San Bernardino County

In response to the LAFCO application (3181) for the dissolution of CSA 70 W-1 Landers and its annexation into Bighorn Desert View Water Agency, the following is offered:

1. The Special Districts Department has been reviewing the application with the County Administrative Office and will be reviewing our findings with the County Executive Officer in the coming week. We will provide a response after that occurs. As stated in our original request for an extension, the applicant has been working on this for some time and we need the time to properly review and respond. Saying that, we will expedite and provide a response to you soon.

2. Financial and Operational Information:

- a. Current listing and balances for CIP accounts:

<b>CCW 345 Project No. 2060</b>	<b>Rehab PRV Stations</b>	<b>\$298,916</b>
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CSA 70 W-1 owns and maintains five (5) Pressure Reducing Valve (PRV) stations all of which were installed in the early 1970s. Due to funding constraints, the original installation did not incorporate line size PR valves. The three (3) stations scheduled for rehabilitation incorporate 4" PR valves with 2" bypass or 6" PR valves with 2" bypass. These valves currently limit fire flow to the areas they serve. The project includes the installation of new 8" PR valves (line size) with a 4" bypass, installation of new 8" piping to feed the 8" PR valves (note the original installation reduced the line size from 8" to 6" entering and leaving the PRV station), the installation of new 12'x14' vaults, and the miscellaneous piping and valving for maintenance and isolation.

<b>CCW 345 Project 2061</b>	<b>Rehab Reservoir A at Site 2</b>	<b>\$61,600</b>
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This project includes the exterior painting and interior coating of an existing galvanized steel, bolted water tank constructed in the 1970's. Although galvanized steel is more resistant to rust than standard carbon steel, the tank does exhibit the initial signs of corrosion. The ambient temperature must be 50 degrees and rising in order to paint/coat the steel, so this project was put on hold until the weather conditions were appropriate.

<b>CCW 345 Project No. 2062</b>	<b>Water Meter Replacement Project</b>	<b>\$150,000</b>
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This project includes the replacement of 200 water meters in the District. The District has been performing "remove and bench test" sampling and monitoring water loss on an annual basis and has determined that the majority of the meters do not read/record correctly.

<b>CCW 345 Project No. 2063</b>	<b>Water Service Line Replacement Project</b>	<b>\$150,000</b>
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This project includes the replacement of 200 service lines. This project is part of the meter replacement project. The majority of the service lines in the District were installed in the early 1970's, and are currently failing at an approximate rate of two per month (equivalent to 10.4 % of the total service lines in a three-year period).

<b>CCW 345 Project No. 3014</b>	<b>Chlorinators</b>	<b>\$172,500</b>
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This project includes the installation of one new tablet chlorinator to the District's water supply wells. The District still currently disinfects the water supply using 12.5% sodium hypochlorite, which is highly unstable, extremely corrosive, and exposure can cause extreme damage to the skin and eyes. Tablet chlorinators produce a low concentration of calcium hypochlorite for disinfection, is stable, and does not require annual Certified Unified Program Agency inspections by the local fire department or permits. As all three wells pump to the same ground level reservoir, the District purchased a single tablet chlorinator at a cost of \$37,952; a tank mixer at a cost of \$11,991; and a prefabricated wood enclosure for \$5,500, and will perform the installation using District staff.

- b. Reserve balances: Replacement Reserve: \$227,316  
Expansion Reserve: \$318,263
- c. Debt/Debt Service: USDA Loan - \$108,027 annually-bond trust fund (property tax)  
EES-345

MWA loan - \$8,141 annually from operating fund

- d. Equipment: As mentioned above, the only assets that CSA 70 W-1 Landers owns, except for land (\$3,500) and the infrastructure (\$1,166,000), are as follows:

Description	Date Purchased	Original Cost	Current Valuation
Mobile office trailer	7/11/1980	\$13,600	0
Tractor	1/26/1982	\$31,915	0
Generator	8/23/2010	\$37,420	0

There is no equipment reserve. CSA 70 W-1 is only charged an allocation of annual use/availability for pooled vehicles and equipment based upon the number of connections in the system.

- e. None
  - f. None
  - g. CSA 70 Zone W-1 is part of the Ames/Reche Basin agreement with BDVWA, High Desert Water District and CSA 70 Zone W-4. It is believed that LAFCo has a copy of this but if not we can provide.
3. Staff will assist as needed if a transition occurs and work with all required departments on a transition plan. It is expected that the acquiring entity would pay all costs associated with this. If BDVWA is successful in acquiring CSA 70 Zone W-1, we request the effective date to be July 1, 2015, the start of the new fiscal year. Our department's current budget is based on the inclusion of CSA 70 Zone W-1 and agreement to our request would simplify the transition.

As stated, we will get you the additional information soon and will continue to provide information as requested. Please contact me directly if you have any questions.



Assessor

**San Bernardino County - PIMS**  
**Property Information for Parcel 0236-081-04-0000**

Parcel	Parcel Status	Parcel Type	Property ID	Tax Status	Use Code	Land Access	Size	Land Type	District	Resp Group	Resp Unit
0236081040000	<u>A</u>	<u>0</u>		<u>1</u>	SFR 2	<u>PUB/PV</u>	<u>04</u>	<u>01</u>	FONTANA	<u>D</u>	<u>IND</u>

**Ownership History**

Name	R/I	% Int	Type	Acquisition Date	Document Date	Inactive Date	Document Numbers
DEGLER/PUGMIRE, LLC	<u>SO</u>	100.0000000	<u>B</u>	04/27/2000	04/27/2000	NONE	20000143960 ▼
DEGLER, BRUCE	<u>TC</u>	50.0000000	<u>B</u>	07/20/1999	07/20/1999	04/26/2000	19990302814 ▼
PUGMIRE, KIM	<u>TC</u>	50.0000000	<u>J</u>	07/20/1999	07/20/1999	04/26/2000	19990302814 ▼
KERSHAW, JOHN R	<u>HW</u>	50.0000000	<u>J</u>	NONE	04/15/1988	07/19/1999	8811094900000 ▼
KERSHAW, PATRICIA E	<u>HW</u>	50.0000000	<u>B</u>	NONE	04/15/1988	07/19/1999	8811094900000 ▼
JAURIGUE, JOSIE H	<u>UK</u>	0.0000000	<u>J</u>	NONE	NONE	04/14/1988	▼
JAURIGUE, PETE A	<u>UK</u>	0.0000000	<u>B</u>	NONE	NONE	04/14/1988	▼

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF SAN BERNARDINO COUNTY, CALIFORNIA  
AND RECORD OF ACTION**

**21**

August 5, 2014

**FROM:** GREGORY C. DEVEREAUX, Chief Executive Officer  
County Administrative Office

**SUBJECT:** LOCAL AGENCY FORMATION COMMISSION (LAFCO) NO. 3181 –  
REORGANIZATION TO INCLUDE ANNEXATIONS TO THE BIGHORN-DESERT  
VIEW WATER AGENCY, DISSOLUTION OF COUNTY SERVICE AREA 70  
ZONE W-1 AND FORMATION OF AN IMPROVEMENT DISTRICT OF THE  
BIGHORN-DESERT VIEW WATER AGENCY

**RECOMMENDATION(S)**

Adopt Resolution approving the property tax revenue amounts to be transferred as a result of the pending reorganization related to LAFCO No. 3181 for annexation to the Bighorn-Desert View Water Agency, formation of an Improvement District of the Bighorn-Desert View Water Agency and the dissolution of County Service Area 70 Zone W-1.

(Presenter: Valerie Clay, Deputy Executive Officer, 387-5423)

**BOARD OF SUPERVISORS COUNTY GOALS AND OBJECTIVES**

**Operate in a Fiscally-Responsible and Business-Like Manner.**

**Ensure Development of a Well-Planned, Balanced, and Sustainable County.**

**Pursue County Goals and Objectives by Working with Other Government Agencies.**

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). A determination of the property tax revenue exchange associated with the jurisdictional change must occur prior to issuance of the Certificate of Filing by LAFCO. The property tax transfer associated with this action shall only be effective upon satisfactory completion of the annexation proceedings. In accordance with Section 99 of the California Revenue and Taxation Code (R&T Code), the Board of Supervisors (Board) is responsible for acting on behalf of all special districts (board-governed or independent).

The recommended redistribution of property tax revenue amounts as a result of the pending reorganization related to LAFCO No. 3181 is as follows:

**LOCAL AGENCY FORMATION COMMISSION (LAFCO) NO. 3181 –  
REORGANIZATION TO INCLUDE ANNEXATIONS TO THE BIGHORN-  
DESERT VIEW WATER AGENCY, DISSOLUTION OF COUNTY SERVICE  
AREA 70 ZONE W-1 AND FORMATION OF AN IMPROVEMENT DISTRICT  
OF THE BIGHORN-DESERT VIEW WATER AGENCY**

**21**

**AUGUST 5, 2014**

**PAGE 2 OF 2**

<b>AFFECTED AGENCY</b>	<b>TRANSFER TO</b>	<b>TRANSFER FROM</b>
Bighorn-Desert View Water Agency	\$22,337	
CSA 70 Zone W-1		\$22,337

**BACKGROUND INFORMATION**

On April 29, 2014, the Bighorn Desert View Water Agency (Bighorn) submitted to the Local Agency Formation Commission (LAFCO) a reorganization proposal to annex approximately 5,773 +/- acres from County Service Area 70 Zone W-1 (CSA 70 W-1) to Bighorn and on May 6, 2014 LAFCO issued a Notice of Filing for the proposed jurisdictional boundary change for Bighorn. The potential annexation consists of four areas – one large area and three small islands in a relatively level area of the High Desert Region known as the Landers community currently served by San Bernardino County Special Districts Department as illustrated in Exhibit A.

The pending reorganization, once finalized, will annex 5,773 +/- acres to Bighorn, form an Improvement District of Bighorn and dissolve Zone W-1 of County Service Area 70 Zone W-1 transferring all of its services, assets, and liabilities to Bighorn. Bighorn wishes to assume responsibility for delivering water services to the area on the grounds of providing local control, faster response time to periodic problems, and lower and more stable water rates. This annexation if approved, will transfer management responsibility for water services from CSA 70 W-1 to Bighorn and will result in the redistribution of property tax revenues currently received by CSA 70 W-1 to Bighorn.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Dawn Messer, Deputy County Counsel, 387-5455) on July 9, 2014; Finance (Steve Atkeson, 387-0294 and Jessica Brown, 387-4919, Administrative Analysts) on July 21, 2014; LAFCO (Kathleen Rollings-McDonald, Executive Officer, 383-9900) on July 22, 2014; and County Finance and Administration (Katrina Turturro, Deputy Executive Officer, 387-5423) on July 22, 2014.



**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF THE BOARD GOVERNED COUNTY SERVICE AREAS  
AND RECORD OF ACTION**

**46**

January 14, 2014

**FROM: JEFFREY O. RIGNEY, Director  
Special Districts Department**

**SUBJECT: PURCHASE OF CELLULAR AMI UNITS FOR WATER METERS, COUNTY  
SERVICE AREA 70, ZONE J (OAK HILLS)**

**RECOMMENDATION(S)**

Acting as the governing body of County Service Area 70, Zone J (Oak Hills), authorize the Purchasing Agent to issue a non-competitive purchase order for 700 new cellular water meter transmitters in the amount of \$237,684 from Metron-Farnier LLC, of Golden, Colorado.  
(Presenter: Jeffrey O. Rigney, Director, 387-5967)

**BOARD OF SUPERVISORS COUNTY GOALS AND OBJECTIVES**

Operate in a Fiscally-Responsible and Business-Like Manner.

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). Appropriation for this purchase (\$237,684) is available in the County Service Area 70, Zone J (CSA 70, Zone J) (Oak Hills), 2013-14 capital improvement project (CIP) budget (CCN-165) and is being funded by the district's capital replacement funds.

**BACKGROUND INFORMATION**

Approval of this item will authorize the non-competitive purchase of 700 Cellular AMI Transmission Units (Innov8 VNR's) that will be connected to residential water meters in CSA 70, Zone J, at a cost of \$237,684, including delivery and sales tax.

Purchase of these units will allow CSA 70, Zone J, to operate in a fiscally-responsible and business-like manner by reducing staff labor and vehicle costs that are currently required to drive to and read each meter.

The Innov8 VNR's are part of a CIP to replace water meters in a portion of the district to initiate the process of upgrading and converting to cellular read capabilities in lieu of manual meter reading; thereby improving meter read accuracies and decreasing staff time and costs in having to manually read each meter by driving or walking the routes. Innov8 VNR's are part of the Verizon data network and an extended 10-year coverage plan is included with each purchase.

Page 1 of 2

On July 23, 2013 (Item No. 36), the Board of Supervisors approved the issuance of a purchase order for 1,500 1-inch residential Badger water meters. A successful test was completed that demonstrated that the Badger water meters were fully compatible with the Innov8 VNR transmission unit. Since Metron-Farnier LLC, is the only company currently on the market issuing cellular meter read technology and is the only one certified by Verizon for cellular capable unit interface, a sole source is required. County Policy No. 11-04 requires County departments to seek Board approval for any non-competitive procurement of goods in excess of \$100,000.

The Badger meter with the Innov8 VNR was selected as the AMI/water meter system of choice because of overall evaluation for accuracy, cost, cellular interface compatibility, adaptability to all districts countywide and overall system dependability.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Dawn Messer, Deputy County Counsel, 387-5455) on December 10, 2013; Purchasing Department (Leo Gomez, Supervising Buyer, 387-2063) on December 11, 2013; Finance (Cory Nelson, Administrative Analyst, 387-4378) on December 12, 2013; and County Finance and Administration (Mary Jane Olhasso, Assistant Executive Officer, 387-4599) on December 19, 2013.

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS  
OF THE BOARD GOVERNED COUNTY SERVICE AREAS  
AND RECORD OF ACTION**

**36**

July 23, 2013

**FROM:**       JEFFREY O. RIGNEY, Director  
              Special Districts Department

**SUBJECT:**   PURCHASE OF 1-INCH WATER METERS, COUNTY SERVICE AREA 70, ZONE  
              J (OAK HILLS)

**RECOMMENDATION(S)**

Acting as the governing body of County Service Area 70, Zone J, authorize the Purchasing Agent to issue a purchase order for 1,500 replacement Badger E-700 Ultrasonic 1-inch residential water meters, in the amount of \$370,980, from National Meter and Automation, Inc., of Scottsdale, Arizona.

(Presenter: Jeffrey O. Rigney, Director, 387-5967)

**BOARD OF SUPERVISORS COUNTY GOALS AND OBJECTIVES**

Operate in a Fiscally-Responsible and Business-Like Manner.

Ensure Development of a Well-Planned, Balanced, and Sustainable County.

**FINANCIAL IMPACT**

Approval of this item will not result in the use of Discretionary General Funding (Net County Cost). Appropriation for this purchase (\$370,980) is included in County Service Area 70, Zone J (CSA 70, Zone J) approved 2013-14 capital improvement project (CIP) budget (CCN-165) and is being funded by the district's capital replacement funds.

**BACKGROUND INFORMATION**

Approval of this item will authorize the non-competitive purchase of 1,500 Badger E-700 Ultrasonic 1-inch residential water meters to replace aging existing mechanical water meters in this district at a cost of \$370,980, including sales tax. County Policy No. 11-04 requires County departments to seek Board approval for any non-competitive procurement of goods in excess of \$100,000.

The meters are part of a CIP to replace meters in a portion of the district to begin the process of upgrading to cellular read capabilities in lieu of manual meter reading; thereby, improving meter read accuracies and decreasing staff time and costs in having to manually read the meters by driving or walking the routes.

CSA 70, Zone J, provides domestic water service to the Oak Hills community and has residential connections of over 3,000 properties. Existing water meters are mechanical type over 30 years

old on average and are becoming less accurate and subject to breaking or failure. CSA 70, Zone J, has identified a capital improvement project to begin the replacement of the aging meters. Due to the amount of the overall single purchase of these meters, a volume discount was applied by the distributor; therefore, CSA 70, Zone J, can save on mark-up costs typically added by contractors in purchasing these meters.

CSA70, Zone J, is requesting Board approval to purchase 1,500 Badger E-700, Ultrasonic 1-inch residential water meters, in the amount of \$370,980, from National Meter and Automation, Inc. The purchase is non-competitive due to National Meter and Automation, Inc., being the sole authorized manufacturer's distributor of this product in Southern California. The Badger E-Series meter was selected as the meter of choice because of overall evaluation of accuracy, cost and cellular interface compatibility. The Badger meter surpassed all testing requirements and because of its design, compatibility, and cellular interface capability, was selected as the primary meter of choice.

**REVIEW BY OTHERS**

This item has been reviewed by County Counsel (Dawn Messer, Deputy, 387-5455 on June 24, 2013); Purchasing Department (Leo Gomez, Supervising Buyer, 387-2063) on June 25, 2013; County Administrative Office (Cory Nelson, Administrative Analyst, 387-4378) on July 1, 2013; and Finance and Administration (Mary Jane Olhasso, Assistant Executive Officer, 387-4599) on July 8, 2013.

National Meter & Automation-Ariz  
 7777 E Paradise Lane Ste 104  
 SCOTTSDALE AZ 85260  
 480-596-8600 Fax 480-596-8606

# Quotation

QUOTE DATE	QUOTE NUMBER
06/03/13	S1046036
ORDER TO:	PAGE NO.
National Meter & Automation-Ar 7777 E Paradise Lane Ste 104 SCOTTSDALE AZ 85260 480-596-8600 Fax 480-596-8606	1

QUOTE TO:  
 County of San Bernardino Special Di  
 PO Box 5004  
 VICTORVILLE, CA 92395-5004

SHIP TO:  
 County of San Bernardino Speci  
 12402 Industrial Blvd D6  
 Water and Sanitation Division  
 VICTORVILLE, CA 92395-5004

CUSTOMER NUMBER	CUSTOMER ORDER NUMBER	RELEASE NUMBER	SALES PERSON	
2863			Rob Sears	
QUOTE TO:	SHIP VIA	TERMS	SHIP DATE	FREIGHT ALLOWED
Chet Olinger		Net Due 30 Days	06/03/13	No
QUANTITY	PART NO.	DESCRIPTION	Unit Price	AMT
1500ea	E55SSADE6CF	E55 SS 1", ADE-6, ITRON ILC, CF, 5', E-SERIES METER .5651  TAXES NOT INCLUDED	229.000	343500.00
			Subtotal	343500.00
			S&H CHGS	0.00
			Amount Due	343500.00

This is a Quotation.

Price are firm for 30 days. subject to change without notice after 30 days.  
 Applicable taxes extra.

## 2012-13 CAPITAL IMPROVEMENT PROJECTS ADMINISTERED BY SPECIAL DISTRICTS DEPARTMENT By Supervisorial District by Function

# Proj.	CIP Log #	District Type	District Name	Project Name	Description	Proj. Type	Fund Dept Org	District Funds	Restricted Funding	Carryover Balance	Total	Funding Source*
Third District Cont'd												
76	2053	Roads	CSA 70 R-5	Road paving project	Reconstruction and repaving of district roads		CPG 240 240	129,000	0	0	129,000	
77	2037	Sanitation	CSA 53 B Fawnskin	Replace Wetwell Lids	Replace damaged and aged lids of wetwells		EAI 365 2037	32,900	0	0	32,900	
78	2036	Sanitation	CSA 53 B Fawnskin	Stations A,B,C Improvements	Improvements to Lift stations A, B, and C for Fawnskin sanitation district.		EAI 365 365	5,000	0	35,637	40,637	
79	TBD	Sanitation	CSA 53 B Fawnskin	Station A & C Pipe Replacement	Replace existing damaged pipe		EBA 365 365	43,800	0	0	43,800	
80	2013	Sanitation	CSA 53 B Fawnskin	Manhole Sealing	Spray application sealant of approximately 55 existing manholes that currently allow significant water inflow	RU	EBB 365 100	55,000	0	21,722	76,722	
81	2035	Sanitation	CSA 53 B Fawnskin	Pipeline Repair	Replace existing damaged pipe		EBB 365 101	65,100	0	0	65,100	
82	2064	Water	CSA 70 F Morongo Valley	Uranium Treatment	Treat and remove uranium from water		CWD 135 2064	0	115,000	(4,525)	110,475	State Grant
83	2065	Water	CSA 70 F Morongo Valley	Meter Replacement	Replace with more efficient radio read meters		CWD 135 2065	25,000	0	0	25,000	
84	2060	Water	CSA 70 W-1 Goat Mtn	Rehab PRV Stations	Rehabilitate the pressure relief valve stations for CSA 70 W-1		CCW 345 2060	34,400	0	0	34,400	
85	2061	Water	CSA 70 W-1 Goat Mtn	Rehab Reservoir A/site 2	Rehabilitate Reservoir A at site 2 for CSA 70 W-1		CCW 345 2061	77,600	0	0	77,600	
86	2062	Water	CSA 70 W-1 Goat Mtn	Water Meter Replacement	Replace with more efficient radio read meters		CCW 345 2062	116,500	0	0	116,500	
87	2063	Water	CSA 70 W-1 Goat Mtn	Replace Service Lines	Replace service lines as needed throughout the district		CCW 345 2063	183,100	0	0	183,100	
88	2056	Water	CSA 70 W-3 Hacienda	Water Meter Replacement	Replace with more efficient radio read meters		EJQ 350 2056	100,000	0	0	100,000	
89	2057	Water	CSA 70 W-3 Hacienda	Uranium Treatment	Treat and remove uranium from water		EJQ 350 2057	115,000	0	(14,804)	100,196	State Grant
90	2058	Water	CSA 70 W-3 Hacienda	Pipeline Replacement	Project completed in 2011-12, fund balance transfer only		EJQ 350 2058	33,600	0	(33,600)	-	
91	2059	Water	CSA 70 W-3 Hacienda	Replace Boosters	Replace aged booster stations for CSA 70 W-3		EJQ 350 2059	0	0	45,600	45,600	
92	2050	Water	CSA 70 W-4 Pioneer Town	Water Meter Replacement	Replace with more efficient radio read meters		CEA 360 2050	34,600	0	48	34,648	
93	1227	Water	CSA 70 W-4 Pioneertown	Offsite Pipeline/Supply Project	Design and construction of a 3.5-mile water pipeline, a 75,000-gallon water reservoir and a 200-gpm pump station	C	CQP 360 360	0	379,800	8,431	388,231	Prop 64
94	2015	Water	CSA 70 W-4 Pioneertown	Manifold Piping Wells 4 & 5	Construction of necessary piping to interconnect two existing wells for blending of the water	C	END 360 360	100	0	21,142	21,242	
95	1026	Parks	CSA 20 Joshua Tree	Community Center Room Partition	Project completed in 2011-12, fund balance transfer only	C	CQB 200 2022	18,486	0	(18,486)	-	
96	1027	Parks	CSA 29 Lucerne Valley Park	Park Improvements	Project completed in 2011-12, fund balance transfer only	C	CBC 245 1027	(5)	0	5	-	
97	0011	Roads	CSA 70 R-15 Landers	Road Improvements	Project completed in 2011-12, fund balance transfer only	C	CAI 280 0011	(30,000)	0	30,000	-	
98	1029	Roads	CSA 70 R-46 South Fairway Dr	Road Improvements	Project completed in 2011-12, fund balance transfer only	C	CPY 566 566	(703)	0	703	-	
99	1028	Roads	CSA 69 Lake Arrowhead	Road Improvements	Project completed in 2011-12, fund balance transfer only	C	CFB 445 445	(510)	0	510	-	
<b>Total Third District</b>								<b>1,916,797</b>	<b>1,534,800</b>	<b>6,711,786</b>	<b>10,163,383</b>	
Fifth District												
100	0009	Park	Bloomington Recreation & Park	Kessler Park Improvements	Multiple phased project to construct new facilities at an existing park including tot lot, baseball fields, skate park, concession building & equestrian facilities	C	CNJ 625 0009	501,600	0	776,361	1,277,961	
101	1017	Park	Bloomington Recreation & Park	Bloomington Education Center	Installation of new flooring and fencing at existing facility	RE	CAQ 625 625	0	0	29,253	29,253	
102	1218	Park	Bloomington Recreation & Park	Ayala Park Improvements	Design and construct five fitness stations along a 1/4-mile fitness course	C	CAR 625 625	42,500	0	21,698	64,198	
<b>Total Fifth District</b>								<b>544,100</b>	<b>-</b>	<b>827,312</b>	<b>1,371,412</b>	
<b>TOTAL PROJECTS - OPERATING FUNDS</b>								<b>267,900</b>	<b>-</b>	<b>155,000</b>	<b>422,900</b>	
<b>TOTAL PROJECTS - CAPITAL PROJECT FUNDS</b>								<b>6,228,149</b>	<b>1,539,800</b>	<b>12,614,065</b>	<b>20,382,014</b>	
<b>TOTAL CARRYOVER PROJECTS</b>								<b>6,496,049</b>	<b>1,539,800</b>	<b>12,769,065</b>	<b>20,804,914</b>	

\*If funding source column is blank, it is funded within the District budget.



## FISCAL YEAR 2010-11

DISTRICT TYPE	DISTRICT NAME	EQUIPMENT REQUESTED	FUND	ADDITION/ REPLACEMENT	UNITS	ADOPTED \$ AMOUNT
<b>WATER DISTRICTS</b>						
<u>CSA 70 F Morongo Valley</u>			EBY-135			
1	Tablet Chlorination System			Replacement	1	21,000
						<u>21,000</u>
<u>CSA 70 J Oak Hills</u>			ECA-165			
1	Booster Motor			Addition	1	5,000
2	Booster Water Pump			Addition	1	5,000
3	Chlorine Treatment System			Addition	3	63,000
4	Control Panel			Replacement	1	18,000
5	Electrical Transfer Switch			Addition	1	14,000
6	Emergency Generator			Addition	1	100,000
7	Vehicle Lift Hoist			Addition	1	10,000
						<u>215,000</u>
<u>CSA 70 W-1 Goat Mountain</u>			ECS-345			
1	Tablet Chlorination System			Replacement	3	63,000
						<u>63,000</u>
<u>CSA 70 W-3 Hacienda</u>			ECY-350			
1	Tablet Chlorination System			Replacement	1	21,000
						<u>21,000</u>
<u>CSA 70 W-4 Pioneertown</u>			EDD-360			
1	Tablet Chlorination System			Replacement	2	42,000
						<u>42,000</u>
<b>WATER DISTRICTS TOTAL</b>						<u><u>488,000</u></u>
<b>TOTAL EQUIPMENT - ALL DISTRICTS (SPECIAL DISTRICTS DEPARTMENT)</b>						<u><u>1,277,000</u></u>



**Letter from Tom Dodson and  
Associates, LAFCO Environmental  
Consultant, Recommending Adoption  
of Statutory Exemption for  
LAFCO 3181**

**Attachment 5**



**TOM DODSON & ASSOCIATES**

2150 N. ARROWHEAD AVENUE  
SAN BERNARDINO, CA 92405  
TEL (909) 882-3612 • FAX (909) 882-7015  
E-MAIL tda@tdaenv.com



December 1, 2014

Ms. Kathleen Rollings-McDonald  
Local Agency Formation Commission  
215 North "D" Street, Suite 204  
San Bernardino, CA 92415-0490

RECEIVED  
DEC 02 2014

**LAFCO**  
San Bernardino County

Dear Kathy:

LAFCO 3181 consists of a request by the Bighorn-Desert View Water Agency (Agency) for a Reorganization to include annexation to the Agency, Dissolution of County Service Area 70 Zone W-1 (CSA 70 W-1) and formation of an Improvement District for the Agency to encompass the area current served water by CSA 70 W-1. The territory proposed for reorganization includes the entire service boundary of CSA 70 W-1 that comprises four (4) separate areas encompassing a total of approximately 5,701 acres located in the South Desert (Landers) region of the County. Area 1 encompasses approximately 5,624 acres that includes the entirety of Section 3, 4, 8, 9, 10, 14, 15, 16 and 22, Township 2 North, Range 6 East, San Bernardino Meridian. The area is generally located at the easterly portion of the community of Landers commonly known as Goat Mountain. Areas 2, 3, and 4 are three island areas encompassing a total of approximately 77 acres, which are totally surrounded by the Agency's boundaries. There three island areas are located east and/or west of Landers Lane, north and south of Reche Road, within the community of Landers. If LAFCO 3181 is approved by the Commission the previously described property would be annexed into the Bighorn-Desert View Water Agency to provide water service in place of CSA 70 W-1.

Based on the above proposal, it appears that the proposed reorganization would allow the Agency to assume responsibility for provision of water service in place of CSA 70 W-1. In general the replacement of one service agency with another that assumes all service responsibilities, in this case water supply, will not result in any new physical impacts on the environment. However, based on previous analyses for similar assumptions of responsibility, a potential exists for the agency being dissolved to incur economic impacts that can adversely impact other operations, in this case San Bernardino County Special District's, and CSA-70's ability to provide service at other locations. Based on feedback from the County Special District's Department (see Attachment 1), the County has not identified any adverse impact on providing service within other areas served by CSA 70. Thus, it appears the proposed reorganization can be implemented without causing significant physical changes to the environment or any significant adverse environmental impacts. The approval of LAFCO 3181 does not appear to have any potential to significantly alter the existing physical environment in any manner different from the existing environmental setting.

Therefore, I recommend that the Commission find that a Statutory Exemption, as defined in CEQA under Section 15061 (b) (3) of the State CEQA Guidelines, applies to LAFCO 3181. This Section

states: *"A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA."* It is my opinion and recommendation to the Commission that the General Rule exemption applies to LAFCO 3181.

Based on this review of LAFCO 3181 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that the proposed LAFCO action does not constitute a project under CEQA and adoption of the General Rule Statutory Exemption and filing of a Notice of Exemption is the most appropriate environmental determination to comply with CEQA for this action. The Commission can approve the review and findings for this action and I recommend that you notice LAFCO 3181 as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline sections cited above. The Commission needs to file a Notice of Exemption with the County Clerk to the Board for this action once the hearing is completed and assuming LAFCO 3181 is approved.

A copy of this exemption recommendation should be retained in LAFCO's project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in cursive script that reads "Tom Dodson".

Tom Dodson

# **Draft LAFCO Resolution No. 3194**

**Attachment 6**

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490  
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PROPOSAL NO.: LAFCO 3181

HEARING DATE: JANUARY 21, 2015

## RESOLUTION NO. 3194

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3181 – REORGANIZATION TO INCLUDE ANNEXATIONS TO THE BIGHORN-DESERT VIEW WATER AGENCY; DISSOLUTION OF ZONE W-1 OF COUNTY SERVICE AREA 70 AND FORMATION OF AN IMPROVEMENT DISTRICT OF THE BIGHORN-DESERT VIEW WATER AGENCY.**

The territory proposed for reorganization includes the entire service boundary of County Service Area 70 Zone W-1, which includes four (4) separate areas encompassing a total of approximately 5,701 acres.

**On motion of Commissioner \_\_\_\_\_, duly seconded by Commissioner \_\_\_\_\_, and carried, the Local Agency Formation Commission adopts the following resolution:**

**WHEREAS**, an application for the proposed dissolution in the County of San Bernardino was filed with the Executive Officer of this Local Agency Formation Commission (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 the Executive Officer has examined the application and executed her certificate in accordance with law, determining and certifying that the filings are sufficient; 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**, the public hearing by this Commission was called for January 21, 2015 at the time and place specified in the notice of public hearing; and,

## RESOLUTION NO. 3194

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

**WHEREAS**, the Commission determined to adopt the modified proposal to include the formation of an improvement district of the Bighorn-Desert View Water Agency associated with the extinguished County Service Area (CSA) 70 Zone W-1.

**NOW, THEREFORE, BE IT RESOLVED**, that the Commission does hereby determine, find, resolve, and order as follows:

**SECTION 1. CONDITIONS.** The proposal is approved subject to the terms and conditions hereinafter specified:

**Condition No. 1.** The boundaries of this change of organization are approved as set forth in Exhibits "A" and "A-1" attached;

**Condition No. 2.** The following distinctive short-form designation shall be used through this proceeding: LAFCO 3181;

**Condition No. 3.** The effective date of this reorganization shall be July 1, 2015;

**Condition No. 4.** The service area/territory of the dissolved CSA 70 Zone W-1, on the effective date of this reorganization, shall be formed as an improvement district of the Successor District ("Improvement District") and shall be required to maintain separate accounts for the purposes of keeping the existing assets and liabilities, including, but not limited to, capital funds, assessments and debt obligations of the dissolved CSA 70 Zone W-1 isolated and segregated;

**Condition No. 5.** Upon the effective date of the reorganization, the Bighorn-Desert View Water Agency, as Successor District to CSA 70 Zone W-1, shall succeed to all rights, duties, responsibilities, properties (both real and personal), contracts, equipment, assets, liabilities, obligations, functions, executory provisions, entitlements, permits and approvals of the dissolved CSA 70 Zone W-1. It is anticipated that the transition period shall be from the date of completion of the protest process until the effective date of the reorganization assigned (July 1, 2015) allowing for the smooth transition of operations;

**Condition No. 6.** Upon the effective date of the reorganization, the Improvement District shall receive all reserve fund balances from the dissolved CSA 70 Zone W-1 specifically identified in the Fiscal Year 2014-15 Adopted Reserve Program (Capital Replacement \$358,764 and Capital Expansion \$319,263; total \$678,027) to be held for the benefit of the ratepayers and property owners within the dissolved district. Transactions utilizing these funds shall be accounted for and described in the annual audit/comprehensive financial reports recognizing the improvement district. All other cash on hand or reserve

## RESOLUTION NO. 3194

funds shall transfer to the Successor District for use in providing the service to the area of the dissolved CSA 70 Zone W-1;

**Condition No. 7.** Upon the effective date of the reorganization, the Successor District shall accept all system facilities transferred from the dissolved CSA 70 Zone W-1 in “as is” condition without any payment or repair obligation from the assets of CSA 70 (pursuant to Government Code Section 56886(h)). All system facilities and incidental liabilities, such as accounts payables, contract obligations and customer deposits shall be transferred to the Successor District. All assets including, but not limited to, water production equipment (pumps, storage tanks, etc.), water transfer infrastructure, transmission lines and rights-of-way, rolling stock, tools, office furniture, fixtures and equipment, all lands, buildings, real and personal property and appurtenances held by the dissolved CSA 70 Zone W-1 shall be transferred to the Successor District;

**Condition No. 8.** The debt obligations of the dissolved CSA 70 Zone W-1 (including but not limited to bond debt and its share of Improvement District M of the Mojave Water Agency) shall remain with the ratepayers obligated to repay those debts through assignment to the Improvement District of the Successor District;

**Condition No. 9.** The existing fees, taxes, assessments, and charges of CSA 70 Zone W-1 shall continue as the Improvement District's fee, taxes, assessment and charges for payment of the obligations for the duration of the debt obligation;

**Condition No. 10.** Water rates for the CSA 70 Zone W-1 area shall transition to the previously established and authorized current rates of the Bighorn Desert View Water Agency. It is anticipated that the transition shall be phased to allow for transition in operating systems but shall be accomplished by the close of the first fiscal year following the effective date of the reorganization;

**Condition No. 11.** Upon the effective date of the reorganization, the Successor District shall succeed to all water and capacity rights of the dissolved CSA 70 Zone W-1, whether wholly or partially owned or held by the extinguishing district and shall succeed to the priorities of use or rights of use of water or capacity rights in any public improvements or facilities or any other property whether real or personal, to which the dissolved CSA 70 Zone W-1 is entitled to upon the effective date of this Reorganization. The successor district shall specifically succeed to all rights and interest held or claimed by the dissolved CSA 70 Zone W-1 under the Ames Judgment under Riverside Superior Court Case 211504;

**Condition No. 12.** Upon the effective date of the reorganization, the Successor District shall specifically succeed to all rights and interests held or claimed by the dissolved CSA 70 Zone W-1 under all agreements and/or memoranda of understanding with the Department of the Interior, the Bureau of Land Management, the United States Geological Survey, the California Department of Fish and Game, the California Water Quality Control Board and the Regional Water Quality Control Board for the Lahontan Region, or any other public agency or private entity with which the dissolved CSA 70 Zone W-1 has an agreement or memoranda of understanding. The Successor District shall also assume all joint use flow agreements and maintenance agreements held by the dissolved CSA 70 Zone W-1 [(Government Code Section 56886(r))]. Amendments of existing agreements shall be

## RESOLUTION NO. 3194

completed prior to the effective date to address any changes in service [Government Code Section 56886(r)(v)];

**Condition No. 13.** The appropriation limit of the dissolved CSA 70 Zone W-1 shall be added to the appropriation limit of the Successor District;

**Condition No. 14.** Upon the effective date of this reorganization, the Successor District and its Improvement District shall succeed to all rights, duties, and obligations of the dissolved CSA 70 Zone W-1 with respect to the enforcement, performance or payment of any outstanding bonds, including revenue bonds, or other contracts and obligations of the dissolved CSA 70 Zone W-1. This reorganization shall not impair any rights of any bondholder or creditor of the dissolved CSA 70 Zone W-1;

**Condition No. 15.** As of the date of approval of the reorganization by LAFCO through the effective date pursuant to the provisions of Government Code 56885.5(a)(4), the Board of Supervisors of San Bernardino County as the governing body of CSA 70 Zone W-1 shall be prohibited from taking the following actions unless it first finds an emergency situation exists as defined in Government Code Section 54956.5:

- **No Increase in Compensation or benefits:** No increase in calculation for payment of benefits or compensation to CSA 70 shall be allowed. Exceptions to this prohibition include planned and budgeted increases identified in the adopted budget for Fiscal Year 2014-15.
- **Bound by Current Budget:** Appropriating, encumbering, expending, or otherwise obligating any revenue of CSA 70 Zone W-1 beyond that provided in the current budget at the time of Commission approval unless agreed to by the Successor District; and,

**Condition No. 16.** The Bighorn-Desert View Water Agency shall indemnify, defend, and hold harmless the Commission from any legal expense, legal action, or judgment arising out of the commission's approval of this proposal, including any reimbursement of legal fees and costs incurred by the Commission.

**SECTION 2. DETERMINATIONS.** The following determinations are required to be provided by Commission policy and Government Code Section 56668:

1. The County Registrar of Voters Office has determined that the study area is legally inhabited with 319 registered voters as of January 5, 2015.
2. The study area is within the sphere of influence assigned the Bighorn-Desert View Water Agency by approval of LAFCO 3148 in 2012 as a part of the Service Review/ Sphere of Influence Update process for the Homestead Valley community of the South Desert Region.
3. The County Assessor's Office has determined that the total assessed valuation of land and improvements for the area is \$36,759,776 as of May 21, 2014. This figure is broken down as follows:

## RESOLUTION NO. 3194

Area 1	\$35,848,657 (\$14,077,335 land; \$21,771,322 improvements)
Area 2	\$ 352,623 (\$110,251 land; \$242,372 improvements)
Area 3	\$ 448,496 (\$176,622 land; \$271,874 improvements)
Area 4	\$ 110,000 (\$25,000 land; \$85,000 improvements)

4. Notice of this hearing has been advertised as required by law through publication in *The Hi-Desert Star* a newspaper of general circulation in the area. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those individuals and agencies having requested such notice.
5. In compliance with Commission policy and Government Code Section 56157, the Notice of Hearing for the hearing on this proposal was provided by publication in *The Hi-Desert Star* in a 1/8<sup>th</sup> page legal ad. In addition, as requested by the Agency, individual notice of the hearing was provided to registered voters and landowners within the area of LAFCO 3181. Comments from registered voters and landowners and any affected local agency in support or opposition will be reviewed and considered by the Commission in making its determination.
6. The proposed reorganization, including annexation and formation of an improvement district, of the Bighorn-Desert View Water Agency and the assumption of the functions and services previously provided by the dissolving CSA 70 Zone W-1 does not conflict with the established County General Plan or its adopted Homestead Valley Community Plan within this territory. The proposed reorganization has no direct impact on such land use designations.
7. The Southern California Associated Governments (SCAG) has adopted a Regional Transportation Plan and Sustainable Community Strategy pursuant to the provisions of Government Code Section 65352.5 and approval of LAFCO 3181 has no direct impact on these determinations. The Sustainable Community Strategy includes as a determination the need to assure the ongoing availability of a reliable water supply which approval of LAFCO 3181 will support.
8. The Local Agency Formation Commission has determined that this proposal is statutorily exempt from environmental review since it does not have the potential for resulting in physical changes in the environment, directly or ultimately (Sections 15061 and 15378 of the State guidelines for the California Environmental Quality Act). This recommendation is based on the finding that that the proposal will not change the area in which the service is provided; therefore, no physical affect upon the environment can be seen. With that determination a General Rule Statutory Exemption as authorized under Section 15061(b)(3) of the State CEQA Guidelines is appropriate. Therefore, without any identifiable physical changes, this proposal does not constitute a project and is not subject to environmental review under the provisions of the State CEQA Guidelines section cited above or the Commission's adopted CEQA Guidelines. The Commission adopted the Statutory Exemption and directs its Executive Officer to file a Notice of Exemption within five (5) days with the San Bernardino county Clerk of the Board of Supervisors.



## RESOLUTION NO. 3194

9. The study area is presently served by the following public agencies: County of San Bernardino, Mojave Desert Resource Conservation District, Mojave Water Agency and its Improvement Districts Zone 01 and M, Hi-Desert Memorial Healthcare District, San Bernardino County Fire Protection District and its South Desert Service Zone, and County Service Area 70 (unincorporated County-wide multi-function agency) and its Zones W-1, R-15, and TV-5. Zone W-1 of CSA 70 will be dissolved through successful completion of this reorganization and its services and functions transferred to Bighorn-Desert View Water Agency and an improvement district of the Agency to be formed. None of the other agencies will be directly affected by the completion of this proposal through an adjustment in their boundaries as they are regional in nature.
10. Upon reorganization, the Bighorn-Desert View Water Agency will assume the responsibility for providing domestic water service within the territory of the former CSA 70 Zone W-1. The Bighorn-Desert View Water Agency has submitted a Plan for Service including a Fiscal Impact Analysis for the assumption of the water service through dissolution of CSA 70 Zone W-1 which addresses the issues as required by Government Code Section 56653. This Plan indicates that the Bighorn-Desert View Water Agency can, at a minimum, maintain the level of service delivery currently received by the area. In addition, the District has provided supplemental information providing budget projections for the first five years following annexation. The Plan for Service and supplemental information submitted by the District have been reviewed and compared with the standards established by the Commission and the factors contained within Government Code Section 56668. The Commission finds that such Plan for Service and supplemental data submitted conform to those adopted standards and requirements.
11. The proposal complies with Commission policies and the determinations made within the Homestead Valley Community service review. The reorganization area can benefit from the assumption of water service through the Bighorn Desert View Water Agency as evidenced by the Plan for Service and through the ability to directly participate in the governance of this service through voting for the Board of Directors.
12. This proposal will not affect the fair share allocation of the regional house needs as the entire area is unincorporated with the Regional Housing Needs Allocation (RHNA) numbers assigned to the County of San Bernardino.
13. With respect to environmental justice, the reorganization provides for the continuation of existing retail water services within the area and will not result in the unfair treatment of any person based upon race, culture or income.
14. The County of San Bernardino has successfully completed the process for the determination of the transfer of ad valorem property tax revenues upon successful completion of this reorganization to the Bighorn-Desert View Water Agency. This fulfills the requirements of Section 99 of the Revenue and Taxation Code.
15. The maps and legal descriptions, as revised, are in substantial compliance with LAFCO and State standards through certification by the County Surveyor's office.

**RESOLUTION NO. 3194**

**SECTION 3.** Approval by the Local Agency Formation Commission indicates that completion of this proposal would accomplish the proposed change of organization in a reasonable manner with a maximum chance of success and a minimum disruption of service to the functions of other local agencies in the area.

**SECTION 4.** The Executive Officer is hereby authorized and directed to mail certified copies of this resolution in the manner provided by Section 56882 of the Government Code.

**SECTION 5.** The Commission hereby directs that, following completion of the reconsideration period specified by Government Code Section 56895(b), the Executive Officer is hereby directed to initiate protest proceedings in compliance with this resolution and State law.

**SECTION 6.** Upon conclusion of the protest proceedings, the Executive Officer shall adopt a resolution setting forth her determination on the levels of protest filed and not withdrawn and setting forth the action on the proposal considered.

**SECTION 7.** Upon adoption of the final resolution by the Executive Officer, either a Certificate of Completion or a Certificate of Termination, as required by Government Code Sections 57176 through 57203, and a Statement of Boundary Change, as required by Government Code Section 57204, shall be prepared and filed for the proposal.

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

**AYES: COMMISSIONERS:**

**NOES: COMMISSIONERS:**

**ABSENT: COMMISSIONERS:**

\*\*\*\*\*

STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SAN BERNARDINO )

**I, KATHLEEN ROLLINGS-MCDONALD, Executive Officer of the Local Agency Formation Commission for 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 regular meeting of January 21, 2015.**

**DATED:**

**KATHLEEN ROLLINGS-McDONALD**  
Executive Officer

# LOCAL AGENCY FORMATION COMMISSION FOR SAN BERNARDINO COUNTY

215 North D Street, Suite 204, San Bernardino, CA 92415-0490  
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**DATE:** JANUARY 13, 2015

**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
MICHAEL TUERPE, Project Manager

**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #8: Special Study for Daggett, Newberry and Yermo  
Community Services Districts including Plan for Service and Service  
Review

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## **RECOMMENDATION:**

Staff recommends that the Commission take the following actions related to  
LAFCO 3176:

1. For environmental review certify that the special study to include a plan for service and service review update are statutorily exempt from environmental review and direct the Executive Officer to file the Notice of Exemption within five (5) days.
2. Receive and file the special study to include a plan for service and service review update for the Daggett, Newberry, and Yermo Community Services Districts.
3. Make the determinations related to the service review update required by Government Code 56430 as outlined in the special study.
4. Determine that the districts are not in compliance with the following constitutional and statutory requirements and direct LAFCO staff to monitor and update the Commission biannually until all items below are satisfied:

### All Districts

- a) Adopt and annually review reserve policies pursuant to Community Services District Law Section 61112.
- b) Forward a copy of the final budget to the County Auditor pursuant to Community Services District Law Section 61110.

- c) Adopt an annual appropriations limit by resolution allowing the expenditure of the proceeds of taxes and review the annual calculation as a part of the annual financial audit, pursuant to Article XIII B of the State Constitution, which is further acknowledged by Community Services District Law Section 61113.

Daggett CSD

- d) Continue to work with the County to address and formalize a lease arrangement and/or title transfer for the Daggett Community Center land and improvement.
- e) Provide LAFCO with a copy of all future water quality information provided to the public, to include water quality control reports, occurrences of contamination, and boil water orders.
- f) Adopt an annual budget that conforms to generally accepted accounting and budgeting procedures by September 1 of each year pursuant to Community Services District Law Section 61110.

Newberry CSD

- g) Recommendation #5 from the 2012-13 Grand Jury Report reads for Newberry CSD to: " Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual". The CSD's March 2014 response to the Grand Jury reads, "Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future".

In its response to the draft staff report, Newberry CSD identified that such an accounting manual would be a one-page item identifying payment policies. Nonetheless, the district notified in writing to the Grand Jury that it would develop an accounting manual. The Commission requests that the district either update the Grand Jury on this matter or provide the Grand Jury and LAFCO with a copy of the accounting manual regardless of size and content, upon approval.

- 5. Determine that the Commission will not initiate consolidation but that it will continue to monitor the districts for compliance with State Law and County regulations.

**BACKGROUND:**

The 2012-13 San Bernardino County Grand Jury report investigated the Newberry Community Services District and identified numerous issues and challenges related to governance, accounting and financial management, and internal controls. A single finding from that Grand Jury report related to LAFCO, identified as Recommendation #15, recommending that LAFCO:

“Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.”

At the September 2013 hearing the Commission initiated a special study for the Newberry CSD and the bordering Daggett and Yermo CSDs based upon the recommendations within the 2012-13 Grand Jury report. The Commission’s direction also included the requirement for preparation of a plan for service to address the various government structure options.

### **COMMISSION WORKSHOP:**

At the October 2014 hearing, staff presented the draft staff report in a workshop session for Commission review, input, and direction before conducting a community meeting. At the October hearing, the Commission took no formal action nor did it direct that any changes in the draft report be provided.

A few minor updates have been made to the draft staff report that was presented during the Commission workshop and the community meeting. The updates do not alter the conclusions of the special study and include: staff and board composition and comments on the draft report following the Commission workshop provided by Daggett CSD which have been added as Attachment #5c to the final special study report. The final report is included as Attachment #1 to this report.

### **COMMUNITY MEETING:**

On December 10, staff conducted a community meeting to review the draft special study report with the residents and landowners of the Districts at the Silver Valley High School in Yermo. The registered voters and landowners within the boundaries of the CSDs and the assigned spheres of influence were provided an individual mailed notice of the community meeting. Approximately 150 persons attended the meeting which included community members along with the representatives of the boards of directors and staffs of the districts. A copy of the minutes from the community meeting are included as Attachment #2 to this report. The sentiments from the board members were in opposition to any potential reorganization. A few comments from the general public were voiced which included positions of opposition to or acceptance of the special study report.

### **SURVEY:**

During the community meeting staff outlined its non-scientific survey to gauge the public’s views on the report. The survey was accessible via the internet as well as paper (to allow for mail-in survey responses). As of the date of this report, the survey had 67 respondents with 60 indicating that they read the staff report and 55 indicating that they attended the community meeting. The summarized results of the survey are below and a full copy of the survey results are included as Attachment #3 to this report.

When asked for their preference for continuing streetlighting, park and recreation, and fire response and emergency medical services for their respective communities:

- The landowners or registered voters within Yermo and Daggett CSDs responded with:
  - 54% - Retention of Existing Special Districts
  - 30% - Consolidation with the other districts
  - 8% - Formation of a Joint Powers Authority
  - 8% - No preference on the matter
- The landowners or registered voters within Newberry CSD responded with:
  - 90% - Retention of Existing Special Districts
  - 5% - Consolidation with the other districts
  - 5% - San Bernardino County Fire Protection to provide services to Newberry

Therefore, the sentiments voiced at the community meetings and received via the survey generally indicate the desire for retention of the status quo. Important to note, this survey was not a randomized survey and includes responses of all those seeking to provide an opinion.

## **CONTINUED MONITORING OF THE DISTRICTS BY LAFCO:**

The service review update identifies numerous areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. These issues were outlined in the original service review in 2009 LAFCO and continued through the update process. Staff recommends that the Commission determine that the districts are not in compliance with the following requirements and direct staff to continue to monitor progress to rectify the problems and update the Commission every six months until all of the items below are satisfied.

### **All Districts**

1. Adopt and annually review reserve policies pursuant to Community Services District Law Section 61112.
2. Forward a copy of the final budget to the County Auditor pursuant to Community Services District Law Section 61110.
3. Adopt an annual appropriations limit by resolution authorizing the expenditure of the proceeds of taxes and review the annual calculation as a part of the annual financial audit, pursuant to Article XIII B of the State Constitution, which is further acknowledged by Community Services District Law Section 61113.

As of the date of this report, LAFCO staff has not received any information from Daggett CSD and Yermo CSD on their intent to adopt the appropriations limit.

Newberry CSD has responded to the draft staff report and has indicated that it will begin work on formulating the appropriations limit in the near future.

#### Daggett CSD

4. Continue to work with the County to address and formalize a lease arrangement or title transfer for the Daggett Community Center.

The Community Center is located on County property at 35277 Afton Street in the southern portion of the District. According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the facility to be on County property. The term of the lease is for 30 years with two 10 year options to renew. However, neither the County Department of Community Development and Housing, County Real Estate Services nor Daggett CSD staff could provide a copy of the lease to substantiate the terms of the agreement.

Included as Attachment #4 to this report is a copy of the recorded grant deed for the parcel and information on the parcel from the County Assessor. Both identify that the parcel is in the name of the County. Further, there is no record with the County Assessor of a transfer of the land or improvements to Daggett CSD or any other party. Therefore, the concerns about the use of the facility, insurance, maintenance, etc. need to be resolved to eliminate the potential financial obligation to the County. LAFCO staff remains available and willing to assist in resolving this issue.

5. Provide LAFCO with a copy of all future water quality information provided to the public, to include water quality control reports, occurrences of contamination, and boil water orders through the initiation of the second cycle North Desert Service Reviews.
6. Adopt an annual budget that conforms to generally accepted accounting and budgeting procedures by September 1 of each year at a noticed hearing pursuant to Community Services District Law Section 61110. Failure to comply with this requirement will necessitate further action by the Commission to resolve the issue.

#### Newberry CSD

7. Recommendation #5 from the 2012-13 Grand Jury Report reads for Newberry CSD to: " Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual". The CSD's March 2014 response to the Grand Jury reads, "Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future".

In its response to the draft staff report, Newberry CSD identified that such an accounting manual would be a one-page item identifying payment policies. Nonetheless, the district notified in writing to the Grand Jury that it would develop an accounting manual. LAFCO requests that the district either update the Grand Jury on this matter or provide the Grand Jury and LAFCO with a copy of the accounting manual regardless of size and content, upon approval.

## **CONTINUING EDUCATION FOR SPECIAL DISTRICTS:**

During the review of the question of whether or not to conduct the special study, the Commission directed staff to look into providing for education on the responsibilities and requirements for operating an independent special district. As a part of this special study, staff contacted the Special Districts Risk Management Authority (SDRMA) to conduct local training on board governance. The training held in March 2014 provided access to resources that the districts may not have had otherwise and was attended by 50 representatives.

It is the staff's position that the Commission continues to hold this position regarding on-going educational opportunities. Therefore, it is staff's recommendation that the Commission build upon this educational pursuit and continue to provide governance training for the special districts within the County. Staff will be contacting SDRMA and the California Special Districts Association, and others to be determined, for future educational opportunities. As a part of the FY 2015-16 Budget, staff will present the Commission with an outline of the program proposed along with estimated costs.

## **ENVIRONMENTAL CONSIDERATIONS:**

The Commission's Environmental Consultant, Tom Dodson of Tom Dodson and Associates, has indicated his recommendation that the review of LAFCO 3176 is statutorily exempt from California Environmental Quality Act (CEQA). This recommendation is based on the finding that the special study is not judged to pose any adverse changes to the physical environment. Therefore, the special study is exempt from the requirements of CEQA, as outlined in the State CEQA Guidelines, Section 15061 (b)(3). A copy of Mr. Dodson's analysis is included as Attachment #5 to this report.

## **OPTIONS FOR FUTURE ACTION:**

The Special Study recommends that at a minimum, Daggett CSD and Yermo CSD consolidate; however, the preferable course would be for Daggett CSD, Newberry CSD, and Yermo CSD to consolidate into a single district to achieve long-term benefits for the residents of these communities. The long-term benefit to the community would be through services which are consistent, allowing flexibility in assigning resources, and streamlining governance and management. The Plan for Service shows that a consolidated district



would be fiscally feasible during the five-year forecast period and beyond, achieving the determination of long term sustainability, at a cost at or below that of the status quo.

The question now is who can and would be willing to initiate an application. The options are:

### **1. The Districts Initiate an Application to Consolidate**

It is unlikely that the districts will initiate a consolidation application given their publicly-stated positions. However, should the districts initiate an application to consolidate through adoption of substantially similar resolutions, the Commission would be required to approve the consolidation and could only tinker with the conditions of approval. Per Commission policy, the fees would be reduced should there be a public benefit for the proposal. Further, the proposal would go through the standard protest process:

- Order consolidation without election unless 25% of registered voters or 25% of number of landowners who own at least 25% of the assessed value of the land or more protest
- Order consolidation subject to an election if 25% or more protest
  - within entire territory, or
  - within any district if any district objects by resolution
- Terminate proceedings if 50% or more of the registered voters protest

This would be the smoothest, yet least likely route.

### **2. Commission Options**

There are a number options for Commission action to effectuate the changes anticipated in the Plan for Service. They are:

#### **a. The Commission has the power to initiate consolidation**

Historically this commission has been reluctant to move forward to initiate a consolidation, opting instead to try to entice districts or communities to resolve the issues. The written comments provided by Newberry CSD and Daggett CSD for this special study as well as the comments provided by members of the boards of directors at the community meeting identify retention of the status quo as the sole acceptable governance option. Therefore, initiation by the Commission to consolidate would bypass the boards and place the matter for final approval by the registered voters.

Nonetheless, a proposal initiated by the Commission (consistent with the recommendations or conclusions of the special study) and subsequently approved by the Commission would change the protest process as follows:

- (1) If any of the districts objected to the Commission initiated change (filed by resolution), it would change the protest process from the entirety of the reorganization area (standard) to the individual districts. This is significant in that if only one of the districts objected, the election held in that agency would determine the fate of the overall reorganization.
- (2) Pursuant to Section 57113, 10% protest from landowners within any affected agency would require an election. 10% protest of the voters within the area (or district which objected to the proposal) would require an election. If any of the districts had less than 300 voters it would require 25% protest. A 10% protest in Yermo (800 registered voters) or Newberry (930 registered voters) and 25% for Daggett (200 registered voters) would require an election. Given the position of the districts, this would be anticipated.

Therefore, this option has the least chance of success.

b. The Commission can request an affected agency to initiate reorganization

The Commission could request that an affected agency initiate consolidation by submitting an application to LAFCO. The affected agencies are the County of San Bernardino, Mojave Desert Resource Conservation District, Mojave Water Agency, San Bernardino County Fire Protection District, San Bernardino County Flood Control District, County Service Area 40, and County Service Area 70. It would seem that the only agency that would support the possibility of initiating an application to consolidate the districts would be the County through one of its board-governed districts.

Should the County express an interest in an alternative form of governance (i.e. consolidation with or annexation to the San Bernardino County Fire Protection District with removal of the districts' fire protection powers), it would need to initiate by resolution an application along with the required fees and deposits. However, the liability for the proposal is then placed upon this agency.

c. The Commission can forgo action at this time and continue to monitor the districts

As a third option, the Commission can take a wait and see approach - not take any action at this time to initiate consolidation or request any affected agency to initiate consolidation. Since the issuance of the Grand Jury report, Newberry CSD has rectified many of the deficiencies identified and is the only agency that notified LAFCO that it will begin work to formulate and adopt an appropriations limit. It is hoped that a move towards compliance with the State Constitution and State Law can occur for Daggett CSD and Yermo CSD. Therefore, it is the staff's position that an additional time period to evaluate compliance with the State Constitution and State Law be given.

As noted above, staff recommends that the Commission not take any action at this time to initiate consolidation or request any affected agency to initiate consolidation. However, staff recommends that the Commission direct it to continue to monitor the districts for compliance with the California Constitution and State Law with biannual reports on the progress of satisfying the deficiencies presented. During this period, at any time the Commission can initiate consolidation or request an affected agency to initiate consolidation. This route of action is similar to that of the Rim World Recreation and Park District – where the Commission placed conditions upon the district and signaled its intent to move towards dissolution if the district did not rectify its major deficiencies.

### **ADDITIONAL DETERMINATIONS:**

1. As required by State Law notice of the hearing was provided through publication in a newspaper of general circulation within the area, the *Desert Dispatch*. 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.
2. As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.

### **CONCLUSION:**

The Plan for Service discusses structure options for the community to consider that could potentially achieve a consistent level of service and economies of scale. Given the objectives and analysis for the Plan for Service, LAFCO staff's position is that, at a minimum, Daggett CSD and Yermo CSD consolidate to achieve these results; however, the preferable course would be for Daggett CSD, Newberry CSD, and Yermo CSD to consolidate into a single district. The long-term benefit to the community would be through services which are consistent, allows for flexibility in assigning resources, and streamlines governance and management. The Plan for Service shows that a consolidated district would be fiscally feasible during the five-year forecast period and beyond, would be sustainable at a cost at or below that of the status quo. Even given all this information, the position of the residents and board members which have conveyed their opinions to LAFCO staff is to retain the status quo.

Therefore, it is staff's recommendation that the Commission not take any action at this time to initiate consolidation or request any affected agency to initiate consolidation. However, based upon the issues identified in the original and updated Service Review, staff recommends that the Commission continue to monitor the districts for compliance with the California Constitution and State Law and direct staff to return with biannual reports on the progress of satisfying the deficiencies. However, it is noted that should any of the issues worsen, the Commission may initiate consolidation at any time or request an affected agency to do so.

KRM/MT

Attachments:

1. Special Study – Final Plan for Service and Service Review to include Attachments
2. Minutes of the December 10, 2014 Community Meeting
3. Results from Survey
4. Recorded Grant Deed and Information from County Assessor related to Daggett Community Center Parcel
5. Environmental Recommendation from Tom Dodson

**Special Study – Final Plan for Service  
and Service Review to include  
Attachments**

**Attachment 1**

**Special Study for Daggett, Newberry and  
Yermo Community Services Districts including  
Plan for Service and Service Review Update**



**LAFCO**

*for San Bernardino County*

**January 2015**

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## **Executive Summary**

The 2012-13 San Bernardino County Grand Jury report reviewed Newberry Community Services District and identified numerous issues and challenges related to governance, accounting and financial management, and internal controls. A single finding related to LAFCO, identified as Recommendation #15, recommends that LAFCO:

“Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.”

Among the possible reorganization scenarios presented in LAFCO’s 2009 report, the Grand Jury report identifies that the following two scenarios merit further review, along with more robust analysis of governance and reorganization options. The quotations are taken directly from the Grand Jury report.

- Removing the Newberry CSD fire protection powers with concurrent annexation of the Newberry area by the San Bernardino County Fire Protection District (County Fire); “or more substantially”,
- “Consolidating the Newberry CSD with two adjacent community services districts, to allow for ‘economies of scale and provide the opportunity for streamlined governance and compliance with CSD law’.”

In response to Recommendation #15 of the 2012-13 San Bernardino County Final Grand Jury Report, at the September 18, 2014 hearing the Commission directed its staff to undertake an immediate off-cycle service review for the Daggett, Newberry, and Yermo Community Services Districts. In order to properly analyze the second reorganization option identified by the Grand Jury, the service review needs to encompass all three CSDs. Lacking inclusion would not provide for a proper service review and not comply with the Grand Jury recommendation. Each of the districts provides the same governmental services: fire protection and emergency response, park and recreation, and streetlights. Daggett CSD provides one business-type function: water.

### **Plan for Service**

Included in this report is a Plan for Service that discusses structure options for the community to consider that would potentially achieve a consistent level of service and economies of scale. Per San Bernardino LAFCO’s policies, a Plan for Service shall include a fiscal impact analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The fiscal Impact analysis shows a five-year projection of revenues and expenditures along with a narrative discussion of the sufficiency of revenues for each option. The intent of developing a Plan for Service for this report is for the districts or the public to use as a part of a potential application to LAFCO for a future change of organization.



### Objectives

Importantly, services must perform effectively and efficiently and the level of service must be maintained or improved upon as a result of any organizational changes. Governments including special districts must consider new ways to do business given the present fiscal constraints and future financial uncertainty. The objectives for this Plan for Service are to:

- Improve the financial mechanism of the districts to provide service
- Provide services effectively and efficiently within the funding level acceptable to those that pay taxes
- Provide standardized fire apparatus and levels of service, and training that meets regulatory standards
- Improve the management efficiency of the districts

### Options for Discussion

Based upon the purpose and justification of this Plan for Service and the objectives listed above, the following options are identified for consideration.

1. Consolidation
  - a. Daggett CSD and Yermo CSD
  - b. Daggett CSD, Newberry CSD and Yermo CSD
2. Formation of a Joint Powers Authority for fire protection and emergency response
  - a. Administrative (admin operations, training, purchasing, etc.)
  - b. Functional (sharing of resources, joint response)
3. San Bernardino County Fire Protection District ("SB County FPD") to provide fire protection and emergency response to Newberry Springs
  - a. Annexation of Newberry Springs to SB County FPD, dissolution of Newberry CSD, and formation of a zone to County Service Area 70 for streetlighting and park and recreation
  - b. Formation of a zone to County Service Area 40 for all services with the zone contracting with SB County FPD for service
4. Maintenance of the status quo

### LAFCO Staff Recommendation

A cliché is that there is no "magic bullet" to address many big, difficult problems. If there was a "magic bullet" it would have been used by now. However, in this case the level of service and/or service coverage can be improved by the adjustment of boundaries and coordination of planning for future facilities and service needs. Given the objectives and analysis for this Plan for Service, LAFCO staff recommends that at a minimum Daggett CSD and Yermo CSD consolidate, preferably for Daggett CSD, Newberry CSD, and Yermo CSD consolidate into a single district. The long-term benefit to the community would be through service which is consistent, allows for flexibility in assigning resources, streamlines governance and management, and provides for the appropriate location of resources. The Plan for Service shows that a consolidated district would be fiscally

feasible during the five-year forecast period and beyond, at a cost at or below that of the status quo. Failure to adapt, the financial and operational challenges that each district individually faces will only increase.

Ultimately, the path forward will be decided by the registered voters and landowners within the community. No matter the final outcome, LAFCO staff desires that the agencies initiate earnest discussions on working jointly towards service efficiencies and looking toward the consolidation of services to address the needs of the community as a whole.

## **Service Review Determinations**

Used as supporting documentation to the Plan for Service, LAFCO staff responses to the mandatory factors for consideration in a service review (as required by Government Code 56430) are summarized below and incorporate the districts' responses and supporting materials.

### Determination I - Growth and population projections for the affected area

These areas are not anticipated to experience significant growth within the coming years (including Harvard within the Daggett/Yermo CSD sphere). This determination is made due to the land use designations assigned by the County, about one-third of the land being publicly owned, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. Conversely, the transient traffic on Interstates 15 and 40 (two of four interstates that exit Southern California to the east) has significantly increased in volume each decade and is anticipated to continue to do so.

### Determination II - The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence

Generally, the entire study area is considered a disadvantaged unincorporated community (DUC). The areas that are shown as not a DUC are: 1) part of a Census block group that extends into the City of Barstow, or 2) vacant and/or public lands managed by BLM.

### Determination III - Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

All three CSDs provide streetlight, park and recreation, and fire protection services. Streetlighting and park and recreation services are adequately provided. Due to the age of each of the community center buildings, upgrades and improvements are necessary.

Currently, Daggett CSD and Yermo Water Company are the only domestic water service providers within this region. These service providers are shown on the map included as a part of Attachment #4. Daggett CSD delivers water within its boundaries and to a 1.25 mile area within Yermo CSD territory. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water

to a small portion of Yermo. The Yermo Water Company has been under receivership as mandated by the San Bernardino Superior Court since April 2009.

Within the past year Daggett CSD has had three occurrences that disrupted water flow (two positive tests for bacteria and a lack of electricity for the wells to pump due to downed power lines from a wind storm). While some circumstances cannot be avoided, of concern to LAFCO staff is how Daggett CSD handled the situations. This includes lack of notification to the regulatory agency responsible for its monitoring, the County Department of Public Health. Failure to notify the regulatory agency for the local water system disregards the rules and regulations that are in place to ensure public health and promote transparency. As a result, such inattention to the rules and regulations in place are a disservice to the community.

For fire protection and emergency response, the paradox is that with scant property tax revenue akin to a rural agency funding an all-volunteer force with satisfactory equipment, it is the inherent responsibility of the CSDs not only to provide service to its residential and commercial areas, but to wild fires in the vast public lands (approximately 30% of the combined land being public) and incidents along two of the four interstate highways that exit Southern California to the east.

#### Determination IV - Financial ability of agencies to provide services

Each of the districts experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. With the exception of water charges collected by Daggett CSD, the ongoing operations of the districts are mostly funded by property taxes. The information provided indicates that this is not enough to fund capital and needed improvements in the long-run. Fire protection and related activities comprise the largest expense for each of the agencies and its cost increases annually. Further, the districts do not adhere to the constitutional requirements for the establishment of an appropriations limit and other statutes related to finances of a community services district. Specifically, for Daggett CSD, it has failed to operate with a budget since 1995, and Newberry CSDs' independent auditor issued a disclaimer of opinion for the 2010 and 2011 audits.

#### Determination V - Status of, and opportunities for, shared facilities

Newberry CSD and Yermo CSD have agreements with the Silver Valley Unified School District for use of its land and Daggett has its community center facility on County land. The opportunity for shared facilities amongst all three CSDs through a consolidation or joint powers authority would maximize the limited resources available. This service review includes a Plan for Service that discusses structure options for the community to consider that would potentially achieve a consistent level of service and economies of scale.

#### Determination VI - Accountability for community service needs, including governmental structure and operational efficiencies

County Registrar of Voters records since 1995 indicate that the districts have had high turnover on the boards and have not yielded enough candidates to continually run for office resulting in appointments in lieu of election. In late July 2014, the CSD's water operations with the court-appointed receiver ceased, and the general manager and

secretary resigned their employment with the CSD. It is not known as of the date of this report if the Yermo CSD intends to hire a general manager.

### **Continued Monitoring of the Districts by LAFCO**

This service review identifies numerous areas where the districts fail to comply with the State Constitution, State Law, and generally accepted good-governance practices. LAFCO staff recommends that the Commission determine that the districts are not in compliance with the following and that LAFCO staff returns to the Commission every six months until all of the items below are satisfied.

#### **Daggett CSD**

1. Continue to work with the County to address and formalize a lease arrangement or title transfer for the Daggett Community Center.
2. Provide LAFCO with a copy of all future water quality information provided to the public, to include water quality control reports, occurrences of contamination, and boil water orders.
3. Adopt an annual budget that conforms to generally accepted accounting and budgeting procedures by September 1 of each year at a noticed hearing pursuant to Community Services District Law Section 61110.

#### **Newberry CSD**

4. Recommendation #5 from the 2012-13 Grand Jury Report reads for Newberry CSD to: " Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual". The CSD's March 2014 response to the Grand Jury reads, "Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future".

In its response to the draft staff report, Newberry CSD identified that such an accounting manual would be a one-page item identifying payment policies. Nonetheless, the district notified in writing to the Grand Jury that it would develop an accounting manual. LAFCO staff recommends that the district either update the Grand Jury on this matter or provide the Grand Jury and LAFCO with a copy of the accounting manual regardless of size and content, upon approval.

#### **All Districts**

5. Adopt and annually review reserve policies pursuant to Community Services District Law Section 61112.
6. Forward a copy of the final budget to the County Auditor pursuant to Community Services District Law Section 61110.
7. Adopt an annual appropriations limit by resolution authorizing the expenditure of the proceeds of taxes and review the annual calculation as a part of the annual

financial audit, pursuant to Article XIIIB of the State Constitution, which is further acknowledged by Community Services District Law Section 61113.

As of the date of this report, LAFCO staff has not received any information from Daggett CSD and Yermo CSD on their intent to adopt the appropriations limit. Newberry CSD has responded to the draft staff report and has indicated that it will begin work on formulating the appropriations limit in the near future.

### **Recommendations for Increased Governance and Transparency**

LAFCO staff recommends that the districts consider the following items to increase governance and transparency.

#### **Daggett CSD**

1. Formally clarify the chain of command to establish the reporting relationship between the Fire Chief and the Board of Directors.
2. Consider implementing a website as the benefits of transparency are great.

#### **Newberry CSD and Yermo CSD**

3. Each district should conform to the criteria listed in the Special District Leadership Foundation transparency website checklist and take the necessary steps to keep its website current.

#### **All Districts**

4. Include the Management Discussion and Analysis as a part of the annual audit, as required by the Governmental Accounting Standards Board.

## **Introduction**

In 2000, state legislation designated Local Agency Formation Commissions as the agency to conduct a review of municipal services within each county on a five-year cycle.<sup>1</sup> Having a jurisdiction of the largest county in the continental United States, the Local Agency Formation Commission for San Bernardino County (“LAFCO”) has adopted a policy to conduct its service reviews on a community-by-community basis.

A service review is a comprehensive review to inform LAFCO, local agencies, and the community about the provision of municipal services. Service reviews attempt to describe and analyze information about service providers and to identify opportunities for increased effectiveness and efficiencies of service delivery. The service review can work in conjunction with a sphere of influence determination and may also guide (not require) LAFCO to take other actions under its authority. LAFCO, local agencies and the community may then use the service review to consider potential proposals to LAFCO (i.e. annexations, consolidations).

### **2009 LAFCO Service Review**

In 2009, LAFCO conducted the first service review, along with a sphere of influence update, for the contiguous areas of Daggett, Newberry Springs, and Yermo (included as Attachment #2). The reorganization options identified in the 2009 service review report included, among others, the consolidation of the three CSDs into a single agency, which the staff recommendation supported through a consolidated sphere of influence. The staff’s rationale was identified as being that the three CSDs were experiencing governance issues (compliance with audit requirements, budget compliance, etc.) to varying degrees and the consolidation would pool resources to allow for the hiring of professional staff to move them toward compliance. At the June 2009 LAFCO hearing, the Newberry CSD representatives and residents were successful in convincing the Commission to retain its autonomy as a separate sphere of influence. For its determination of the 2009 service review, the LAFCO Commission adopted a single sphere of influence for the Daggett CSD and Yermo CSD to include the Harvard area, and (2) retained a separate sphere for Newberry CSD. The intent of a single sphere of influence is a signal of the Commission’s intent that the Daggett CSD and Yermo CSD consolidate to maximize efficiencies and reduce adjacent districts formed under the same principal act performing essentially the same services.

### **2012-13 Grand Jury Report**

In July 2013, the San Bernardino Grand Jury issued its annual report for 2012-13 which included a report on the Newberry CSD due to it receiving multiple citizen complaints of activities conducted by Newberry CSD (copy included as Attachment #1). The Grand Jury review identified numerous issues and challenges related to governance, accounting and

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<sup>1</sup> The service review requirement is specified in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code §56000 et. seq.). Upon adoption of the service review determinations, the Commission can update the spheres of influence for the reviewed agencies under its purview.

financial management, and internal controls. Referenced in the Grand Jury report was the Commission's June 2009 service review and sphere of influence update for the district which identified a number of operational deficiencies which were memorialized in LAFCO Resolution No. 3064. The Grand Jury report identifies a single finding related to LAFCO, shown on Page 22 of the report, identified as Recommendation #15:

"Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014."

Among the possible reorganization scenarios presented in LAFCO's 2009 report, the Grand Jury report identifies that the following two scenarios merit further review, along with more robust analysis of governance and reorganization options. The quotations are taken directly from the Grand Jury report.

- Removing the Newberry CSD fire protection powers with concurrent annexation of the Newberry area by the San Bernardino County Fire Protection District (County Fire); "or more substantially",
- "Consolidating the Newberry CSD with two adjacent community services districts, to allow for 'economies of scale and provide the opportunity for streamlined governance and compliance with CSD law'."

## **2014 Service Review**

In response to Recommendation #15 of the 2012-13 San Bernardino County Final Grand Jury Report, on September 18, 2014 the Commission directed its staff to undertake an immediate off-cycle service review for the Daggett, Newberry, and Yermo Community Services Districts. In order to properly analyze the second reorganization option identified by the Grand Jury, the service review needs to encompass all three CSDs. Lacking inclusion would not provide for a proper service review and not comply with the Grand Jury recommendation. Therefore, the Commission included Daggett and Yermo CSDs in the off-cycle service review (second round service review most likely would occur in 2015). The direction was not punitive in nature and a more detailed review should address any questions regarding the operation of the districts, most importantly the questions of financial benefit.

The LAFCO Commission desires to educate the local governments that LAFCO reviews about the laws which govern its operations. In conjunction with this service review, at the direction of the Commission LAFCO staff contacted the Special Districts Risk Management Authority (SDRMA) to conduct local training on board governance. LAFCO staff's position is that it is recognized that the three-community area is classified as a disadvantaged community (see Determination II of this report). Further, in general each district has either experienced high turnover amongst directors, or has had difficulty in attracting enough candidates for an election thus requiring appointments in-lieu of election. For example, Newberry CSD has four new members since August 2013. The training held in March 2014 provided access to resources that the districts may not have had otherwise. The training was offered to all special districts in the county, but it was tailored primarily for CSDs

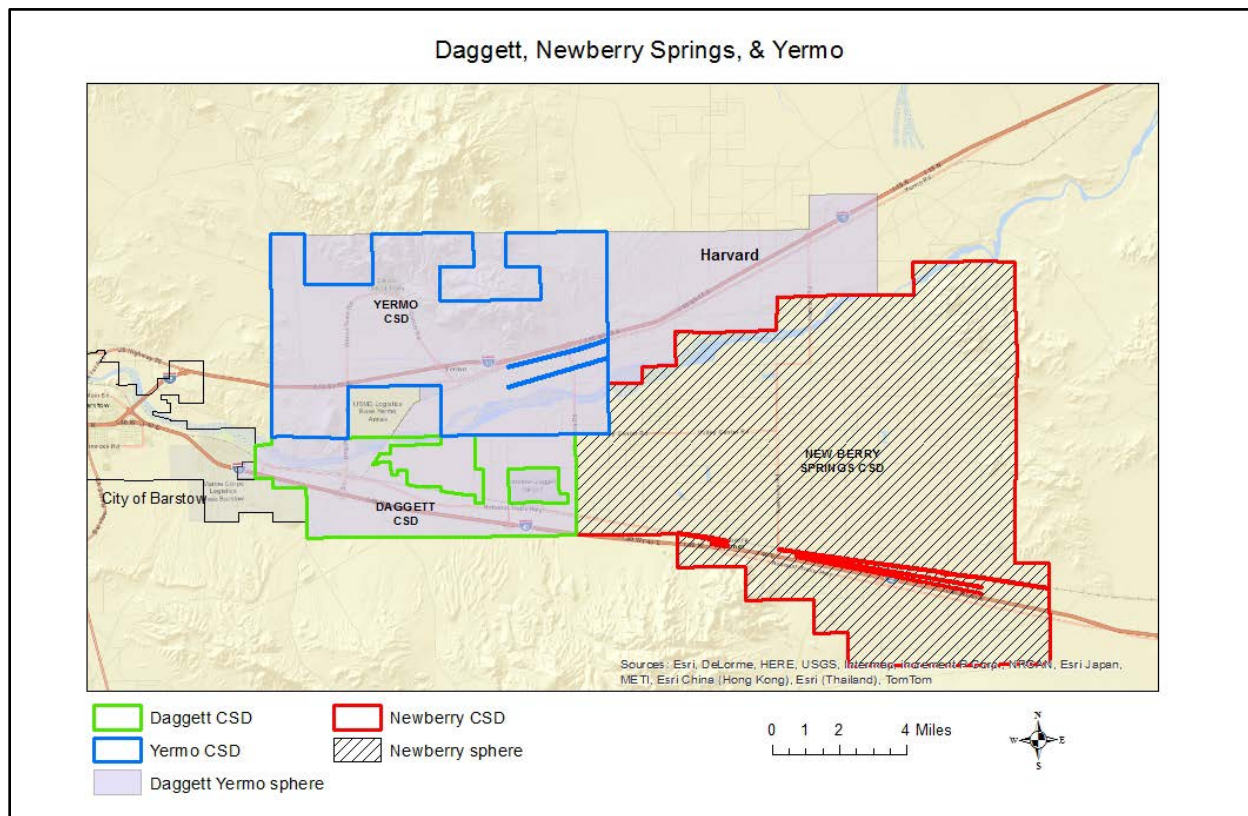
(relevant for this service review), with parallel dialogue regarding other types of districts (i.e. public cemetery districts) worked into the training.

For this service review, at the request of LAFCO staff the districts provided information, were interviewed by LAFCO staff, and have been available to LAFCO staff upon request. LAFCO staff also interviewed fire personnel from the neighboring fire agencies, obtained information from public sources, as well as referring to literature and other service reviews conducted in the state on fire protection and emergency response in rural areas, volunteer fire departments, and consolidation. LAFCO staff responses to the mandatory factors for consideration in a service review (as required by Government Code 56430) are to follow and incorporate the districts' responses and supporting materials. The service review is also background to the Plan for Service that is included in this report. The Plan for Service includes a fiscal impact analysis outlining feasible options for consideration by the community.

### Location and Agency Descriptions

The service review study area is located in the north desert region of the county and is generally east of the City of Barstow along Interstates 15 and 40. A map of the three districts with the City of Barstow to the west is shown below (included in Attachment #4). As shown, Daggett CSD and Yermo CSD share a single sphere of influence which includes the Harvard area.

### Map of the Daggett, Newberry Springs, and Yermo Communities





The following is a description of each agency:

	<b>Daggett CSD</b>	<b>Newberry CSD</b>	<b>Yermo CSD</b>
<b>Year Formed</b>	1955	1958	1962
<b>Enabling Legislation</b>	CSD Law	CSD Law	CSD Law
<b>Current Services Provided</b>	Fire protection Park & recreation Streetlights Water	Fire protection Park & recreation Streetlights	Fire protection Park & recreation Streetlights
<b>General Manager</b>	Full-time 100% office hours	12 hrs/week 100% office hours	9 hrs/week 100% office hours
<b>Fire Chief</b>	Volunteer, also board president	Volunteer	Volunteer, also board president
<b>Service Costs, 2010-13 (avg)</b>			
<b>Fire Protection</b>	\$46,227	\$119,849	\$53,162
<b>Streetlights, Park &amp; Rec</b>	\$57,750	\$81,771	\$63,865
<b>Water</b>	\$123,685	--	--
<b>Population, 2013 est.</b>	487	2,288	1,629
<b>Area (square miles)</b>	26	117	74

### Daggett

Daggett's boundary comprises approximately 26 square miles and shares a single sphere of influence with Yermo CSD which includes the community of Harvard. Geographical reference points include Interstate 40, Barstow-Daggett Airport, and the former Solar One and Two solar energy projects. Daggett CSD was formed in 1955 with the authorized functions to provide water, sewer, refuse, fire, park and recreation, street lighting, mosquito abatement, and police services to the Daggett community. Currently, Daggett is authorized by LAFCO to provide water, street lighting, park and recreation, and fire protection pursuant to the *Rules and Regulations of the Local Agency Formation Commission for San Bernardino County Affecting Functions and Services of Special Districts*.

### Newberry

Newberry's boundary comprises approximately 117 square miles. Newberry's exterior boundary and sphere of influence boundary line are coterminous, as shown in the map above. Newberry's sphere includes the exclusion areas of portions of pipelines owned by Pacific Gas and Electric Company and portions of the railway lines located in the southern area of the District. Geographical reference points within Newberry Springs are Troy Dry Lake, Interstates 15 and 40, and the Mojave River.

Newberry was formed in 1958 with the authorized functions to provide water, sewer, refuse, fire protection, park and recreation, police, and streetlighting to the Newberry Springs community. Currently, Newberry is authorized by LAFCO to provide water, fire protection, streetlighting, park and recreation, and sewer services. Newberry is not a retail water

provider; rather it utilizes water from its own wells for its facilities and for fire protection purposes. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to ultimately plan for a sewer collection and treatment system.

### Yermo

Yermo's boundary and sphere of influence comprise approximately 74 square miles. As shown on the map above, the sphere shares a single sphere of influence with Yermo CSD and includes the community of Harvard. Yermo's sphere includes the exclusion areas of portions of railway lines and portions of electrical lines located in the eastern area of Yermo. Geographical reference points within Yermo are Interstate 15, the Mojave River, Calico Early Man Archaeological Site, and Calico Ghost Town, a County regional park, and the now closed Lake Dolores (Lake Delores is the original name of the man-made lake).

Yermo was formed in 1962 through a reorganization which included dissolution of the Yermo Fire Protection District and succession to its responsibilities. The District was originally approved by the voters with the authorized functions to provide water, sewer, refuse, fire protection, park and recreation, streetlighting, mosquito abatement, police protection, library, and road services to the Yermo community. The initial active service functions were fire protection, park and recreation, and streetlighting. In 2009, the LAFCO Commission approved the activation of its water function to provide Yermo CSD the ability to participate in acquisition proceedings to acquire the private Yermo Water Company (regulated by the California Public Utilities Commission) and be responsible for the operation and maintenance of the system.

## **Plan for Service**

### **A. Purpose and Justification**

#### **Grand Jury Report**

In July 2013, the San Bernardino Grand Jury issued its annual report for 2012-13 which included a report on the Newberry CSD due to it receiving multiple citizen complaints of activities conducted by Newberry CSD (copy included as Attachment #1). The Grand Jury review identified numerous issues and challenges related to governance, accounting and financial management, and internal controls. Referenced in the Grand Jury report was the Commission's June 2009 service review and sphere of influence update for the district (included as Attachment #2 to this report) which identified a number of operational deficiencies which were memorialized in LAFCO Resolution No. 3064. The Grand Jury report identifies a single finding related to LAFCO, shown on Page 22 of the report, identified as Recommendation #15:

"Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014."

Among the possible reorganization scenarios presented in LAFCO's 2009 report, the Grand Jury report identifies that the following two scenarios merit further review, along with more robust analysis of governance and reorganization options. The quotations are taken directly from the Grand Jury report.

- Removing the Newberry CSD fire protection powers with concurrent annexation of the Newberry area by the San Bernardino County Fire Protection District (County Fire); "or more substantially",
- "Consolidating the Newberry CSD with two adjacent community services districts, to allow for 'economies of scale and provide the opportunity for streamlined governance and compliance with CSD law'."

#### **LAFCO Service Reviews and CSD Law**

The preamble to the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (the law governing government boundaries and reorganizations) reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities.

Additionally, the legislature's direction cited above is reinforced in Community Services District Law, which refers back to Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000. The preamble to CSD Law states that the intent of the Legislature for CSD Law is:

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

The State has published advisory guidelines for LAFCOs to address all of the substantive issues required by law for conducting a service review<sup>2</sup> and San Bernardino LAFCO has adopted these guidelines as its own. 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.

### Government Structure Options

Given the Grand Jury's recommendation to LAFCO to conduct a service review and the direction to consider consolidating overlapping agencies as outlined in CSD Law and the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, this service review includes a Plan for Service which evaluates the two reorganization options that the Grand Jury states merit further review as well as other feasible options.

This Plan for Service provides a presentation regarding the rationale for the options provided, how each option would occur, and includes a fiscal impact analysis outlining feasible options for consideration by the community. At the conclusion LAFCO staff provides a recommendation of the best course of action based upon the analysis. The intent of developing a Plan for Service for this report is for the districts and/or the public to use as a part of a potential application to LAFCO for a future change of organization.

## **B. Methodology**

### Objectives

The Plan for Service must show services performing effectively and efficiently, and the level of service must be maintained or improve upon as a result of any organizational changes. Importantly, governments including special districts must consider new ways to do business given the present fiscal constraints and future financial uncertainty. The objectives for this Plan for Service are to:

- Improve the financial mechanism of the districts to provide service
- Provide services effectively and efficiently within the funding level acceptable to those that pay taxes
- Provide standardized fire apparatus and levels of service, and training that meets regulatory standards
- Improve the management efficiency of the districts

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<sup>2</sup> State of California. Governor's Office of Planning and Research. "Local Agency Formation Commission Municipal Service Review Guidelines", August 2003.

### LAFCO Policies and Practices

Per San Bernardino LAFCO's policies, a Plan for Service shall include a fiscal impact analysis which shows the estimated cost of extending the service and a description of how the service or required improvements will be financed. The fiscal impact analysis shows a five-year projection of revenues and expenditures along with a narrative discussion of the sufficiency of revenues for each option. Additionally, in the case of a proposed annexation or reorganization, the Plan for Service must demonstrate that the range and level of services currently available within the study area will, at least, be maintained by the annexing agency.

San Bernardino LAFCO also has a practice whereby reorganization proposals must be able to show that the proposal would achieve a ten percent reserve within three years. As of June 30, 2012 each district had at least a ten percent reserve. Therefore, this criterion has already been met and does not warrant further analysis.

### Standardized Analysis and Assumptions

To standardize the analysis of the options identified in this Plan for Service, Daggett's water service (a business-type activity) is not included in the fiscal impact analysis, although the water service's fair share of general district overhead and staffing are taken into account. The fiscal impact analysis compares the governmental services that each agency provides: streetlights, park and recreation, and fire protection and emergency response. Additionally, the cost projections shown for each option do not take into account capital purchases as a part of expenditures. The annual cost savings (shown as Revenue Gain) would be used for either reserves or capital purchases.

To provide the Commission and the public a baseline financial model from which it can make its determinations in a balanced and well-informed manner, the fiscal impact analysis includes a historical trends analysis of the districts' actual revenues and expenditures from FY 2008-09 to FY 2012-13. The fiscal impact analysis also reviews past actual revenues and expenditures to better understand constant and one-time activities. Assumptions are made that the receipt of property taxes will increase by the statutory limit of two percent a year and rental income are not assumed to increase as a result of any of the discussed options below. Inflation is taken into consideration and is factored at 2.0% for the first year and increases to 3.5% for the fifth year.

### Sources

Given the objectives outlined above, this Plan for Service refers to the six determinations of the service review for background information and support. The Executive Summary to this service review includes the conclusion for each determination. The financial information used for the fiscal impact analysis is from each district's information as provided in the State Controller Report for Special Districts (information which each district provides to the state). While audited financial reports are ideal for most trends analyses, they do not provide enough detail to separate revenues and expenditures based on the different services as well as constant and one-

time activities. Accounting procedures under GASB (Governmental Accounting Standards Board) and GAAP (Generally Accepted Accounting Principles) also establish reporting requirements not intended for trending purposes by activity (service).

### **C. Analysis of Options**

Based upon the purpose and justification of this Plan for Service and the objectives listed above, the following options are identified for consideration:

1. Consolidation
  - a. Daggett CSD and Yermo CSD
  - b. Daggett CSD, Newberry CSD and Yermo CSD
2. Formation of a Joint Powers Authority for fire protection and emergency response
  - a. Administrative (admin operations, training, purchasing, etc.)
  - b. Functional (sharing of resources, joint response)
3. San Bernardino County Fire Protection District ("SB County FPD") to provide fire protection and emergency response to Newberry Springs
  - a. Annexation of Newberry Springs to SB County FPD, dissolution of Newberry CSD, and formation of a zone to County Service Area 40 for streetlighting and park and recreation
  - b. Formation of a zone to County Service Area 40 for all services with the zone contracting with SB County FPD for service
4. Maintenance of the status quo

**OPTION 1.**  
**Consolidation**

Consolidation offers the greatest level of benefit for resource management, seamless operations, and standardized coverage. For park and recreation, overhead would reduce as shared equipment and labor would result in savings. Recreation activities could consolidate thereby resulting in more frequent or higher quality activities.

For fire protection and emergency medical response, incident response would be provided from the best available resource within the consolidated district rather than automatic/mutual aid, and resources would be shared equally. All areas would participate in capital costs for new equipment and station upgrades. The redundancies for multiple agencies and elected and appointed offices would be eliminated. It would be expected that a single agency could use resources more effectively. For example, each CSD competes for volunteer firefighters from the same limited pool of volunteers. A consolidated effort for recruitment would lessen this burden. Further, recently many fire agencies have been charging for services associated with vehicle accidents from out of area residents. With the high traffic volumes along the interstates, a consolidated district could allocate the appropriate resources to collect this additional revenue.

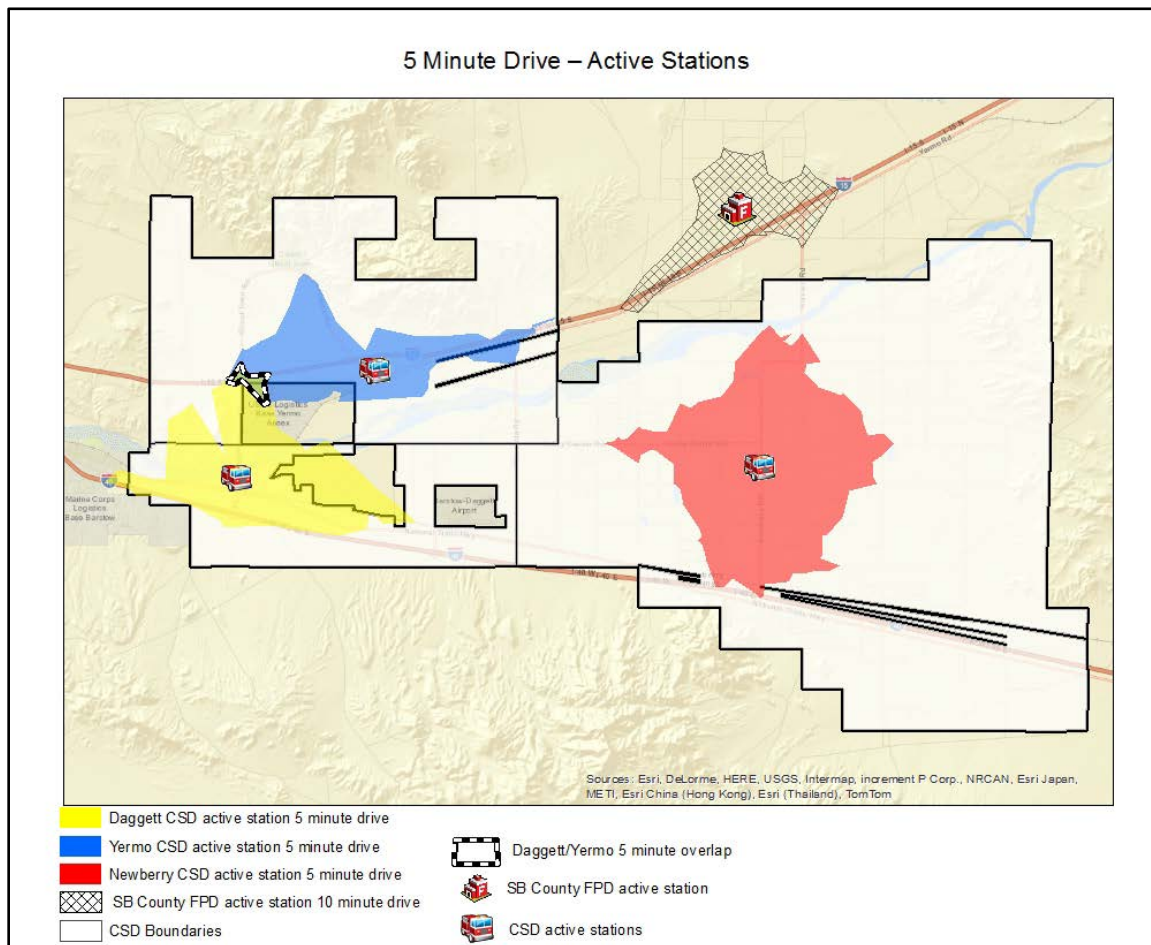
According to the International Fire Chiefs Association, the number of calls significantly increases the business aspect of running a fire department. A department that responds to more than 750 calls per year, which is an average of two calls per day, should consider providing a compensated leadership position for developing and executing an organizational plan. The planning process should be developed with immediate, intermediate and long-range goals and have established review dates.<sup>3</sup> As shown in Determination III in the service review, in 2013 Daggett CSD had 162 calls, Newberry CSD 333, and Yermo CSD 364. Combined, the community had 859 calls in 2013 and such volume, in the LAFCO staff opinion, warrants a single fire leadership position.

**Drive Times**

As for drive times from each station, the first figure below identifies a five-minute drive time from each CSD's active station. Please note that this is the time that it takes to drive from each station, not response time which takes into account other factors. As shown, there is only one five-minute overlap area, between Daggett CSD and Yermo CSD. This overlap area is minor and does not cover the core of each district.

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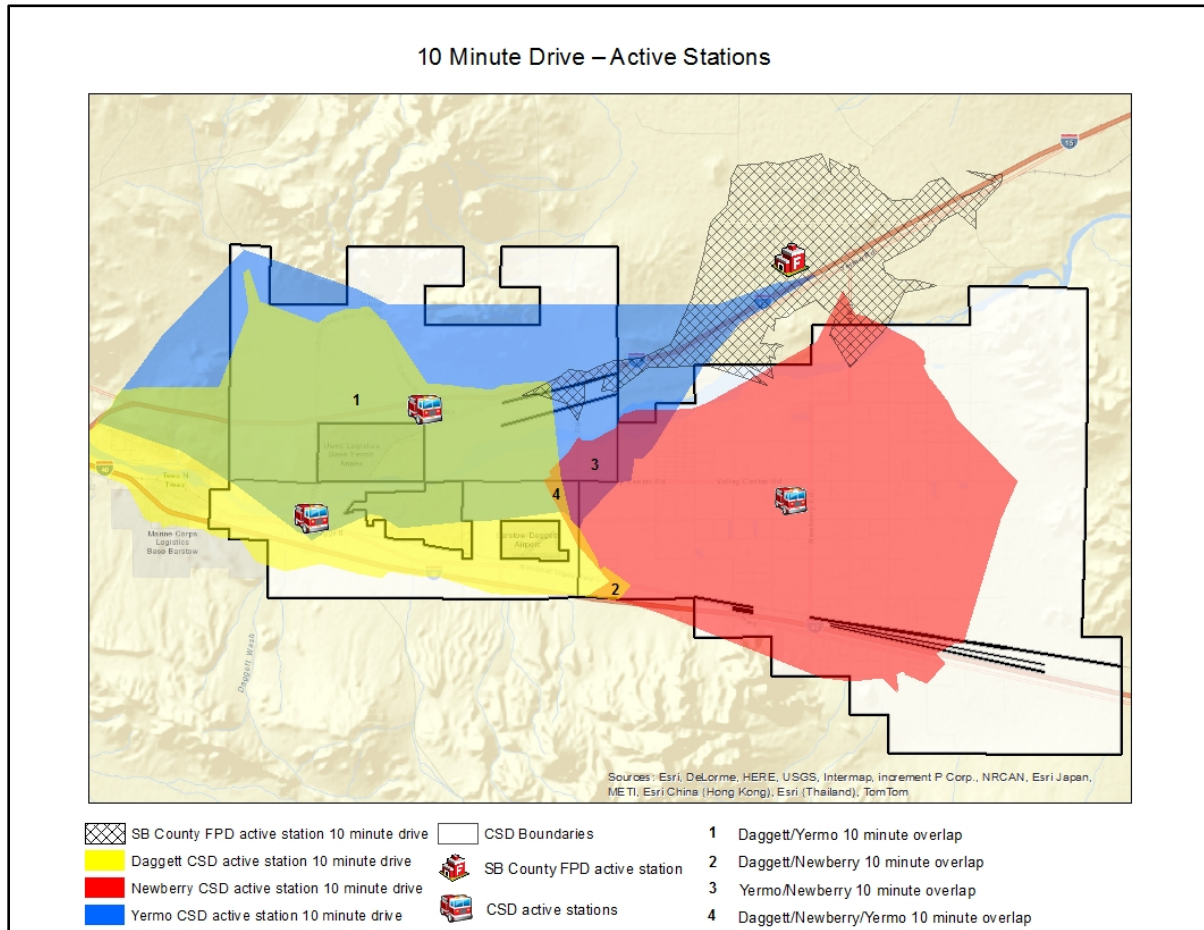
<sup>3</sup> International Fire Chiefs Association. 2004.



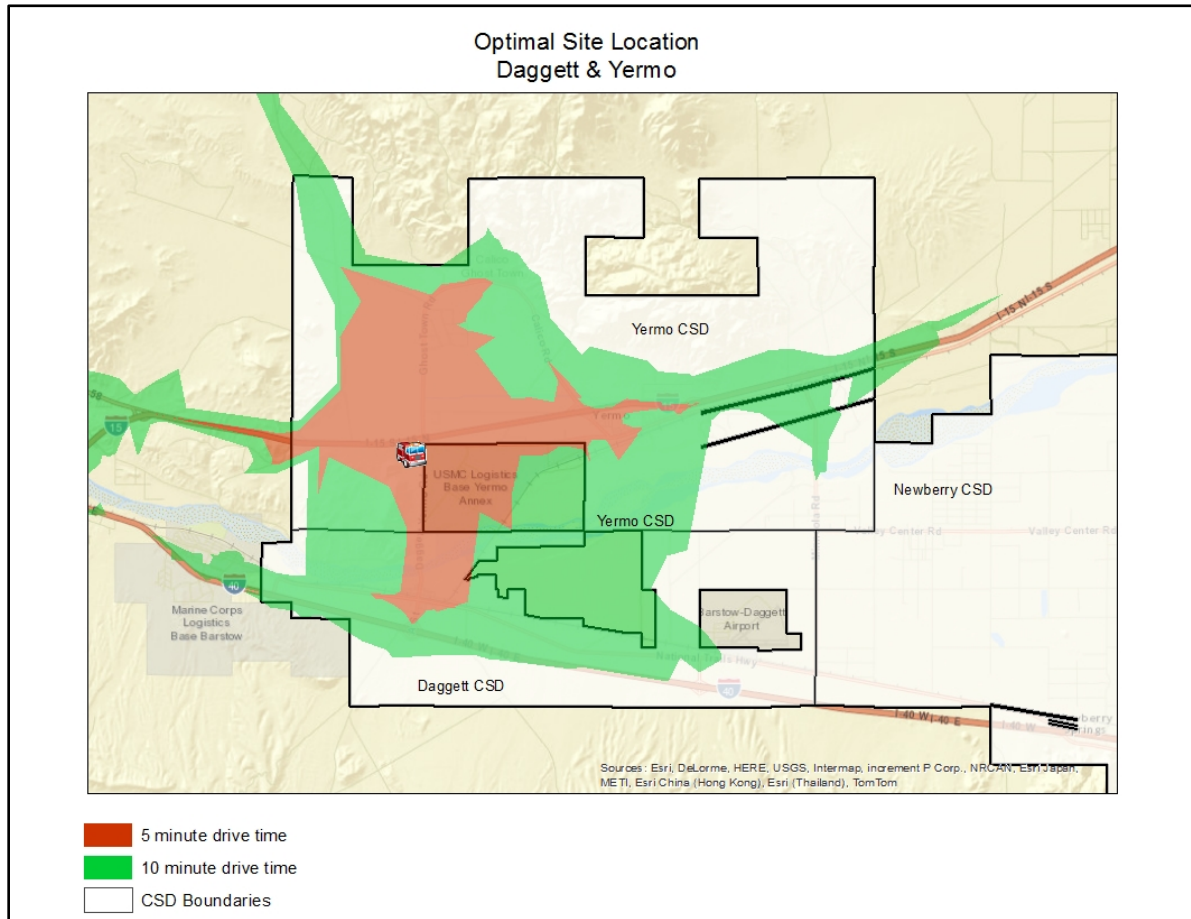
A five-minute drive time from a rural and volunteer fire station exceeds the industry standard.<sup>4</sup> Increasing the analysis to 10 minutes provides a different picture. In the figure below, which also overlays the SB County FPD Harvard station drive time for reference, the overlap between Daggett CSD and Yermo CSD's active stations are significant and covers each's core area. The overlap between Newberry CSD's active station and the other districts is minor. Therefore, consolidation between Daggett CSD and Yermo CSD is supported by this analysis.

<sup>4</sup> National Fire Protection Association Standard 1720.





Taking this analysis for Daggett CSD and Yermo CSD further given the substantial 10-minute drive overlap between Daggett CSD and Yermo CSD, LAFCO staff utilized ESRI's Location Analytics to identify if a single fire station could serve the Daggett and Yermo communities. As shown the optimal location of a single fire station would be near the intersection of Daggett-Yermo Road and Yermo Road. This area is commonly known as the "Four Corners" and is a part of the area that Daggett CSD serves water within Yermo CSD. This optimal station site could serve most of Daggett's and Yermo's core within a 5-minute drive and all within a 10-minute drive. This information is not an option in this Plan for Service; rather it is information as to further possible cost savings.



### Terms and Conditions

Under the consolidation option, by statute all assets and liabilities of consolidating organizations accrue to the new entity. Thus, the consolidated district would receive title to all assets of the existing districts and would become responsible for subsequent capital improvements required. Terms and conditions imposed by LAFCO on the reorganization would specify such transfer and restrictions. An application for consolidation would include a condition that all property tax revenue from each district would transfer to the consolidated district. In the case of outstanding debt, a condition would be imposed by LAFCO to form an improvement district to isolate any debt incurred by an area, with the consolidated district being responsible for the debt payment processing. Therefore, the other consolidating agencies would not be subject to such debt payments.

Additionally, the consolidated district would need to adopt an appropriations limit as required by law based upon the existing appropriations limits for each district (currently each district lacks an appropriations limit - please see Determination IV of this report). Lastly, at the outset one district's ordinances, resolutions, policies, procedures, and practices would govern the activities and affairs of the consolidated district. The board of directors of the consolidated district would be required to expeditiously review and ratify said ordinances, resolutions, policies, procedures, and practices.

It is understood that fire equipment and apparatus most likely would not be compatible at the outset of a consolidation. Therefore, the consolidating agencies would need to formulate and adopt a transition plan. While this would result in start-up costs that would not occur otherwise, cost-savings from standardized equipment would occur thereafter.

In accordance with statute the consolidated district may be governed by an interim board of directors composed of five, seven, nine, or eleven members. The method for determining which members of the existing boards would be installed as members of the "interim board" of the consolidated district shall be made by LAFCO. The board would ultimately settle at five members through a process outlined in a LAFCO condition.

There are numerous factors that would provide for a smooth transition for consolidation of the districts. First, ambulance service is provided by Desert Ambulance and not by any of the districts. Second, all of the districts were formed prior to Proposition 13 and receive secure property tax revenue. Third, all districts are independent special districts formed under the same principal act. Finally, no employees receive pensions; therefore, a potential consolidation would not confront the hurdles related to retirement system or related unfunded liabilities.

#### Daggett CSD's Water Service

A primary concern of Daggett CSD is the equity it has in its water system, and that if a consolidation were to occur the other areas could use the water funds for other purposes. The water service is a business-type function and thus its funds cannot be used for other purposes (outside of relevant transfers to pay for its fair share of overall district administration). As a part of a potential consolidation approval, LAFCO would include a condition that all assets and funds of the Daggett CSD water function be isolated through the creation of an improvement district, thereby securing the water service area and its funds. Should additional areas desire water service, then the improvement district could be expanded.

In a consolidation water services are not assumed to be automatically extended to the other areas. Rather, should areas outside of Daggett CSD's water service area desire connection to the system, the properties desiring connection would cover the full cost of extending those services.

#### Annexation of the Harvard Community in a Consolidated District

The Harvard community is currently within the combined sphere of influence for Daggett CSD and Yermo CSD. This Plan for Service considers the districts' jurisdictional area and does not include the sphere of influence areas that extend beyond the boundaries.

Nonetheless, this scenario warrants a brief review. Annexation of Harvard into a consolidated district would extend the services currently provided by the districts to Harvard: fire protection, park and recreation, and streetlights. Importantly, an area can only have one fire protection agency so such a proposal would include the detachment

from the SB County FPD and transfer of SB County FPD's (and its North Desert Service Zone) share of the one percent property tax to the consolidated district.

However, the objectives of this Plan for Service include improving the delivery of services, improving the management efficiency, and providing services effectively and efficiently. The three districts are already spread thin and adding additional territory and responsibility would not be prudent. Further, SB County FPD Station 52 is not just for Harvard – its primary function is to provide emergency response along the I-15 corridor between Harvard and Baker. LAFCO staff would have issue with transferring Station 52 to the consolidated district and this scenario most likely would encounter staunch opposition from SB County FPD and the County of San Bernardino as service levels would decrease along the I-15 corridor. Therefore, annexation of Harvard into a consolidated district is not analyzed further in this report. Additionally, as long as Station 52 is used for emergency along the I-15 corridor, LAFCO staff's position would be that Harvard should be removed from the combined Daggett/Yermo CSD sphere.

### 1a. Consolidation of Daggett CSD and Yermo CSD

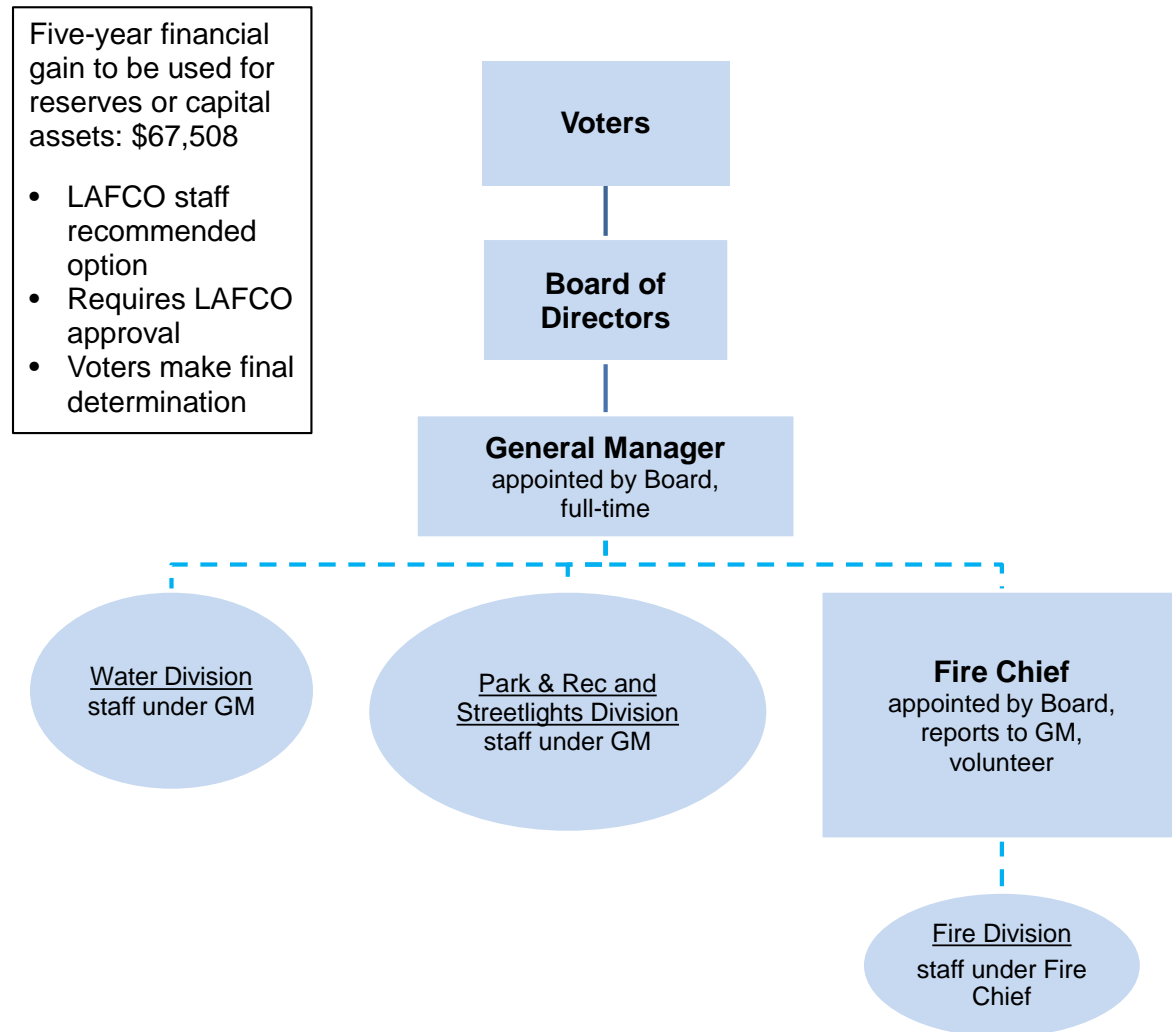
This option considers the Commission's 2009 determination of a single sphere of influence for Daggett CSD and Yermo CSD, being a signal that the two districts should consolidate in the future. The first figure below shows a summary of the revenues and expenditures for this option. A few assumptions in calculating the financial activity for this option include: hiring a full-time general manager with benefits and a full-time staff person (both positions shared with Daggett water system) and a reduction in overhead. Four years after consolidation, the district would have roughly \$67,000 to add to its reserves or use for capital purchases for its governmental functions. The second figure includes Daggett CSD's water function which does not significantly improve the financial picture. The third and fourth figures below provide a summary of the consolidation.

LAFCO staff's analysis indicates that this option is viable because, at a minimum, it maintains the current level of service, reduces two boards to one for Daggett and Yermo, allows for a full-time general manager with support staff, and does not require additional revenues. LAFCO staff would support this option.

CONSOLIDATION –Daggett & Yermo CSDs (without Water)							
			2015-16	2016-17	2017-18	2018-19	2019-20
Revenues							
	Property Taxes		182,014	185,654	189,367	193,154	197,017
	Other		37,000	37,000	37,000	37,000	37,000
		Total Revenues	219,014	222,654	226,367	230,154	234,017
Expenditures							
	Administration:						
		Advertising	300	308	315	325	336
		Auditor	10,000	6,000	6,150	6,335	6,556
		Director Stipends	6,500	6,500	6,500	6,500	6,500
		Election Expenses	4,000	-	4,000	-	4,500
		Legal Counsel	2,500	2,000	1,500	1,500	1,500
		Office Expenses	7,021	7,196	7,376	7,597	7,863
		Utilities	16,000	16,400	16,810	17,314	17,920
		Salaries & Benefits	46,200	47,355	48,539	49,995	51,745
		Insurance, admin & park	4,800	4,920	5,043	5,194	5,376
	Park & Recreation:		48,558	49,772	51,016	52,546	54,385
	Streetlights:		13,356	13,690	14,032	14,453	14,959
	Fire & Emergency Response:						
		Chief Salary & Benefits	-	-	-	-	-
		Other Salary & Benefits	9,993	10,243	10,499	10,814	11,192
		Vehicle Expense	12,846	13,168	13,497	13,902	14,388
		Equipment Expense	5,040	5,166	5,295	5,454	5,645
		Dispatching	7,200	7,380	7,565	7,791	8,064
		Station Expense	7,000	7,175	7,354	7,575	7,840
		Insurance	5,600	5,740	5,884	6,060	6,272
		Consolidation Costs	5,000	-	-	-	-
	Reserve Contribution:						
	Capital Outlay:						
		Total Expenditures	211,914	203,012	211,374	213,356	225,043
Revenue Gain (Loss)			7,100	19,642	14,993	16,799	8,974
	5-Year Gain (Loss)						67,508

CONSOLIDATION –Daggett & Yermo CSDs (with Water)							
			2015-16	2016-17	2017-18	2018-19	2019-20
Revenues							
	Property Taxes		182,014	185,654	189,367	193,154	197,017
	Other		37,000	37,000	37,000	37,000	37,000
	Water Revenues		178,555	183,019	187,594	193,222	199,985
		Total Revenues	397,569	405,673	413,961	423,376	434,002
Expenditures							
	Administration:						
		Advertising	300	308	315	325	336
		Auditor	10,000	6,000	6,150	6,335	6,556
		Director Stipends	6,500	6,500	6,500	6,500	6,500
		Election Expenses	4,000	-	4,000	-	4,500
		Legal Counsel	2,500	2,000	1,500	1,500	1,500
		Office Expenses	7,021	7,196	7,376	7,597	7,863
		Utilities	16,000	16,400	16,810	17,314	17,920
		Salaries & Benefits	46,200	47,355	48,539	49,995	51,745
		Insurance, admin & park	4,800	4,920	5,043	5,194	5,376
	Park & Recreation:		48,558	49,772	51,016	52,546	54,385
	Streetlights:		13,356	13,690	14,032	14,453	14,959
	Fire & Emergency Response:						
		Chief Salary & Benefits	-	-	-	-	-
		Other Salary & Benefits	9,993	10,243	10,499	10,814	11,192
		Vehicle Expense	12,846	13,168	13,497	13,902	14,388
		Equipment Expense	5,040	5,166	5,295	5,454	5,645
		Dispatching	7,200	7,380	7,565	7,791	8,064
		Station Expense	7,000	7,175	7,354	7,575	7,840
		Insurance	5,600	5,740	5,884	6,060	6,272
		Consolidation Costs	5,000	-	-	-	-
	Water:		176,836	181,257	185,789	191,362	198,060
	Reserve Contribution:						
	Capital Outlay:						
		Total Expenditures	388,750	384,269	397,163	404,718	423,103
Revenue Gain (Loss)			8,819	21,404	16,798	18,659	10,899
	5-Year Gain (Loss)						76,579

## Consolidated District Daggett and Yermo Organizational Chart



Option 1a.	
Pros	Cons
Cost savings with positive 5-year gain	No new revenues
Full-time general manager for Daggett/Yermo	Volunteer fire chief has added responsibility
Shared resources for emergency response	Some loss of control for each community
Improves the districts' financial ability to provide service	
Standardized apparatus & levels of fire service & training	
Improves management efficiency	
Reduces a layer of government	
Probable competitive elections	
Lack of employee transition issues (ie. Retirement)	

### 1b. Consolidation of Daggett CSD, Newberry CSD, and Yermo CSD

This option considers LAFCO staff's 2009 recommendation of a single sphere of influence for all three districts, thereby signaling that the three districts should consolidate in the future.

In addition to the tangible benefits of consolidation such as cost savings, the intangible benefits are just as important. The overall community is geographically distanced from its regulatory agencies (i.e. the County seat, Mojave Water Agency, County Fire Marshal). Being distanced and fragmented in voice (currently three districts), a consolidated agency could provide for a single voice (with added weight) on matters regarding land use, water, grant funding, etc... Further, the overall community is considered disadvantaged (please refer to Determination II of the service review) and such a determination is a factor in many grant applications. Instead of competing against each other for limited grant funds from the state and county, a consolidated district could provide a stronger application for such funding and allocate (or distribute) such grant receipts as it deems necessary. LAFCO staff analysis shows only positive benefits for the intangible aspects of a consolidation.

The first chart below shows a summary of the revenues and expenditures for this option. A few assumptions in calculating the financial activity for this option include: hiring a full-time general manager with benefits and a full-time staff person (both positions shared with Daggett water system), hiring a full-time fire chief with benefits, and hiring a full-time staff person (not shared with the water system), and a reduction in overhead. Four years after consolidation, the district would have roughly \$143,000 to add to its reserves or use for capital purchases. The second figure includes Daggett CSD's water function which does not significantly improve the financial picture. The third and fourth figures below provide a summary of the consolidation.

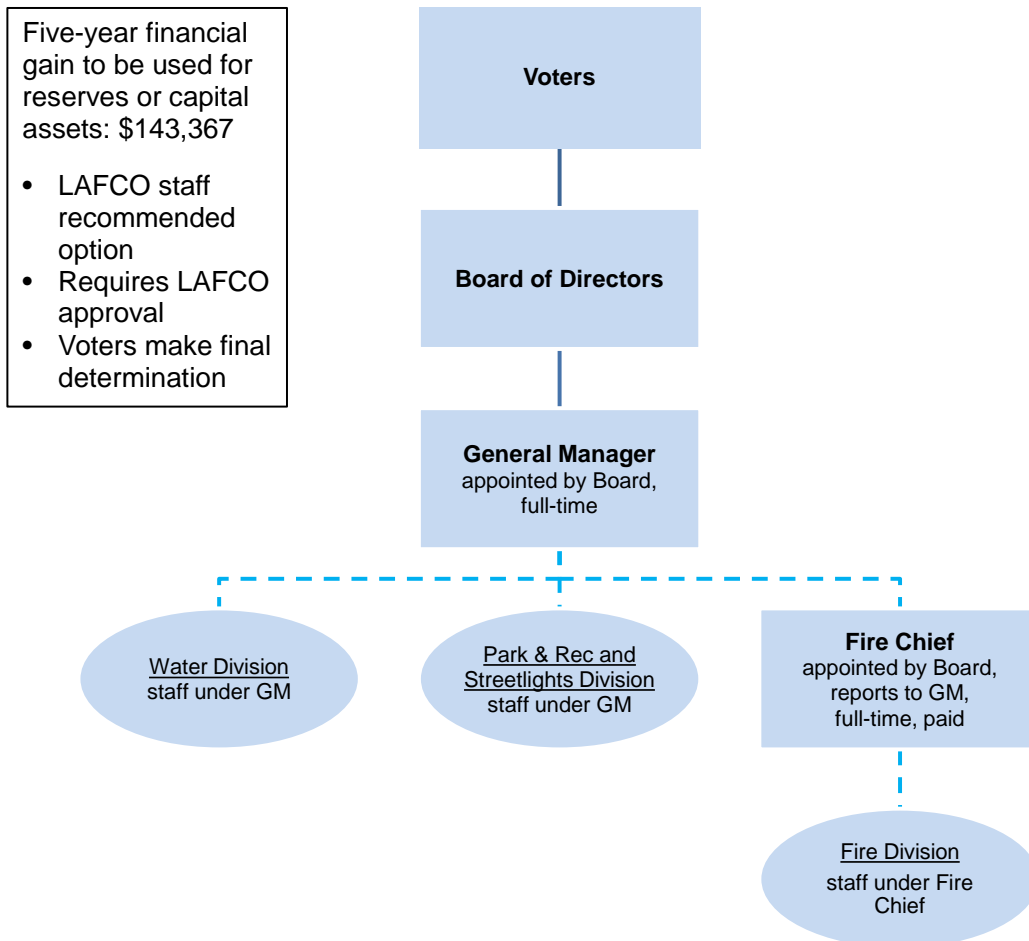
LAFCO staff's analysis indicates that this option is viable because at a minimum it maintains the current level of service, reduces three boards to one, allows for a full-time general manager with support staff, allows for a full-time and paid fire chief, and does not require additional revenues. LAFCO recommends this as the primary option.



CONSOLIDATION –Daggett, Newberry, & Yermo CSDs (without Water)								
				2015-16	2016-17	2017-18	2018-19	2019-20
Revenues								
	Property Taxes			389,160	396,943	404,882	412,980	421,239
	Other			67,000	67,000	67,000	67,000	67,000
		Total Revenues		456,160	463,943	471,882	479,980	488,239
Expenditures								
	Administration:							
		Advertising		300	308	315	325	336
		Auditor		20,000	15,000	15,375	15,836	16,391
		Director Stipends		6,500	6,500	6,500	6,500	6,500
		Election Expenses		9,000	-	7,000	-	5,000
		Legal		5,000	4,000	3,000	3,000	3,000
		Office Expenses		13,291	13,623	13,964	14,382	14,886
		Utilities		24,600	25,215	25,845	26,621	27,552
		Salaries & Benefits		82,800	84,870	86,992	89,602	92,738
		Insurance, admin & park		8,890	9,112	9,340	9,620	9,957
	Park & Recreation:			61,670	63,212	64,792	66,736	69,072
	Streetlights:			18,356	18,815	19,285	19,864	20,559
	Fire & Emergency Response:							
		Chief Salary & Benefits		58,800	60,270	61,777	63,630	65,857
		Other Salary & Benefits		38,030	38,981	39,956	41,154	42,595
		Vehicle Expense		33,347	34,180	35,035	36,086	37,349
		Equipment Expense		10,080	10,332	10,590	10,908	11,290
		Dispatching		12,800	13,120	13,448	13,851	14,336
		Station Expense		13,150	13,479	13,816	14,230	14,728
		Insurance		12,825	13,146	13,474	13,878	14,364
	Consolidation Costs			10,000	-	-	-	-
	Reserve Contribution							
	Capital Outlay:							
		Total Expenditures		439,439	424,162	440,504	446,224	466,509
Revenue Gain (Loss)				16,721	39,781	31,378	33,756	21,730
	5-Year Gain (Loss)							143,367

CONSOLIDATION –Daggett, Newberry, & Yermo CSDs (with Water)								
				2015-16	2016-17	2017-18	2018-19	2019-20
<b>Revenues</b>								
	Property Taxes			389,160	396,943	404,882	412,980	421,239
	Other			67,000	67,000	67,000	67,000	67,000
	Water Revenues			178,555	183,019	187,594	193,222	199,985
	<b>Total Revenues</b>			<b>634,715</b>	<b>646,962</b>	<b>659,477</b>	<b>673,202</b>	<b>688,224</b>
<b>Expenditures</b>								
	Administration:							
	Advertising			300	308	315	325	336
	Auditor			20,000	15,000	15,375	15,836	16,391
	Director Stipends			6,500	6,500	6,500	6,500	6,500
	Election Expenses			9,000	-	7,000	-	5,000
	Legal			5,000	4,000	3,000	3,000	3,000
	Office Expenses			13,291	13,623	13,964	14,382	14,886
	Utilities			24,600	25,215	25,845	26,621	27,552
	Salaries & Benefits			82,800	84,870	86,992	89,602	92,738
	Insurance, admin & park			8,890	9,112	9,340	9,620	9,957
	Park & Recreation:			61,670	63,212	64,792	66,736	69,072
	Streetlights:			18,356	18,815	19,285	19,864	20,559
	Fire & Emergency Response:							
	Chief Salary & Benefits			58,800	60,270	61,777	63,630	65,857
	Other Salary & Benefits			38,030	38,981	39,956	41,154	42,595
	Vehicle Expense			33,347	34,180	35,035	36,086	37,349
	Equipment Expense			10,080	10,332	10,590	10,908	11,290
	Dispatching			12,800	13,120	13,448	13,851	14,336
	Station Expense			13,150	13,479	13,816	14,230	14,728
	Insurance			12,825	13,146	13,474	13,878	14,364
	Consolidation Costs			10,000	-	-	-	-
	Water:			176,836	181,257	185,789	191,362	198,060
	Reserve Contribution							
	Capital Outlay:							
	<b>Total Expenditures</b>			<b>616,275</b>	<b>605,420</b>	<b>626,293</b>	<b>637,586</b>	<b>664,569</b>
Revenue Gain (Loss)				18,440	41,543	33,184	35,616	23,655
	5-Year Gain (Loss)							152,438

## Consolidated District Daggett, Newberry, Yermo Organizational Chart



Option 1b.	
Pros	Cons
Cost savings with positive 5-year gain	No new revenues
Full-time general manager for Daggett/Newberry/Yermo	Some loss of control for each community
Full-time, paid, fire chief for Daggett/Newberry/Yermo	
Shared resources for emergency response	
Improves the district's financial ability to provide service	
Standardized apparatus & levels of fire service & training	
Improves management efficiency	
Reduces two layers of government	
Probable competitive elections	
Single voice on regional matters (land use, water)	
Lack of employee transition issues (ie. Retirement)	

**OPTION 2.****Formation of a Joint Powers Authority for Fire and Emergency**

Two or three of the CSDs could form a joint powers authority (JPA) to coordinate the joint delivery of fire protection services. JPAs are permitted under Government Code Section 6500 which authorizes two or more public agencies to operate collectively. The JPA would not require LAFCO approval, would not decrease the current number of agencies, and would not eliminate the existing representation of the districts through its board of directors. Formation of a JPA would, however, establish a new JPA board of directors composed of member districts representatives who would assume governance over fire operations, planning, and allocation of resources. A JPA could establish a unity of command, eliminate redundant positions (one fire chief instead of three), provide strategic planning and allocate resources to provide enhanced fire protection service to the entire community. Funding for the JPA would come from the member districts. A JPA may be continued for a definite term or until rescinded or terminated.

The tangible benefits (cost savings) and intangible benefits (a single voice) would be similar to that of consolidation, as would the start-up costs. However, a JPA would retain three separate district boards of directors and three general managers. Additionally, a JPA would add a layer of government while the objectives for this Plan for Service are to consider the best mechanisms for cost savings and more effective and efficient service delivery.

Formation of JPAs for joint delivery of service is common in this county and the state. In 2011 a JPA formed in the Bear Valley community between the Big Bear City CSD and the Big Bear Lake Fire Protection District, a subsidiary district of the City of Big Bear Lake. The two agencies collaborated on development of a plan that showed the cost efficiencies and service effectiveness of a joint administration and joint response. However, unlike the three districts in this review, the two fire agencies in the Bear Valley have paid personnel and lesser challenges. To date, the JPA is working well and is moving towards a permanent consolidated response for fire protection and emergency response.

LAFCO staff's analysis indicates that on the surface this option is viable because at a minimum it maintains the current level of service, allows for a full-time and paid fire chief, and does not require additional revenues. Even so, LAFCO staff would not support this option as consolidation of all services, not just fire, would allow for maximum cost efficiencies. Further, lacking continual competitive elections from each district coupled with an additional layer of government would not lend to more responsive governance. Additionally, formation of a JPA would require formulation of a single, yet hybrid, set of policies and guidelines. This would require time to create and evaluate such policies and at this time only one district has a set of adopted fire policies. Lastly, there have been past leadership struggles with each district, a lack of resources, and a history of the three districts not cooperating well with each other which would hinder the viability of a JPA. Therefore, the formation of a joint entity would not benefit the community and is not supported by LAFCO staff.

For this Plan for Service, two types of JPAs are discussed: administrative and functional. Costs for both an administrative and functional are similar and are shown in the first figure below. Five years after the JPA formation, the total savings to the overall community would be nominal - roughly \$4,000, which would be added to reserves or used for capital purchases. The second figure below shows a summary of the JPA. Pros and cons for an administrative JPA and a functional JPA are shown in the respective discussion to follow.

<b>JOINT POWERS AUTHORITY</b>					
	<b>Forecast</b>				
	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
Revenues	456,160	463,943	471,882	479,980	488,239
Expenditures	465,392	456,267	466,638	476,519	491,075
Revenue Gain (Loss)	(9,232)	7,676	5,244	3,460	(2,836)
5-year Gain (Loss)					4,313

<b>Option 2.</b>	
Governance	5 member board for each district 1 appointed board for the JPA
Staff Leadership	3 general managers 1 Full-time, paid, fire chief
Fire Service Level	Volunteer
Estimated Cost Savings, 5-year	\$4,313
LAFCO Approval Required	No
Final Determination Made By:	District boards

## 2a. Formation of a Joint Powers Authority – Administrative Only

A JPA can be formed for administrative functions only, thereby lacking consolidated service delivery. For example, an administrative JPA could have a single fire chief, standardized training and equipment. What would be lacking is the opportunity for shared personnel and equipment.

At the outset, joint operations do not mean full unification; possibly just cost sharing to start. All three fire chiefs could collaborate on development of a consolidation plan based on three phases. Phase 1 consolidates and restructures administrative services currently provided separately by the districts. A single fire chief would guide administration, fire prevention, operations, and support services for the districts. It is anticipated that this phase would encompass approximately 12 months; however the time frame could be extended. During Phase 1, the focus would be on refining management and administrative personnel responsibilities; standardizing policies and procedures; implementing training procedures; and improving fire prevention operations. Phase 2 would blend operations and suppression (functional JPA). If all goes well, then

Phase 3 could consolidate the organizations. Should Phase 1 not work, then a return to current operations would occur.

<b>Option 2a.</b>	
<b>Pros</b>	<b>Cons</b>
Cost savings with positive 5-year gain	No new revenues
Full-time, paid, fire chief for Daggett/Newberry/Yermo	Some loss of control for each community
Shared resources for emergency response	No cost savings for staffing
Improves the financial ability of the districts to provide service	Adds another layer of government
Provides standardized apparatus and levels of fire service and training	Lack of competitive elections would still exist
Improves management efficiency	Fire delivery still from each district
Single voice on fire matters	

## 2b. Formation of a Joint Powers Authority – Functional

A functional JPA would provide full integration of fire administration and service delivery (Phase 2 discussed above). In a functional JPA, the three districts would jointly formalize duty officer responsibilities, mirror each other's emergency response matrixes as much as possible, share public information officer services, and have joint purchasing, both operationally and administratively. Due to economic conditions, collaborating is a high priority. An operational advantage of unified services is a single set of policies under one leadership structure. It may allow for deployment adjustments that could increase staffing at different locations as needed. Efficiency improvements could be achieved for response, training, fire prevention, and management. In essence, this option is essentially a consolidation of the three districts for fire service only. Each district would remain and would actively provide for the remaining services.

<b>Option 2b.</b>	
<b>Pros</b>	<b>Cons</b>
Cost savings with positive 5-year gain	No new revenues
Full-time, paid, fire chief for Daggett/Newberry/Yermo	Some loss of control for each community
Shared resources for emergency response	Adds another layer of government
Improves the financial ability of the districts to provide service	Lack of competitive elections would still exist
Provides standardized apparatus and levels of fire service and training	
Improves management efficiency	
Fire delivery from one source – the JPA	

**OPTION 3.****Dissolve Newberry CSD with service provided by SB County FPD and CSA 40**

The responsibility of fire protection and emergency services currently provided by Newberry CSD could become the responsibility of the San Bernardino County Fire Protection District (SB County FPD or County Fire) and its North Desert Service Zone. There are benefits to providing emergency services through a single entity such as the transfer of existing revenue streams to the larger fire entity for regional use and potential economies of scale that could be achieved through joint administration, joint purchasing, augmented response, etc. However, without support from all affected agencies this option would not be achievable.

In the view of LAFCO staff, removal of the districts' fire protection powers with the SB County FPD as the successor would provide the best mechanism for fire protection and emergency services to areas along Interstate 15 between Barstow and Baker and along Interstate 40 between Barstow and Needles. Technically, this would result in the dissolution of Newberry CSD and a formation of a zone to County Service Area 40 to continue park and recreation and streetlight services. As for the provision of fire protection and emergency response from SB County FPD, this could be done either through annexation to SB County FPD or with the CSA 40 zone contracting with SB County FPD for the service. An additional benefit would be that fire personnel would be trained to an increased level – that of SB County FPD. As discussed further below, a zone contracting with SB County FPD for fire service is not viable due to contract issues stemming from high administration costs.

The County and various special districts currently provide many services to the area, including general government, animal control, schools, community development, police, library, regional parks and recreation, road maintenance, health and welfare, resource conservation, TV translation, and regional flood control. After annexation, these services would continue to be provided by the various County and special districts, as well as the services that Newberry Springs CSD currently provides: streetlights, park and recreation, and fire protection and emergency response.

At the outset, LAFCO staff would support the annexation of this territory to County Fire and the transfer of the existing property tax support for these operations from the district. However, during the reorganization of County Fire (LAFCO 3000), the property tax revenues generated within each of the unincorporated areas derived by CSA 70 for fire purposes was transferred to County Fire for its administration, most importantly from within the service area independent fire providers within the unincorporated area. For the Newberry Springs area, roughly \$52,000 was transferred to SB County FPD for fire administration. During the processing of LAFCO 3000, none of the three CSDs submitted an objection to a share of the property tax derived within its service area being permanently transferred to SB County FPD. Below is the chart which was included in the September 2007 staff report for LAFCO 3000 outlining this distribution. Contracting with SB County FPD for fire protection does not provide access to these administration funds; however, annexation would.

SUMMARY OF REVENUE ALLOCATED TO CSA 70*					
Prepared by Bob Wright 2/27/07					
	Assessed Value in CSA 70	1% General Tax Levy	CSA 70 Revenue	Independent District Revenue	# TRAs
Crest Forest Fire Protection District	1,368,861,644	13,688,616.44	323,282.27	3,248,324.64	52
Chino Valley Independent Fire District	438,657,966	4,386,579.66	111,192.51	644,285.16	21
Apple Valley Fire Protection District	919,969,619	9,199,696.19	261,868.80	914,490.28	90
Barstow Fire Protection District	271,329,791	2,713,297.91	59,506.45	663,640.71	25
Rancho Cucamonga Fire Protection District	92,986,681	929,866.81	24,993.45	117,115.79	13
Arrowbear Park County Water District	109,185,352	1,091,853.52	29,580.76	224,409.90	2
Running Springs County Water District	530,926,431	5,309,264.31	134,376.95	1,450,365.16	19
Big Bear Lake Fire Protection District	11,153,693	111,536.93	2,886.69	18,388.82	2
Big Bear City Community Services District	1,886,320,591	18,863,205.91	532,325.71	1,725,718.50	17
Morongo Valley Community Services District	200,630,602	2,006,306.02	52,124.25	363,395.32	21
Twentynine Palms Water District	1,162,534	11,625.34	388.27	0.00	4
Yermo Community Services District	78,014,587	780,145.87	25,277.40	78,008.05	8
Daggett Community Services District	23,336,338	233,363.38	6,439.71	55,730.25	16
Newberry Community Services District	161,113,077	1,611,130.77	52,174.36	162,401.48	14
Baker Community Services District	37,565,171	375,651.71	11,182.79	66,264.78	1
	6,131,214,077	61,312,140.77	1,627,600.37	9,732,538.85	305
REMAINING UNINCORPORATED AREA			4,534,982.00		

LAFCO staff would support this, in the long-run, if revenues would support such a change as it would result in a regional fire agency providing service to the area, as it already does to the sphere of influence areas in these communities. While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, there is not sufficient revenue available from the Newberry Springs area to support such a change. Further, these options need to be evaluated within the context of loss of local control. Not surprisingly, Newberry CSD has indicated it does not support this option, and SB County FPD also has not indicated support for this option due to the limited revenue stream for the service.

Centralizing fire protection services under SB County FPD for the interstate corridors would provide a unity of command and allow SB County FPD to also coordinate regional planning with long range planning for emergency services. Without the revenues to support such change, LAFCO staff instead recommends the potential for the districts to consolidate to allow for economies of scale.

Another hurdle for this option is that CSA 40 does not have fire protection, streetlighting, or park and recreation as authorized powers. In order for CSA 40 to gain authorization to provide any of these services requires an application to LAFCO, a public hearing for Commission consideration, and a protest process. The added complexity of such a reorganization makes this option less likely as the County (application to LAFCO), the LAFCO Commission (approval of the proposal), and the public (protest proceeding) would all have to desire this option.



### 3a. Dissolution of Newberry CSD, Annexation of Newberry Springs to SB County FPD, Formation of a Zone to County Service Area 40 with Activation of Streetlighting and Park and Recreation Powers

The figure below shows the revenues and costs to operate the Newberry CSD active station (volunteer) and the Harvard station of SB County FPD (paid-call). As shown, the cost to operate both stations is similar. However, the revenue situation is quite different and requires additional explanation.

<b>Newberry Fire</b>							
		<b>2011-2013</b>		<b>Forecast</b>			
		<b>Average</b>	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Revenues</b>							
	Property Tax	110,206	111,859	114,096	116,949	120,457	124,071
	Other	21,740	20,000	20,000	20,000	20,000	20,000
	<b>Total</b>	<b>131,946</b>	<b>131,859</b>	<b>134,096</b>	<b>136,949</b>	<b>140,457</b>	<b>144,071</b>
<b>Expenditures</b>							
	Salaries & Benefits	30,313	30,313	31,222	32,159	33,445	35,118
	Services & Supplies	87,536	89,287	91,519	94,265	98,035	102,937
	Capital Assets	65,333					
	<b>Total</b>	<b>183,183</b>	<b>119,600</b>	<b>122,742</b>	<b>126,424</b>	<b>131,481</b>	<b>138,055</b>
<b>Harvard Station (SB County FPD)</b>							
		<b>2013</b>	<b>2014 (Est)</b>	<b>2015 (Budget)</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>
<b>Revenues</b>							
	Net County Cost	68,764	102,288	127,091	130,924	136,161	142,969
	Other	8,911	(1,187)	-	-	-	-
	<b>Total</b>	<b>77,675</b>	<b>101,101</b>	<b>127,091</b>	<b>130,924</b>	<b>136,161</b>	<b>142,969</b>
<b>Expenditures</b>							
	Salaries & Benefits	18,219	13,073	38,244	39,391	40,967	43,015
	Services & Supplies	59,366	88,028	88,867	91,533	95,194	99,954
	Capital Assets						
	<b>Total</b>	<b>77,585</b>	<b>101,101</b>	<b>127,111</b>	<b>130,924</b>	<b>136,161</b>	<b>142,969</b>

The North Desert Service Zone of SB County FPD lacks the tax base to provide the necessary funding to transition to full-time career positions for the Harvard station. For 2012-13, the Harvard portion of the former County Service Area 38 generated \$93,322<sup>5</sup> (while the cost to operate the station was only \$77,585). The costs to operate the Harvard station are increasing at a high rate from the 2012-13 to the 2014-15 Budget. For 2013-14, the year-end cost is estimated at \$101,000 and 2014-15 budget is \$127,091. However, the Harvard station is not a local station – its purpose is to provide service along I-15 between Harvard and Baker. Thus, it receives its revenue from the

<sup>5</sup> \$93,322 derived from the tax rate areas that comprise the former CSA 38 - Harvard Area.

North Desert Service Zone of SB County Fire. In the Harvard station budget this is identified as “Net County Cost”. Nonetheless, the costs to operate the station are increasing and this circumstance is considered in the analysis of the option of SB County FPD providing service to Newberry CSD.

Under this option, Newberry CSD’s assets, liabilities, and share of the one percent property tax allocated for fire protection would transfer to the North Desert Service Zone of SB County FPD. Likewise, Newberry CSD’s assets, liabilities, and share of the one percent property tax allocated for streetlights and park and recreation would transfer to a new CSA 40 zone. In short, the Newberry CSD fire stations (currently volunteer) would become fire stations of SB County FPD (anticipated to be paid-call).

In its analysis, LAFCO staff is looking at balancing the needs of the Newberry Springs community while also providing increased service along I-40 (since there is no station until Needles). Should SB County FPD costs continue to increase, then maintenance of the current service level to Newberry Springs cannot be determined in this Plan for Service. Therefore, LAFCO staff does not support this option.

3b. Dissolution of Newberry CSD, Formation of Zone to  
County Service Area 40 with Activation of Streetlighting and Park and  
Recreation Powers, and the Zone to Contract with SB County FPD

Similar to Option 3a above, LAFCO staff does not support this option as the costs for the Harvard station are sharply increasing. By using this as a basis for the costs to run a Newberry station operated by SB County FPD, the costs project to exceed revenues immediately. Additionally, contracts between agencies and SB County FPD have steadily increased since its formation in 2008 thus requiring additional transfers from SB County FPD as well as a subsidy from the County of San Bernardino.

**OPTION 4.**  
**Maintenance of the Status Quo**

Maintenance of the status quo is always an option. Under this option, the organization of fire service providers would not change. The figure below shows the five-year forecast under this option for each district, broken down by 1) fire protection and 2) streetlights and park and recreation. Given costs and financing trends, it is expected that service levels will degrade in the future under the current funding structure. Importantly, the districts do not receive enough funding to support capital purchases, as the Five-Year Loss for Daggett CSD is substantial and the Five-Year Gain for Newberry CSD and Yermo CSD would not be enough to adequately increase reserves and fund capital improvements.

Status Quo – Forecast for Fire Function

<b>DAGGETT CSD</b>							
<b>Fire</b>							
	<b>2011-2013</b>	<b>Forecast</b>					
	<b>Average</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	
<b>Revenues</b>							
Property Tax	37,515	38,078	38,840	39,616	40,409	41,217	
Other	985	1,000	1,000	1,000	1,000	1,000	
<b>Total</b>	<b>38,501</b>	<b>39,078</b>	<b>39,840</b>	<b>40,616</b>	<b>41,409</b>	<b>42,217</b>	
<b>Expenditures</b>							
Salaries & Benefits	12,358	12,358	12,358	12,358	12,358	12,358	
Services & Supplies	33,869	34,546	35,410	36,295	37,384	38,693	
Capital Assets	-						
<b>Total</b>	<b>46,227</b>	<b>46,904</b>	<b>47,768</b>	<b>48,653</b>	<b>49,742</b>	<b>51,051</b>	
Revenue Gain (Loss)	(7,726)	(7,826)	(7,928)	(8,037)	(8,333)	(8,834)	
5-year Gain (Loss)						(40,959)	
<b>NEWBERRY CSD</b>							
<b>Fire</b>							
	<b>2011-2013</b>	<b>Forecast</b>					
	<b>Average</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	
<b>Revenues</b>							
Property Tax	110,206	111,859	114,096	116,378	118,706	121,080	
Other	21,740	20,000	20,000	20,000	20,000	20,000	
<b>Total</b>	<b>131,946</b>	<b>131,859</b>	<b>134,096</b>	<b>136,378</b>	<b>138,706</b>	<b>141,080</b>	
<b>Expenditures</b>							
Salaries & Benefits	30,313	30,313	30,313	30,313	30,313	30,313	
Services & Supplies	87,536	89,287	91,519	93,807	96,621	100,003	
Capital Assets	65,333						
<b>Total</b>	<b>183,183</b>	<b>119,600</b>	<b>121,832</b>	<b>124,120</b>	<b>126,934</b>	<b>130,316</b>	
Revenue Gain (Loss)	(51,237)	12,259	12,264	12,258	11,771	10,764	
5-year Gain (Loss)						59,316	
<b>YERMO CSD</b>							
<b>Fire</b>							
	<b>2011-2013</b>	<b>Forecast</b>					
	<b>Average</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>	
<b>Revenues</b>							
Property Tax	43,301	43,951	44,830	45,726	46,641	47,573	
Other	21,993	20,000	20,000	20,000	20,000	20,000	
<b>Total</b>	<b>65,294</b>	<b>63,951</b>	<b>64,830</b>	<b>65,726</b>	<b>66,641</b>	<b>67,573</b>	
<b>Expenditures</b>							
Salaries & Benefits	8,036	8,036	8,036	8,036	8,036	8,036	
Services & Supplies	45,126	46,029	47,180	48,359	49,810	51,553	
Capital Assets							
<b>Total</b>	<b>53,162</b>	<b>54,065</b>	<b>55,216</b>	<b>56,395</b>	<b>57,846</b>	<b>59,589</b>	
Revenue Gain (Loss)	12,131	9,886	9,614	9,331	8,795	7,984	
5-year Gain (Loss)						45,610	

Status Quo – Forecast for Park and Streetlight Functions

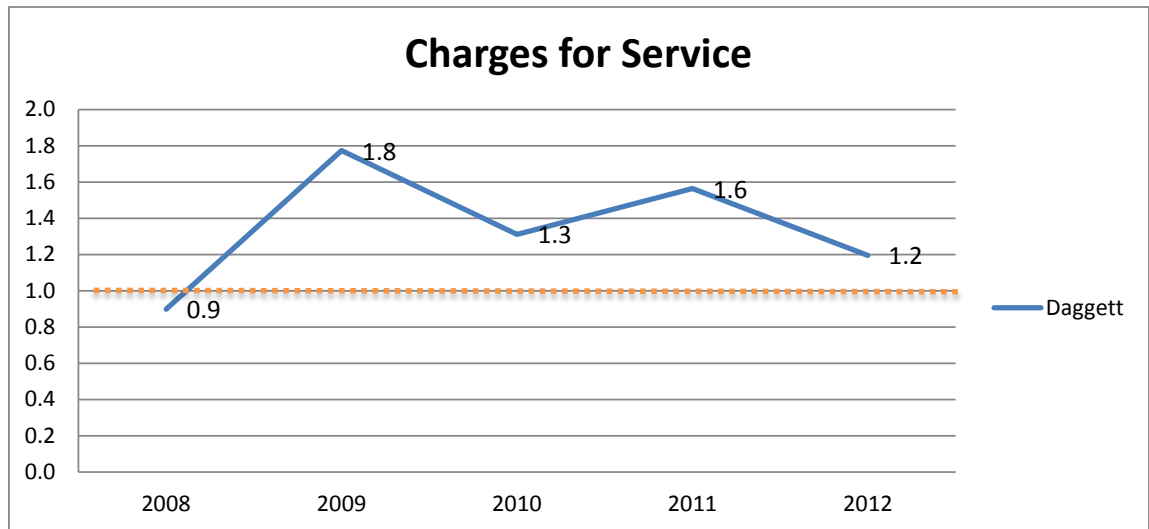
<b>DAGGETT CSD</b>							
<b>Streetlights and Park &amp; Recreation</b>							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
<b>Revenues</b>							
Property Tax	45,671	46,356	47,284	48,229	49,194	50,178	
Other	876	1,000	1,000	1,000	1,000	1,000	
Total	46,547	47,356	48,284	49,229	50,194	51,178	
<b>Expenditures</b>							
Salaries & Benefits	15,311	15,311	15,311	15,311	15,311	15,311	
Services & Supplies	42,439	43,288	44,370	45,479	46,844	48,483	
Capital Assets	-						
Total	57,750	58,599	59,681	60,790	62,155	63,794	
Revenue Gain (Loss)	(11,203)	(11,242)	(11,397)	(11,561)	(11,961)	(12,616)	
5-year Gain (Loss)						(58,778)	
<b>NEWBERRY CSD</b>							
<b>Streetlights and Park &amp; Recreation</b>							
	2011-13	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
<b>Revenues</b>							
Property Tax	93,879	95,288	97,193	99,137	101,120	103,142	
Other	10,674	10,000	10,000	10,000	10,000	10,000	
Total	104,553	105,288	107,193	109,137	111,120	113,142	
<b>Expenditures</b>							
Salaries & Benefits	32,718	39,600	39,600	39,600	39,600	39,600	
Services & Supplies	56,575	57,707	59,149	60,628	62,447	64,632	
Capital Assets							
Total	81,771	97,307	98,749	100,228	102,047	104,232	
Revenue Gain (Loss)	22,782	7,981	8,444	8,909	9,073	8,910	
5-year Gain (Loss)						43,317	
<b>YERMO CSD</b>							
<b>Streetlights and Park &amp; Recreation</b>							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
<b>Revenues</b>							
Property Tax	52,836	53,629	54,701	55,795	56,911	58,049	
Other	15,077	15,000	15,000	15,000	15,000	15,000	
Total	67,913	68,629	69,701	70,795	71,911	73,049	
<b>Expenditures</b>							
Salaries & Benefits	9,845	20,845	20,845	20,845	20,845	20,845	
Services & Supplies	48,023	48,984	50,208	51,464	53,008	54,863	
Capital Assets							
Total	63,685	69,829	71,053	72,309	73,853	75,708	
Revenue Gain (Loss)	4,228	(1,200)	(1,352)	(1,513)	(1,941)	(2,659)	
5-year Gain (Loss)						(8,666)	

Daggett CSD Water Service*Actual Financial*

The Daggett CSD water system enjoyed annual gains following the 2009 rate increase. However, the annual gains quickly lessened and have produced losses for 2012 and 2013. The overdraft of the Baja sub-basin has had an effect on the district's water operations. In order to meet customer demand, Daggett CSD has purchased the right to pump water from other water producers. In addition, the district has shut-down wells and installed new water lines in 2011.

	2009	2010	2011	2012	2013
	Actual	Actual	Actual	Actual	Actual
Operating Revenue	189,385	166,760	162,026	172,366	175,054
Operating Expenses					
water purchases	-	-	-	(4,868)	(15,000)
pumping	(32,249)	(31,557)	(29,545)	(34,160)	(31,754)
water treatment	(4,327)	(4,600)	(1,702)	(2,409)	(8,212)
admin & general	(18,629)	(43,305)	(49,020)	(55,796)	(58,374)
transmission & distribution	(28,474)	(22,862)	(21,951)	(33,034)	(41,949)
depreciation & amortization	(14,406)	(17,141)	-	(19,105)	(18,080)
Total Operating Expenses	(98,085)	(119,465)	(102,218)	(149,372)	(173,369)
Non-Operating Revenues	-	-	-	-	-
Non-Operating Expenses	-	-	-	(2,453)	(1,800)
Transfers In (Out)	(39,714)	(23,226)	(22,354)	(43,725)	-
Net Income (Loss)	51,586	24,069	37,454	(23,184)	(115)

Charges for service addresses the extent to which water charges covered total expenses. It is calculated by dividing operating expenses by charges for service. A ratio of one or higher indicates that the service is self-supporting. About six years ago Daggett CSD raised its rate for the first time in many years. This accounts for the sharp increase in the ratio. Since the rate increase, service costs have increased while rates have remained even. As a result, it may only be a few years until expenses again are more than charges.



### Financial Forecast

The losses identified in the figure above will continue as expenses are projected to exceed revenues in the future. The drought and overdraft of the Baja sub-basin will require the right to pump more water to be purchased on the open-market as well as replacement and repair of aging infrastructure. The forecast below shows an annual loss for the foreseeable future. What can mitigate some of the net losses would be absorption of a portion of the costs identified below as “admin & general” into a consolidated district.

As stated previously, the water activity is a business-type function and stands on its own. A consolidation would not have an adverse effect on the water function.

	Forecast				
	2015-16	2016-17	2017-18	2018-19	2019-20
Operating Revenue	178,555	183,019	187,594	193,222	199,985
Operating Expenses					
water purchases	(15,300)	(15,683)	(16,075)	(16,557)	(17,136)
pumping	(32,389)	(33,199)	(34,029)	(35,050)	(36,276)
water treatment	(8,376)	(8,586)	(8,800)	(9,064)	(9,382)
admin & general	(59,541)	(61,030)	(62,556)	(64,432)	(66,688)
transmission & distribution	(42,788)	(43,858)	(44,954)	(46,303)	(47,923)
depreciation & amortization	(18,442)	(18,903)	(19,375)	(19,956)	(20,655)
Total Operating Expenses	(176,836)	(181,257)	(185,789)	(191,362)	(198,060)
Non-Operating Revenues	-	-	-	-	-
Non-Operating Expenses	-	-	-	-	-
Transfers In (Out)	(25,000)	(25,000)	(25,000)	(25,000)	(25,000)
Net Income (Loss)	(23,281)	(23,238)	(23,194)	(23,140)	(23,075)

**D. Additional Considerations****Paramedic**

Should a consolidated district desire to increase its level of fire protection and emergency response service, a voter-approved special tax can provide for a full-time fire unit or a paramedic unit. The addition of a full-time fire unit would provide for a more timely service response as staff would be present at the station 24-hours a day. Moreover, the addition of a full-time paramedic unit cannot be understated. Having paramedics on first response engines would significantly improve life safety services in the community. Since the districts currently lack a paramedic unit, this option would increase service levels, but at a high cost to the community. The costs for increased service are shown below and can be used for any of the options listed in this Plan for Service. The methodology for this calculation has vacant parcels being taxed half the development parcel rate.

<b>Consolidated Fire Delivery</b>	<b>Full-time fire unit \$400,000</b>	<b>Full-time medic unit \$957,000</b>
Daggett/Yermo (1,552 vacant parcels) (1,077 developed parcels)	\$108 per vacant parcel \$216 per developed parcel	\$258 per vacant parcel \$516 per developed parcel
Daggett/Newberry/Yermo (4,133 vacant parcels) (2,384 developed parcels)	\$45 per vacant parcel \$90 per developed parcel	\$107 per vacant parcel \$216 per developed parcel

**Municipal Advisory Council**

In addition to the organizational changes discussed above, the community could petition the County Board of Supervisors to form a municipal advisory council ("MAC"). Such a council is an advisory body of local citizens elected by the community or appointed by the board of supervisors with the purpose of representing the community to the Board of Supervisors. However, it has no fiscal authority or administrative organization. Because it lacks authority to implement its position directly, it seeks to accomplish its goals through county government.

These councils face two ways: toward the county, offering the views of the community; and toward the community, supplying information about county proposals and a place where individuals can air opinions on community problems. The councils hold public meetings, survey community opinion and speak for the community to the board of supervisors. The most common subject of activity is land-use planning. The county often uses a MAC as a planning advisory council to draft or revise the community's portion of the county general plan. Further, the MAC could be instrumental in advocating for formation of a Community Plan which would be a component to the County General Plan. Community Plans identify land use goals and policies unique to those areas of specific applicability.

**E. Recommendation and Conclusion**

A cliché is that there is no "magic bullet" to address many big, difficult problems. If there was a "magic bullet" it would have been used by now. However, in this case the level of service and/or service coverage can be improved by the adjustment of boundaries and



coordination of planning for future facilities and service needs. Given the objectives and analysis of this Plan for Service, LAFCO staff recommends that at a minimum Daggett CSD and Yermo CSD consolidate, preferably for Daggett CSD, Newberry CSD, and Yermo CSD consolidate into a single district. The long-term benefit to the community would be through service which is consistent, allows for flexibility in assigning resources, streamlines governance and management, and provides for the appropriate location of resources. The Plan for Service shows that a consolidated district would be fiscally feasible during the five-year forecast period and beyond, at a cost at or below that of the status quo. Failure to adapt, the financial and operational challenges that each district individually faces will only increase.

Ultimately, the path forward will be decided by the registered voters and landowners within the community. No matter the final outcome, LAFCO staff desires that the agencies initiate earnest discussions on working jointly towards service efficiencies and looking toward the consolidation of services to address the needs of the community as a whole.

## **SERVICE REVIEW FOR REGION**

At the request of LAFCO staff the districts provided information, were interviewed by LAFCO staff, and have been available to LAFCO staff upon request. LAFCO staff also interviewed fire personnel from the neighboring fire agencies, obtained information from public sources, as well as referring to literature and other service reviews conducted in the state on fire protection and emergency response in rural areas, volunteer fire departments, and consolidation. LAFCO staff responses to the mandatory factors for consideration in a service review (as required by Government Code 56430) are to follow and incorporate the districts' responses and supporting materials. The service review is also background to the Plan for Service that was prepared at the direction of the Commission.

## **Determination I.**

### **Growth and Population Projections for the Affected Area**

Daggett, Harvard, Newberry, and Yermo can be characterized as rural and agricultural communities that have historically experienced slow growth. This is, in the staff opinion, due to its rural and agricultural nature and the lack of a region wide provider for water and sewer services.

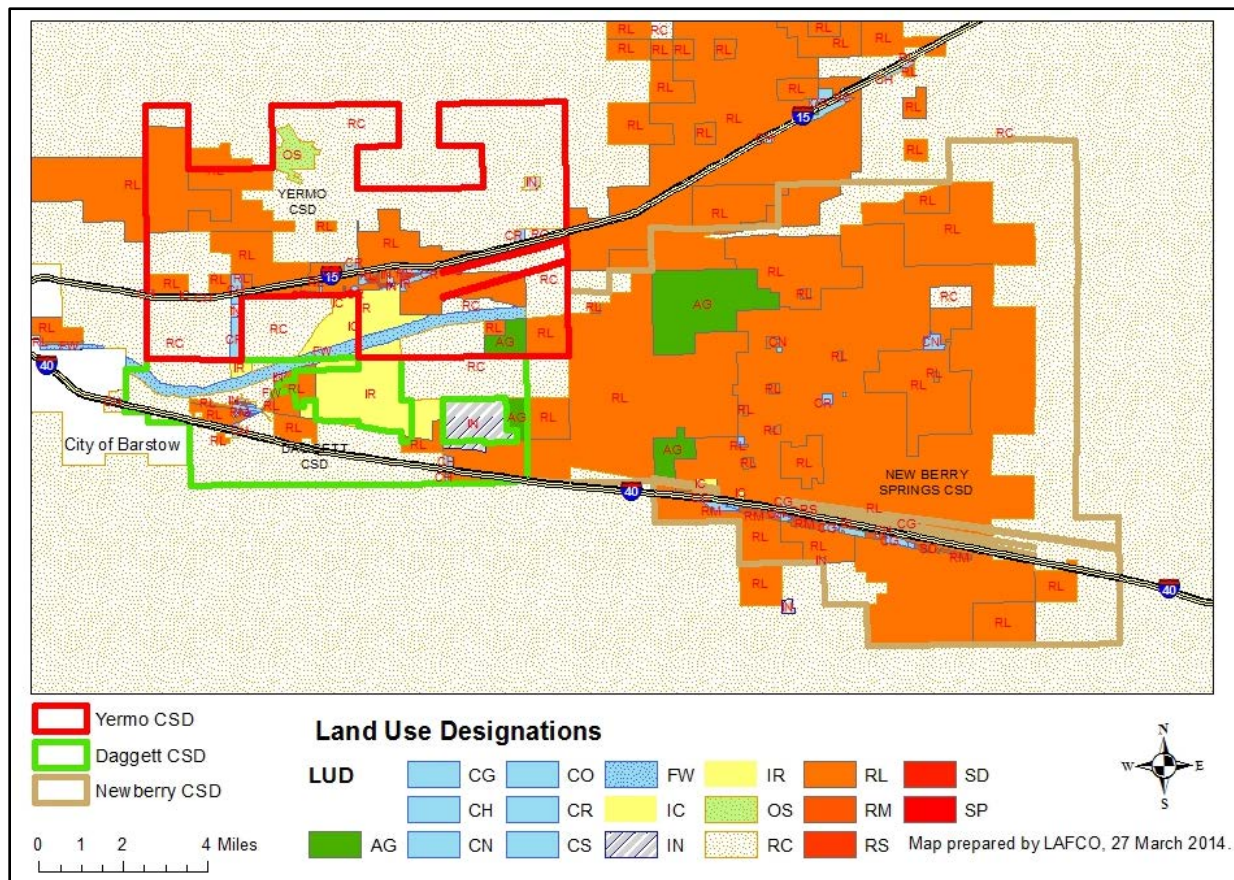
#### **A. Land Use Designations**

As shown in the figure and map below, the vast majority of the land use designations assigned by the County of San Bernardino are Resource Conservation (RC) allowing one unit to 40 acres and varying levels of Rural Living (RL). The primary land use in Daggett and Yermo is Resource Conservation and in Newberry is Rural Living. Not shown on the map below, there is an existing Williamson Act contract for open space within the Harvard area which restricts the land uses to open space for a minimum period of 10 years. The land is devoted to agricultural and compatible uses and is located in an agricultural preserve established by the County in 1981.

#### **Land Use Designations**

<b>Land Use Designation</b>	<b>Daggett CSD</b>	<b>Newberry CSD</b>	<b>Yermo CSD</b>	<b>Total</b>
Agricultural (AG)	0.4	5.0	0.7	<b>6.1</b>
General Commercial (CG)	0.0	0.5	0.0	<b>0.5</b>
Highway Commercial (CH)	0.2	0.1	0.4	<b>0.7</b>
Neighborhood Commercial (CN)	0.0	0.3	0.0	<b>0.3</b>
Rural Commercial (CR)	0.1	0.1	0.7	<b>0.9</b>
Floodway (FW)	1.2	0.0	1.2	<b>2.4</b>
Community Industrial (IC)	0.0	0.1	0.6	<b>0.7</b>
Institutional (IN)	0.3	0.1	0.2	<b>0.6</b>
Regional Industrial (IR)	1.3	0.0	0.8	<b>2.1</b>
Open Space (OS)	0.0	0.0	0.8	<b>0.8</b>
Resource Conservation (RC)	13.2	25.7	27.7	<b>66.6</b>
Rural Living (RL) *	3.8	81.4	15.3	<b>100.5</b>
Multiple Residential (RM)	0.0	0.5	0.0	<b>0.5</b>
Single Residential (RS)	0.1	0.4	0.2	<b>0.7</b>
Special Development (SD)	0.0	0.1	0.0	<b>0.1</b>
<b>Total</b>	<b>20.6</b>	<b>114.3</b>	<b>48.6</b>	<b>183.5</b>
units in square miles				
* Rural Living is 1 unit to 5, 20 or 40 acres				
source: County Land Use Services Department				

## Land Use Designations



### B. Land Ownership

The land ownership breakdown of each district's boundary is shown in the charts below. As identified, private ownership is the majority followed by federal, county, and state ownership.

### Landownership

Landowner	Daggett CSD	Newberry CSD	Yermo CSD	Sphere Outside of Boundary		Total
				Daggett/Yermo	Newberry	
Private	13.2	90.2	25.7	28.6	0.4	158.1
U.S. Bureau of Land Management	6.1	23.9	20.6	9.1	0.2	59.9
County of San Bernardino	0.7	0.1	1.4	0.5	0.0	2.7
United States of America	0.4	0.0	0.0	1.5	0.0	1.9
State of California	0.2	0.1	0.9	0.1	0.0	1.3
<b>Total</b>	<b>20.6</b>	<b>114.3</b>	<b>48.6</b>	<b>39.8</b>	<b>0.6</b>	<b>223.9</b>
units in square miles						
source: County Land Use Services Department						

**C. Population**

At one time the population of Daggett was anticipated to exceed Barstow, but the decline of the mining and rail industries ended that notion. Since that time, the population of the overall area has been sparse. For projecting population LAFCO uses a 30-year timeframe. As shown, the population is not projected to increase substantially. The figure below is a population summary of each community and its respective sphere of influence.

**Population (2000 - 2045)**

Population Source	Census		Projected (ESRI & LAFCO)				
Year	2000	2010	2013	2018	2025	2035	2045
Daggett CSD							
Population	424	462	487	528	558	605	655
Annual Growth Rate	0.9%		0.8%		0.8%		
Yermo CSD							
Population	1,706	1,594	1,629	1,709	1,770	1,860	1,955
Annual Growth Rate	-0.7%		0.5%		0.5%		
Daggett/Yermo Sphere (Outside of boundary)							
Population	423	461	486	527	557	603	653
Annual Growth Rate	0.9%		0.8%		0.8%		
Newberry CSD							
Population	2,283	2,241	2,288	2,393	2,461	2,561	2,665
Annual Growth Rate	-0.2%		0.4%		0.4%		
Newberry CSD sphere (Outside of boundary)							
Population	0	0	0	0	0	0	0
Annual Growth Rate	0.0%		0.0%		0.0%		
sources:							
2000 and 2010 population (U.S. Census)							
2013 and 2018 population (ESRI)							
2025 through 2045 population (LAFCO)							

**D. Conclusion for Determination I.**

These areas are not anticipated to experience significant growth within the coming years (including Harvard within the Daggett/Yermo CSD sphere). This determination is made due to the land use designations assigned by the County, about one-third of the land being publicly owned, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. Conversely, the transient traffic on Interstates 15 and 40 (two of four interstates that exit Southern California to the east) has significantly increased in volume each decade and is anticipated to continue to do so.

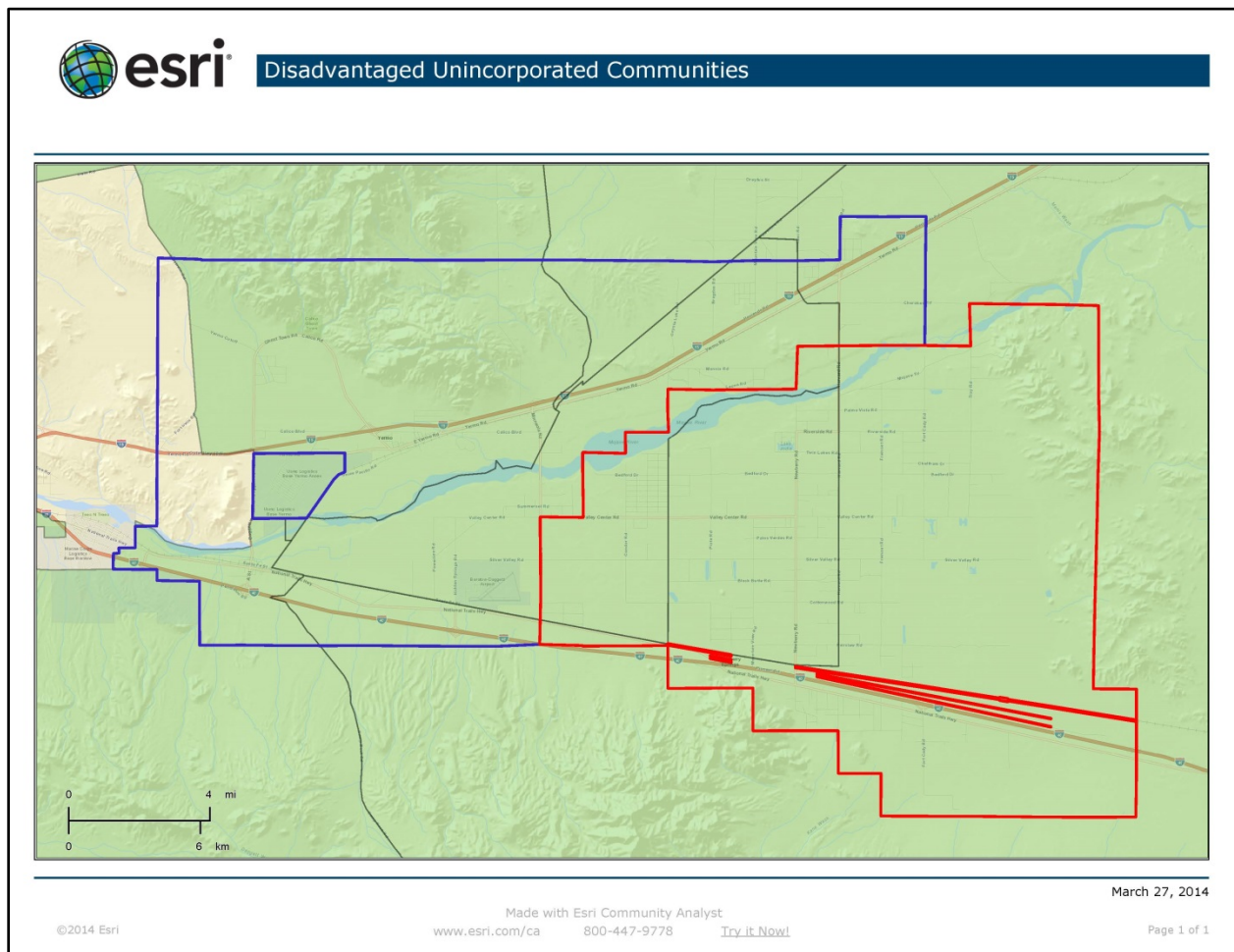


## **Determination II.**

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

LAFCO is required to determine the location and characteristics of any disadvantaged unincorporated communities (“DUC”) within or contiguous to the sphere of influence.<sup>6</sup> A DUC is defined by two criteria: median household income and if the area is inhabited.<sup>7</sup> First, a DUC is territory that constitutes all or a portion of a community with an annual median household income that is less than 80% of the statewide annual median household income. For 2013, 80% of the statewide median household income was \$47,105<sup>8</sup>.

For median household income, the map below plots the location within or contiguous to the study area that meets the criteria of a DUC – these areas are shaded in green. The map overlays the DUC designations with the Newberry CSD sphere (red outline) and the combined sphere for Daggett CSD and Yermo CSD (blue outline).



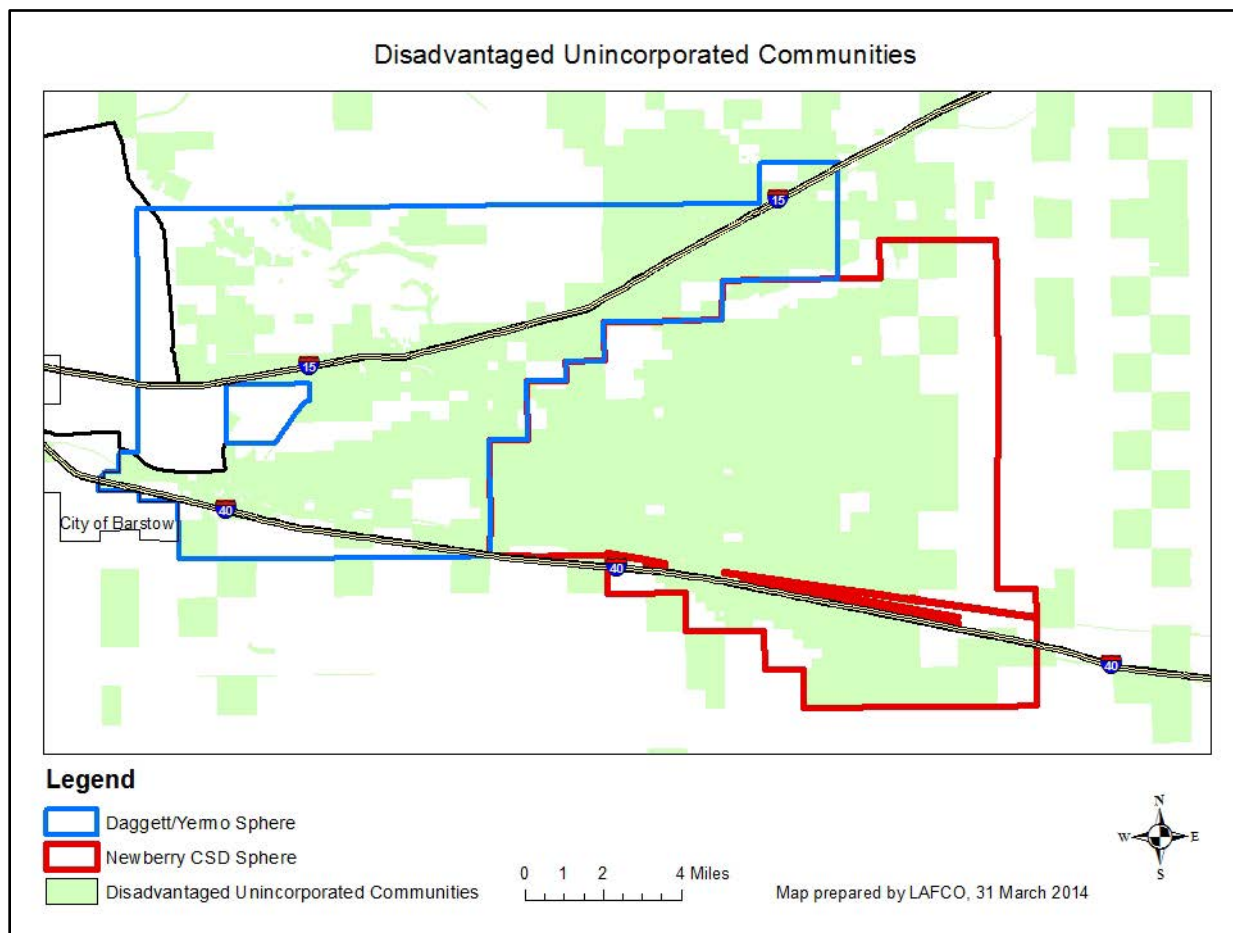
<sup>6</sup> Government Code §56430(a)(2).

<sup>7</sup> §56033.5

<sup>8</sup> Environmental Systems Research Institute (ESRI).

The map shows one area, west Yermo and northwest Daggett, as not meeting the definition of a DUC. This area contains 62 households and is part of a Census block group that extends into the City of Barstow. Even though the Census block group as a whole does not meet the definition of a DUC, it is likely that the Daggett and Yermo portion's income characteristics are similar to those of Yermo and Daggett as a whole.

Second, for the purposes of defining a DUC, San Bernardino LAFCO policy defines a community as inhabited area comprising no less than 10 dwellings adjacent or in close proximity to one another.<sup>9</sup> Uninhabited areas are generally vacant or government lands. Based upon the two criteria identified, the areas shown in green on the map below are classified as DUCs (meet the median household income criteria and are inhabited).



## Conclusion for Determination II.

Generally, the entire study area is considered a DUC. The areas that are shown as not a DUC are: 1) part of a Census block group that extends into the City of Barstow, or 2) vacant and/or public lands managed by BLM.

<sup>9</sup> San Bernardino LAFCO Project/Application Policy #13.

### **Determination III.**

#### **Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence**

Currently, the districts are authorized by LAFCO to provide the following functions pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*:

Daggett: Streetlighting, Park and Recreation, Water, Fire Protection

Newberry: Streetlighting, Park and Recreation, Water (limited to perform its other authorized functions), Sewer (limited to planning and engineering), Fire Protection

Yermo: Streetlighting, Park and Recreation, Water, Fire Protection

This section of the report, for Determination III, is organized by function in the following order: streetlighting, park and recreation, water, sewer, and fire protection. Whenever possible, only updated information subsequent to the 2009 service review is provided.

#### **A. Streetlighting**

LAFCO staff has verified that within its boundaries, Daggett CSD maintains 24 streetlights, Newberry CSD maintains 39 streetlights, and Yermo CSD maintains 48 streetlights. This remains unchanged since the 2009 service review.

Southern California Edison owns the streetlights, and the districts provide for payment of the utility costs for operation of the streetlights. There is no other existing service provider for streetlights in the area and the service is adequately provided.

#### **B. Park and Recreation**

Each of the districts actively provides park and recreation services. Due to the age of each of the community center buildings, upgrades and improvements are constant. Further, each district is dependent upon grant funding, such as Community Development Block Grants, to construct and improve the park facilities. Since grant funding is not an assured revenue stream, should CDBG funding not be received in the future, the limited property tax revenues received by the districts would need to be used to pay for facility upgrades.



Daggett CSD

According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the Community Center located on County property. The term of the lease is for 30 years, terminating in 2012, with two 10-year options to renew. When asked by LAFCO staff, neither the County Department of Community Development and Housing, County Real Estate Services, nor Daggett CSD could provide a copy of the lease to substantiate the terms of the agreement. Thus, technically the lease has expired and needs to be renewed. LAFCO staff recommends that this matter be addressed and resolved in order to reduce risk by clearly defining the arrangement.

There have been no substantial changes to Daggett's park and recreation facilities or programs since the 2009 service review, therefore additional review is not necessary.

Newberry CSD

There have been no substantial changes to Newberry's park and recreation facilities or programs since the 2009 service review, therefore additional review is not necessary.

Yermo CSD

Since the 2009 service review, an in-ground concrete skate park has been constructed within the Norman Smith Community Park in Yermo. Funding for this project came from the 2009-10 County First District Community Development Block Grant (CDBGF) funds, totaling \$168,177. According to the County board agenda item which awarded the construction contract, "This project will benefit the communities of Yermo, Newberry Springs, Daggett, Calico, Calico Lakes and the entire Silver Valley area serving a combined population of over 8,000 residents."<sup>10</sup> According to the contract between the County and Yermo CSD, the CSD shall maintain and operate the skate park for public benefit for residents in Yermo and surrounding unincorporated areas at the sole expense of the CSD for a period of no less than 10 years from the completion of the project.<sup>11</sup> The project was completed in 2011, so Yermo CSD is to maintain this facility for the area at-large at least until 2021.

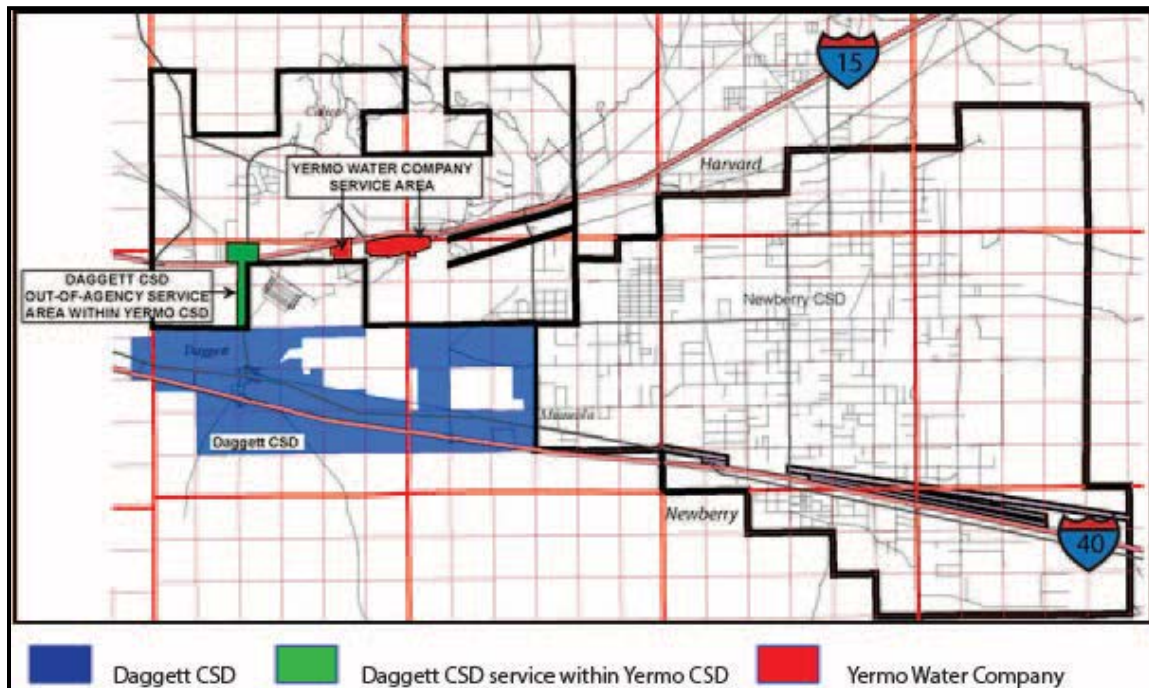
**C. Water**

Currently, Daggett CSD and Yermo Water Company are the only domestic water service providers within this region. These service providers are shown on the map below which is included as a part of Attachment #4. Daggett CSD delivers water within its boundaries and to a 1.25 mile area within Yermo CSD territory. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water to a small portion of Yermo. The Yermo Water Company has been under investigation by the PUC, culminating in the April 2009 order to place it in mandatory receivership. In the areas not within a municipal water provider, including Harvard, water service is provided on-site through wells.

<sup>10</sup> County of San Bernardino. Board Agenda Item 4. 22 March 2011.

<sup>11</sup> County of San Bernardino Contract 09-1124.

### Map of Domestic Water Providers within the Region: Daggett CSD and Yermo Water Company



### Baja Subarea of the Mojave River Basin and Mojave River Pipeline

The Mojave River basin is adjudicated<sup>12</sup> under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre-feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft.

The study area is within the Baja subarea of the Mojave River basin, from which water is pumped. Pursuant to the Adjudication Judgment for the Mojave River basin, additional rampdown in Baja is warranted. In 2010, the Court imposed a 2.5% per year rampdown commencing in 2010-11 and continuing for the next four years. Water levels continue to show decline and the rampdown continues. For 2014-15, rampdown is set at 55% of Base Annual Production (water rights) consistent with the Court's order.<sup>13</sup> In other words, for 2014-15 producers in Baja may pump up to 55% of its water rights.

<sup>12</sup> Adjudication is defined in the 2005 California Water Plan as the "Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision." Department of Water Resources, California Water Plan Update 2005, Vol 4, Glossary (2005).

<sup>13</sup> Mojave Basin Area Watermaster, Draft 20<sup>th</sup> Annual Report of the Mojave Basin Watermaster: Water Year 2012-13, (26 Feb 2014), Ch. 5.

In 1996 the Mojave Water Agency began construction on the Mojave River Pipeline in order to offset the depletion of groundwater in the upper reaches of the Mojave River Basin caused by population growth and over pumping from wells. It can supply up to 45,000 acre-feet of water each year to the upper Mojave River Basin where it percolates into groundwater recharge basins. As shown in the chart below, the first deliveries to the Baja subarea began in 2003 to the Daggett recharge site. Since that time, through 2013, the Mojave River Pipeline has delivered 16,280 acre-feet of water to the Daggett and Newberry Springs recharge sites. However, since 2006 the amount of water delivered through the pipeline has significantly lessened.

**MWA Deliveries to the Recharge Sites in Baja Sub-basin  
Calendar Years 2003 through 2013**

Recharge Site	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	TOTAL
Daggett	1,890	1,488	3,114	4,168	483	0	1	155	2,063	500	0	<b>13,862</b>
Newberry	0	0	0	1,227	433	0	0	156	602	0	0	<b>2,418</b>
<b>TOTAL</b>	<b>1,890</b>	<b>1,488</b>	<b>3,114</b>	<b>5,395</b>	<b>916</b>	<b>0</b>	<b>1</b>	<b>311</b>	<b>2,665</b>	<b>500</b>	<b>0</b>	<b>16,280</b>

Source: Mojave Water Agency

As the above chart indicates, continued deliveries to the Baja Subarea are dependent upon deliveries to the Mojave Water Agency through the State Water Project, whose pumping is currently restricted by court order and drought conditions.

## **Daggett CSD**

### Daggett Water Production

Daggett CSD has water production rights (also known as Base Annual Production) to assure 304 acre-feet (AF) annually. Since 2003-04, the rampdown for the Baja sub-region has increased from 80% of an agency's water rights to 55% for 2014-15. The amount of water that an agency can produce pursuant to the rampdown is called Free Production Allowance (FPA).

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused FPA from another party. As indicated in the table below, the historical trend for Daggett's water production indicates that it produces more than its FPA. In order to pay the higher overproduction costs of the Watermaster, Daggett purchases water from other agencies (shown in the chart below as Carryover and Transfers). This translates into increased costs for ratepayers.

**Daggett CSD Water Production and Water Obligations**  
(units in acre-feet unless otherwise noted)

Water Year	Free Production Allowance [Rampdown %]	Carryover and Transfers	Total Free Production Allowance	Verified Production	Unused FPA <sup>1</sup> or (Agency Overdraft)	Replacement Water Obligation
2003-04	204 [80%]	239 126	603	255	330	\$0
2004-05	204 [80%]	330 0	534	248	204	\$0
2005-06	191 [75%]	204 0	395	258	137	\$0
2006-07	191 [75%]	137 0	328	293	35	\$0
2007-08 <sup>2</sup>	228 [75%]	35 0	263	270	(7)	7 AF purchased for \$2,359
2008-09	213 [70%]	0 80	293	272	21	\$0
2009-10	206 [67.5%]	21 130	357	252	105	\$0
2010-11	198 [65%]	105 128	431	226	198	\$0
2011-12	190 [62.5%]	198 100	488	247	190	\$0
2012-13	183 [60%]	190 100	473	241	183	\$0
2013-14	175 [57.5%]	183 n/a	358			
2014-15	168 [55%]					

<sup>1</sup> Unused FPA is equal to the total FPA (Base FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA.

<sup>2</sup> In 2007-08, Daggett CSD purchased 50 AF of Base Free Production Allowance

sources: Mojave Basin Area Watermaster

*Annual Report of the Mojave Basin Area Watermaster*, for Water Years 2003-04 through 2014-15.

*Requests for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments and Requests for Assignment of Free Production Allowances in Lieu of Payment of Makeup Water Assessments*, for Water Years 2002-03 through 2012-13.

### Daggett Water Operations

Daggett CSD has no water management plan or strategic plan to reference in order to provide technical information for this report such as average daily demand, maximum daily demand, operational storage, fire storage, or hydraulic modeling. Further, Daggett has no formal plans for significant upgrades of its water system.

The following information regarding Daggett's water facilities is taken from a combination of its *2012 Consumer Confidence Report*, the County Department of Public Health's *Small Water System Sanitary Survey Report* dated January 9, 2013, and interview with Daggett CSD staff from November 2013.

This water system is classified as a community water system with metered connections. The system consists of three vertical wells, pressure tank, and three gravity storage tanks totaling 352,000 gallons. Maximum day consumption during the warmest month is 300,000 gallons. The County states that the storage and source capacity are adequate and is able to meet peak demand. The main and distribution lines were installed in 2011 are in good condition. The system has a total of 186 service connections (26 within Yermo CSD) including residential and commercial connections, serving an approximate population of 500 residents and a transient population.

The wells are vertical wells accessing one active source. The active wells meet State well standards and appear to be in good condition. Daggett disconnected well #2 from pressure zone 2 due to high nitrate. Well # 3 is on standby. Well #6 is on standby due to its high sand content. Well #7 is active and was drilled in 2002 to a depth of 285 feet.

Of importance is that there are no connections to other systems. Daggett states that the major impediment to establishing an inter-tie is the distance to the Yermo system, and that it would be more feasible to have an inter-tie with the Santa Fe Water System.

### Citation from County Department of Public Health

Within the past year Daggett has had three occurrences that disrupted water flow. While some circumstances cannot be avoided, of concern to LAFCO staff is how Daggett handles the situations. This includes lack of notification to the regulatory agency responsible for its monitoring, the County Department of Public Health.

#### *May 2013*

Daggett received a citation from the County Department of Public Health dated May 2, 2013 for failing to comply with the following:

- Collecting less than the required routine bacteriological samples per month,
- Sampling tested positive for total coliform,
- Failing to take the required number of repeat samples for positive coliform samples, and

- Failing to notify the Department of Public Health of the total coliform violation.

Of concern to LAFCO staff is not the occurrence of the coliform bacteria, rather the failure to assess the situation and notify the County Department of Public Health. According to the CSD, it met the corrective orders of the violation and no civil penalty was assessed to the CSD.

#### *December 2013*

Then, in December 2013 the water system collected a routine sample that tested positive for total coliform bacteria, with repeat samples verifying the positive result. The documents reveal a timely response by Daggett. The water system was subject to emergency chlorination, and a boil water notice was issued to customers. Two days later the boil water notice was cancelled after a determination by Daggett, California Department of Public Health, and County Department of Public Health.

#### *May 2014*

In May 2014 a wind storm downed power poles in the Yermo service area of Daggett CSD. As a result, the wells could not pump water. Two days after the storm, power and water resumed to the area. Even though water flow resumed, regulations require the issuance of a boil water notice and that the boil water notice shall remain in effect until two consecutive negative bacteriological samples have been received over a two-day period. Six days after the storm the boil water notice was lifted.

Again, Daggett failed to notify the County Department of Public Health of the issue - instead a local restaurant notified the County Department of Public Health. Additionally, the issuance of the boil water notice by Daggett lacked clarity on the issue and was replaced by the County Department of Public Health, which Daggett then distributed. Further exacerbating the situation, Daggett failed to pull a second sample on the fourth day and had to pull the second sample on the fifth day. As a result, the boil order was extended by one day. As of the date of this report, the County Department of Public Health has not issued a citation for failing to notify the Department of Public Health of the situation.

#### *LAFCO Concern*

Of concern to LAFCO staff is not the occurrences, rather the failure to assess the situation in an appropriate manner and notify the County Department of Public Health. Failure to notify the County Department of Public Health, the regulatory agency for the local water system, disregards the rules and regulations that are in place to ensure public health and promote transparency. As a result, such inattention to the rules and regulations in place are a disservice to the community.

#### Service by Daggett CSD within Yermo CSD

Daggett CSD provides water service within the boundaries of Yermo CSD since 1984. Since 1984 Daggett CSD has been providing water service within the western portion of

Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. The School District originally requested that Daggett CSD provide the service because no other entity was capable of providing the level of service needed. Between 1984 and 2001, Daggett CSD allowed residents along the water main to connect.

The service area is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area.

The LAFCO staff report in 2001 which authorized Daggett CSD to provide water within Yermo CSD stated a reservation that the service capacity of an eight-inch water line given the commercial use and fire flow requirements was a concern. The eight-inch water line is still in use and the commercial use and fire flow requirements remains a concern.

In area called the four corners (Daggett water system in Yermo), there are issues as to which agency (Daggett water or Yermo fire) should test the hydrants. According to minutes of Daggett board meetings throughout 2013, Daggett formally requested that Yermo CSD cease testing the hydrants of the Daggett water system. Lack of understanding as to which agency is responsible for hydrant testing is a signal of lack of understanding from one of the agencies.

## **Yermo CSD**

Culminating a 20+ year review by the California Public Utilities Commission ("PUC") of the operations of the Yermo Water Company<sup>14</sup> prompted the Yermo CSD to seek approval from LAFCO to activate its latent water function (LAFCO 3008A). In 2009, the LAFCO Commission approved the water function to provide Yermo CSD the ability to participate in acquisition proceedings to acquire the Yermo Water Company and be responsible for the operation and maintenance of the system.

In order to provide the community of Yermo with a higher level of water services, the Yermo CSD long sought to purchase and operate the Yermo Water Company. This would have included acquiring the Water Company and the Water Company assets and liabilities for a total cost of \$259,000. To assist in defraying this cost, in 2011 the County at the request of the First District Supervisor entered into an agreement with Yermo CSD to allocate \$150,000 in Priority Policy Needs funding towards the purchase of the Water Company.<sup>15</sup> The remaining funds for the purchase were subsequently allocated by the Mojave Water Agency.

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<sup>14</sup> *California Public Utilities Commission v. Donald Walker, and Yermo Water Company* in the Superior Court of California, County of San Bernardino (Case No. CIVBS1200448).

<sup>15</sup> County Contract 11-63. 15 Feb 2011.

In December 2012, the court appointed a receiver to manage the Yermo Water Company and assist in permanent transition to another entity. While waiting for a decision from the court as to what entity would assume ownership of the water system, in 2013 the receiver entered into a contractual relationship with Yermo CSD to operate the water system including billing and collection of customer usage fees and general repairs. Service of third party contractors was utilized for repairs beyond the scope of those available through Yermo.

In October 2013, the receiver determined that the most suitable buyer for the system would be Apple Valley Ranchos Water Company (AVRWC). According to a letter from the receiver to the Yermo Water Company customers dated October 15, 2013, AVRWC has committed to financing and completing \$720,000 in system improvements to address the most critical system deficiencies within the first year after the transfer of ownership is completed. In order to support these improvements, water rates will increase initially by 37% with three annual increases of 2.5%, as a part of the authorization of AVRWC's acquisition per PUC Resolution W-4998. However, the rates will increase once AVRWC completes the acquisition and assumes ownership of the Yermo system, which is anticipated to occur in late October or early November 2014. The purchase agreement is subject to approvals by the California Department of Public Health (ownership of a public water system), Mojave Water Agency (water rights), and PUC (recommendation to the court), with final approval by the court.

Throughout this time, there was interest for a partnership between AVRWC and Yermo CSD, in order to use Yermo CSD's status as a government agency to obtain grant funding. The receiver believed that a public/private partnership between Yermo CSD and AVRWC was possible which could address the needs of the system and its customers due to the availability of grant funding for certain projects. However, Yermo CSD's minutes of its January 8, 2014 and January 21, 2014 hearings state that it is, "not in favor of contracting Yermo CSD employees [for continued operation of the water system] and are not interested in working in a partnership [with AVRWC] or as a grant applicant". The funding from the County and Mojave Water Agency is in the process of being returned from the escrow account.

### **Calico Ghost Town Regional Park**

In 2012, the County installed a small water treatment facility and associated evaporation ponds at the Calico Ghost Town Regional Park ("Park"), which is operated by the Regional Parks Department of San Bernardino County. The Park is within the Yermo/Daggett CSD sphere of influence. Previously, water from two wells was pumped up to the reservoirs and then distributed to the various operations within the Park. However, due to water quality problems with the well water, it became necessary to provide water treatment to remove various contaminants. The raw water from the two wells is pumped to the water treatment unit and the treated water is then pumped to the two existing reservoirs. Waste brine resulting from the treatment of the water drains to evaporation ponds for disposal.



**Newberry CSD**

The Newberry Springs community has no existing public water system to serve residents and water service is characterized by the acquisition through private wells. This service deficiency limits the development capacity for the Newberry Springs area but also supports the retention of its rural nature. Furthermore, Newberry CSD does not supply water to residents; it only supplies its own facilities and provides water for fire protection purposes (water trucks). Newberry CSD's Strategic Plan indicates that water service is a long range goal and a study would have to be conducted to determine the funding for such an endeavor which would include the need to purchase additional water rights.

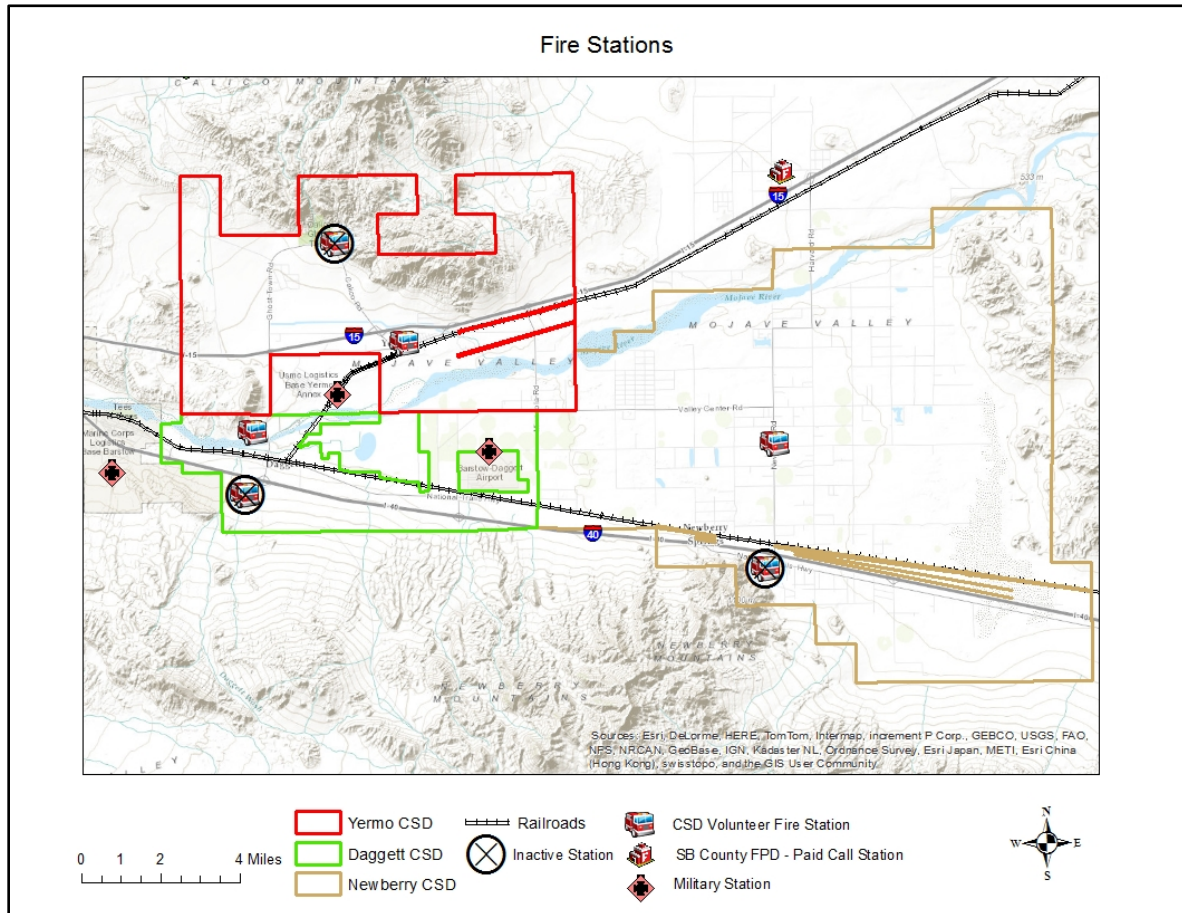
**D. Sewer**

The districts do not currently provide sewer service, and the landowners utilize septic tanks or leach field systems. Areas with dense development could benefit from an organized system; however, the costs for installation, transportation, and treatment would be borne by the landowners within the benefiting areas. Further, the study area and the surrounding areas can be characterized as rural and agricultural communities that have historically experienced slow growth; thus, not requiring an organized sewer system.

Although authorized sewer service, Newberry does not actively provide the service but has the power to plan for a sewer collection and treatment system. Actual provision of sewer service would require an application to LAFCO, along with a Plan for Services, and Commission approval. Should Newberry desire to provide this service to only the populated segments within the district, it would need to form an improvement district pursuant to CSD Law. This option would require voter or landowner approval due to the need for funding the development of the system and would require LAFCO approval to actively provide the service.

**E. Fire Protection****Background**

There are four agencies that provide fire protection to the study area: Daggett CSD, Newberry CSD, Yermo CSD, and the San Bernardino County Fire Protection District ("SB County FPD") from its Harvard station. The stations which provide fire service are outlined on the map shown below.



At first glance it would seem as if fire protection and emergency response would be adequate. Each of the CSDs is authorized by LAFCO to provide fire protection services and each has multiple fire stations. However, each of the CSDs experiences challenges in providing fire protection services given the limited resources available. This results in the use of a volunteer force with only one current active station for each CSD. The SB County FPD operates a paid-call station (Station 52) in Harvard with an intended primary use for emergency response along Interstate 15. Additionally, the nearby military installations have their own fire response and provide mutual aid when necessary. However, if new leadership is assigned to either the Marine or Army bases, it could possibly change the three CSDs' ability to call on them for assistance.

### San Bernardino County Fire Protection District

Prior to July 2008, the Harvard station (at that time Station 46) was within the boundary of County Service Area 38, and it received funding from a share of the ad valorem general levy generated from within the Harvard area. The reorganization of the SB County FPD in July 2008, included the transfer of responsibility for fire services from CSA 38 to the North Desert Service Zone of the newly reorganized SB County FPD. As a result, the Harvard station (renamed as Station 52) receives funding from within the North Desert Service Zone of the County Fire Protection District.

Due to a decline in SB County FPD property tax revenue and an increase in operational costs, in June 2012 the SB County FPD enacted a series of cost cutting measures totaling \$8.5 million, even with a subsidy increase of \$4.6 million from the County's General Fund. One cost cutting measure was the transitioning of Fire Station 52 in Harvard from a full-time staffed station to an on-call station.<sup>16</sup> For roughly the next eight months, there were no responses dispatched from the Harvard station, with staffing at the Hinkley station being temporarily increased. In mid-2013, Station 52 was transitioned to a paid-call station. According to SB County FPD, the station currently has six paid-call firefighters and is fully staffed during times of heavy highway travel such as holiday weekends.

According to the SB County FPD website, Station 52 is a key station supporting the heavily traveled I-15 corridor between Barstow and Baker. Station 52 crews also respond to a large portion of the I-40 freeway including the Ludlow area. This station is staffed as needed by paid-call firefighters who live in the local area. The fire apparatus include one Type 1 structure engine and one Type 6 all-wheel drive brush patrol.

Within the boundary of the SB County FPD is the Barstow-Daggett Airport, a county-operated airport facility. While technically the responsibility of SB County FPD, fire service is provided at this facility by contract personnel associated with Fort Irwin as it houses aircraft at the facility through a contract with the County Airports Department. This fire station is manned during operational hours and provides mutual aid response.

#### Daggett CSD

Daggett CSD operates an all-volunteer fire department with one active station, although there are two inactive stations. Personnel consist of a chief, assistant chief, four firefighters/engineers, and two firefighters. Daggett has three fire crews that are Red Card certified (can respond on a strike team to any location). For example, two Daggett fire crew responded to the 2007 Malibu Fire. Currently, apparatus consists of an engine, brush engine, water tender, rescue vehicle, and brush patrol. The CSD does not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, personnel training and certifications, facility additions or upgrades, and short and long-term goals.

#### Newberry CSD

Newberry CSD operates an all-volunteer fire department with one active station; although there is one inactive station. Newberry CSD does not own the land for the active station and operates with a cooperative agreement with the school district for space and utilities. The lease is a 40-year lease that expires in 2025 at a cost of \$1 per year. Personnel consist of four officers (fire chief, assistant fire chief, captain, and lieutenant), and volunteer firefighters. Current apparatus includes one Type-1 engine, one rescue (Type-2 ambulance), one water tender, one rescue trailer, and one Type-6 patrol.

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<sup>16</sup> San Bernardino County Fire Protection District. Board Agenda Item 10. 15 June 2012.

The CSD currently has mutual aid agreements with Daggett and Yermo CSDs, SB County FPD, CalFire, Bureau of Land Management, Fort Irwin Army Base, and the Marine Corps Logistics Bases. There is a verbal agreement with Santa Fe Railroad for the CSD to access the 220,000 gallon water tank located near the Elementis Specialties Plant. Also, there is a verbal agreement with the Mojave Water Agency ("MWA") for the CSD to access the Mojave River Pipeline during fires. The MWA also added fire hose fittings to the pipeline blow-offs to facilitate CSD truck connections. According to MWA personnel, the CSD is aware that the pipeline flow is dependent on State Water Project deliveries. For both of these verbal agreements, the district has indicated that it seeks to formalize these arrangements. LAFCO staff recommends that these verbal agreements indeed be formalized to reduce risk.

In May 2014 Newberry CSD adopted a Fire Department Policy and Procedure Manual which outlines policies and procedures on administration, authority, personnel, equipment, fire operations, training, and safety (Attachment #7). To ensure the continuity of the Policy and Procedure Manual, the Manual directs for a quarterly plan to define goals and objectives to be completed prior to the beginning of each quarter of the year. Additionally, the CSD has a Fire General Plan from 2014; this plan was not required to be adopted by the CSD board and lacks such adoption. Nonetheless, the plan provides insight into fire protection and emergency response not only to Newberry but to rural areas.

### Yermo CSD

Yermo CSD operates an all-volunteer fire department with one active station, although there is one inactive station. The active station is the south station, which is adjacent to the CSD office and community center. Personnel consist of a chief, assistant chief, four firefighters/engineers, and two firefighters. The CSD lacks a fire master plan or operational plan to reference in order to provide information on ISO ratings, personnel training and certifications, facility additions or upgrades, and short and long-term goals. Apparatus located at the station include: 2008 Ford F350 rescue vehicle (purchased in 2008), 1980 GMC 7000 brush engine (donated in 2008 by the County), 1998 Dodge RAM Type 6 pumper, and a 1987 GMC 2,500 gallon water tender.

### **Incident Calls**

The Consolidated Fire Agencies (CONFIRE), a joint powers authority, provides dispatch services to SB County FPD; and the California Department of Forestry and Fire Protection (CalFIRE) provides dispatch services to the three CSDs. Through a Public Records Act Request, LAFCO obtained incident call data from the dispatch agencies.

### SB County FPD

In late 2009 CONFIRE changed dispatch systems, which included a non-compatible upgrade of the data repository. At the other end of the timeline, the Harvard station was a full-time station until around July 2012. From July 2012 until mid-2013, the station was inactive. In mid-2013, Station 52 was reactivated as a paid-call station. Therefore, for this report incident data is provided from January 2010 through June 2012.

The data in the figure below reveals the growing geographical extent of response from Station 52 and striking trends:

- During this timeframe, responses to the study area (Daggett, Newberry Springs, and Yermo) totaled 14% of all calls from the Harvard station. This would indicate that the three CSD fire departments requested additional assistance which consumed a significant response from the Harvard station. However, the Harvard station is now a paid-call station and such mutual aid calls to Daggett, Newberry Springs, and Yermo have lessened due to lack of personnel available for response.
- Traffic calls represent about half of the total responses, with fire and medical representing a quarter each. The distribution of incident type is not typical in comparison to other stations and agencies, where medical represents roughly half of the responses. Being a primary response station along a heavily traveled corridor lends to more responses related to traffic incidents. Further, the only other fire response station along I-15 is in Baker, which itself has a high call volume related to traffic incidents.
- In turn, the top four communities that Station 52 received dispatch calls were, in order: Baker, along I-15 (34%) – most likely backfill for the SB County FPD Baker station, Harvard, along I-15 (20%), Ludlow, along I-40 (14%), and Mountain Pass, along I-15 (10%). The Harvard station's responses to farther areas have increased significantly during this timeframe.

**San Bernardino County Fire Protection District, Station #52, Harvard  
Incident Calls from Jan 1, 2010 to June 30, 2012**

INCIDENT LOCATION	(2010) Jan-June	2010-11	2011-12	TOTAL	PERCENT
Amboy	3	0	0	3	0%
Apple Valley	0	1	1	2	0%
Baker	108	271	342	721	34%
Barstow, county	7	20	49	76	4%
Barstow, city	0	4	3	7	0%
Cima	0	1	2	3	0%
Daggett	1	1	20	22	1%
Essex	1	1	0	2	0%
Fort Irwin	1	0	1	2	0%
Harvard	83	153	178	414	20%
Hinkley	0	3	9	12	1%
Ivanpah	0	0	4	4	0%
Kelso	5	12	20	37	2%
Kramer Junction	0	1	1	2	0%
Ludlow	47	123	126	296	14%
Mountain Pass	26	75	112	213	10%
Newberry Springs	20	47	91	158	8%
Red Mountain	1	0	1	2	0%
Victorville	1	0	0	1	0%
San Bern. Valley	0	2	1	3	0%
Yermo	16	46	45	107	5%
Unknown	3	7	4	14	1%
<b>Total</b>	<b>323</b>	<b>768</b>	<b>1010</b>	<b>2,101</b>	<b>100%</b>
INCIDENT TYPE	(2010) Jan-June	2010-11	2011-12	TOTAL	PERCENT
Fire	86	163	283	532	25%
Medical	66	167	243	476	23%
Traffic	149	409	437	995	47%
Other	22	29	47	98	5%
<b>TOTAL</b>	<b>323</b>	<b>768</b>	<b>1,010</b>	<b>2,101</b>	<b>100%</b>
source: CONFIRE, San Bernardino County Fire Protection District					

Daggett, Newberry, and Yermo CSDs

The following pages show incident location and incident type for each of the CSDs. The information was obtained from CALFIRE and is similar to data provided by each CSD.

**Daggett CSD**  
**Incident Calls from January 2009 through December 2013**

INCIDENT						LOCATION	
LOCATION	2009	2010	2011	2012	2013	TOTAL	PERCENT
Baker					1	1	0%
Barstow	2		1	1		4	0%
Daggett	95	113	129	116	108	561	66%
Harvard	2			3	2	7	1%
Helendale				1		1	0%
Hinkley				1		1	0%
Kelso	1		1			2	0%
Ludlow	2			8	4	14	2%
Nebo Marine Base				2		2	0%
Newberry Springs	10	9	28	31	42	120	14%
Yermo	7	10	11	8	5	41	5%
Not Identified	6	56	27	6		95	11%
<b>TOTAL</b>	125	188	197	177	162	849	100%
INCIDENT						TYPE	
TYPE	2009	2010	2011	2012	2013	TOTAL	PERCENT
Fire	19	40	50	39	41	189	22%
Medical	69	86	87	83	72	397	47%
Traffic	16	29	16	23	21	105	12%
Other	21	33	44	32	28	158	19%
<b>TOTAL</b>	125	188	197	177	162	849	100%
source: CALFIRE							

**Newberry CSD**  
**Incident Calls from January 2009 through December 2013**

INCIDENT						LOCATION	
LOCATION	2009	2010	2011	2012	2013	TOTAL	PERCENT
Baker	7	2		12	3	24	2%
Barstow	1					1	0%
Daggett	2	3	10	2	2	19	1%
Harvard	5		7	10	5	27	2%
Kelso	3	1	2			6	0%
Ludlow	13		9	12	6	40	3%
Mountain Pass				2	3	5	0%
Newberry Springs	120	212	232	267	306	1,137	75%
Yermo	8	8	9	8	5	38	2%
Not Identified	23	127	69	6	3	228	15%
<b>TOTAL</b>	<b>182</b>	<b>353</b>	<b>338</b>	<b>319</b>	<b>333</b>	<b>1,525</b>	<b>100%</b>
INCIDENT						TYPE	
TYPE	2009	2010	2011	2012	2013	TOTAL	PERCENT
Fire	37	80	86	64	63	330	22%
Medical	86	167	153	172	190	768	50%
Traffic	37	65	40	42	45	229	15%
Other	22	41	59	41	35	198	13%
<b>TOTAL</b>	<b>182</b>	<b>353</b>	<b>338</b>	<b>319</b>	<b>333</b>	<b>1,525</b>	<b>100%</b>
source: CALFIRE							



**Yermo CSD**  
**Incident Calls from January 2009 through December 2013**

INCIDENT						LOCATION	
LOCATION	2009	2010	2011	2012	2013	TOTAL	PERCENT
Baker	2			1	1	4	0%
Barstow	2			2		4	0%
Daggett			2	3	3	8	0%
Harvard	4		2	4	4	14	1%
Hinkley		1		2		3	0%
Ludlow						0	0%
Newberry Springs		4		3	11	18	1%
Yermo	178	286	298	331	339	1,432	88%
Yermo Annex				1		1	0%
Not Identified	2	86	44	5	6	143	9%
<b>TOTAL</b>	<b>188</b>	<b>377</b>	<b>346</b>	<b>352</b>	<b>364</b>	<b>1,627</b>	<b>100%</b>
INCIDENT						TYPE	
TYPE	2009	2010	2011	2012	2013	TOTAL	PERCENT
Fire	37	68	52	52	55	264	16%
Medical	94	216	201	213	224	948	58%
Traffic	37	66	63	61	57	284	17%
Other	20	27	30	26	28	131	8%
<b>TOTAL</b>	<b>188</b>	<b>377</b>	<b>346</b>	<b>352</b>	<b>364</b>	<b>1,627</b>	<b>100%</b>
source: CALFIRE							

### Mutual Aid

The figure below consolidates information from the figures above and shows the mutual aid responses amongst the four fire departments. Newberry CSD and Yermo CSD requested disproportionate mutual aid from Daggett CSD and the Harvard station during this timeframe. LAFCO staff could not determine if the lack of mutual aid to Daggett is due to the small size of its service area or if its fire department was sufficient to handle calls within its service area.

Fire Agency (response from)	Community (response to)				Total (response from)
	Daggett	Newberry Springs	Yermo	Harvard	
Daggett CSD		14%	5%	1%	<b>20%</b>
Newberry CSD	1%		2%	2%	<b>5%</b>
Yermo CSD	0%	1%		1%	<b>2%</b>
Harvard (County Fire)	1%	8%	5%		<b>14%</b>
TOTAL (response to)	2%	23%	12%	4%	

LAFCO staff confirmed with all three CSDs that the recovery of costs for mutual aid does not occur. At the outset, this results in unbalanced mutual aid calls at the expense of Daggett CSD. With only one active fire station, this significant percentage could hinder the readiness of the Daggett station.

### Service Delivery Challenges

Challenges in service delivery for fire protection and emergency response stem from two issues: the rural nature of the area and the funding challenges to provide the service.

#### Rural Nature

First, the communities in general are rural (defined as fewer than 500 persons per square mile).<sup>17</sup> Being such, a volunteer force would seem adequate as this is the case in many parts of the country (in 2004 it was estimated that 78% of all fire firefighters in the country were volunteers). However, this area experiences heavy transient travel and natural and man-made travel impediments.

Even though the communities themselves are rural, travel along the interstates that navigate through each CSD is heavy – Interstate 15 and Interstate 40 are two of only four interstate highways that exit Southern California to the east. Along I-15, traffic between Southern California and Las Vegas increases each year and is anticipated to continue to increase as evidenced by highway improvements. In 2012, the average daily traffic volume on I-15 through Yermo and Harvard was over 40,000 with a peak hour count of 5,800 during weekends and holidays. To put the peak hour count of 5,800 into perspective, the peak hour count on I-215 at University Parkway entering Cal State San Bernardino was 5,200.<sup>18</sup> Needless to say, the travel can be heavy along I-15.

Route 66 used to traverse through the southern portions of the Daggett and Newberry Springs communities. This portion of Route 66 was decommissioned in 1985, being replaced by I-40 for east-west travel. I-40 is now the third longest highway in the country. In 2012, the average daily traffic volume on I-40 through Daggett and

<sup>17</sup> National Fire Protection Association. Standard 1720, 2010 Edition.

<sup>18</sup> California Department of Transportation. Traffic Census. <http://traffic-counts.dot.ca.gov>. Accessed 3 June 2014.

Newberry Springs was over 15,000 with a peak hour count of 2,150 during weekends and holidays.<sup>19</sup>

As for the physical environment, as stated in the Newberry CSD 2014 Fire General Plan, though dry the majority of the time, the Mojave River is a collection point for storm runoff and has experienced rapid flows during rainy seasons. Two major railroad lines are located in (Burlington-Santa Fe) or adjacent to (Union Pacific) the districts which can delay responses.

The downgrade of the San Bernardino County Fire Protection District's Harvard station from a full-time force to paid-call status has compounded the issue. The downgrade has placed a burden upon the three CSDs to be the primary responder along the heavily traveled interstates traversing the communities. The Marine Corps base and the Army out of Daggett Airport have picked up some of the load, but that support can be removed at any time.

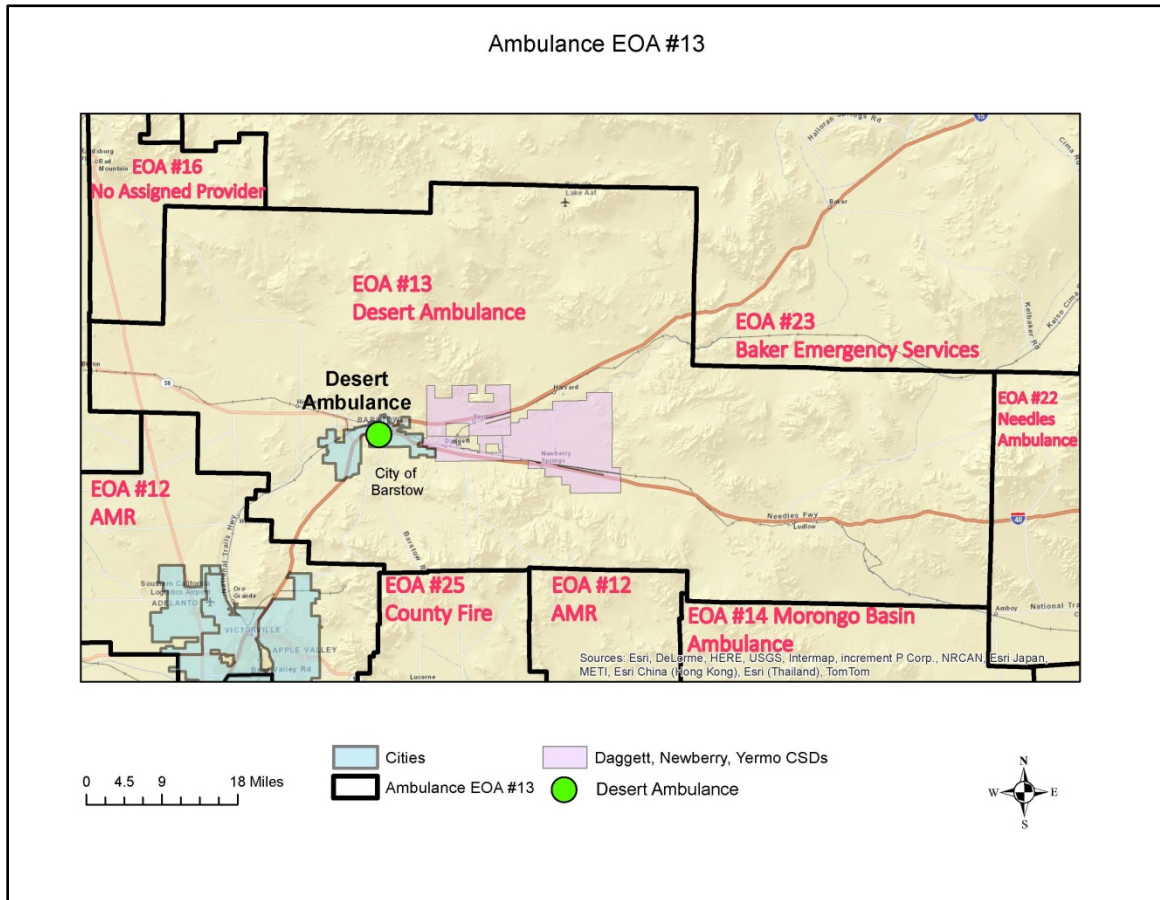
Further intensifying this circumstance is the distance for the ambulance to travel to serve the community. Ambulance ground transport services are provided by Desert Ambulance, a private company based out of Barstow. Desert Ambulance provides service within the Exclusive Operating Area ("EOA") #13 – Desert Ambulance EOA is assigned by the Inland Counties Emergency Management Agency ("ICEMA").<sup>20</sup> The geographical extent of EOA 13 covers 3,697 square miles and includes the City of Barstow; the communities of Daggett, Newberry Springs, Harvard, Yermo, Hinkley, Barstow Heights; and the traffic corridors of Highway 58 and Interstates 15 and 40. Mercy Air Ambulance, another private company, provides for air transport when necessary. A map of EOA 13 with the ambulance dispatch location is shown below.

This report does not address Desert Ambulance except to the extent to establish the relationship with the fire agencies and to evaluate the adequacy of services by the fire agencies to both fire and medical emergency calls.

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<sup>19</sup> California Department of Transportation.

<sup>20</sup> ICEMA is a joint powers authority composed of the Counties of San Bernardino, Mono, and Inyo with the San Bernardino County Board of Supervisors as the ex-officio ICEMA Board of Directors.



Travel time from Desert Ambulance in Barstow to each of the communities is as follows.

Daggett CSD office	15 minutes
Yermo CSD office	16 minutes
Newberry CSD office	25 minutes
Harvard fire station	27 minutes

These travel times assume that the few ambulances of Desert Dispatch are at the dispatch location and not in use. The issue is not the lack of a local ambulance dispatch presence, but that it is coupled with a local volunteer emergency response force. As a result, the volunteer emergency units must wait until the ambulance arrives in order to clear the scene.

### Funding Challenges

The lack of funding is the second major challenge in service delivery for fire protection and emergency response. The three CSDs do a commendable job with the limited resources available to them. Nevertheless, emergency services are the most demanding of volunteer activities today. The rural nature of the communities means fewer private landowners (due to larger lot sizes and approximately 30% of the combined land being public), which results in fewer property taxes going to the fire providers thereby compounding the service delivery challenge. Additionally, there are

challenges to keeping a small community fire agency viable. In days of old, training requirements were less time consuming and it was easier to keep volunteers. Over the past 20 years, the number of volunteer firefighters has decreased by as much as 10 percent, according to the National Volunteer Fire Council.<sup>21</sup> Today, fire service has become increasingly complex, and new state and federal mandates have made training increasingly difficult and costly. The training demands that are placed upon volunteer firefighters are just as stringent as if they were paid professionals.<sup>22</sup> In addition, the costs associated with new apparatus and equipment has increased exponentially.<sup>23</sup>

For Daggett, Newberry, and Yermo, the districts are rural and having a volunteer fire protection and emergency medical force may be satisfactory. However, the interstates are heavily traveled corridors. A response to the interstates can mean a delayed response to residents within the CSDs. As stated in the Newberry CSD Fire Department General Plan, being an all-volunteer force, "Availability time varies from day-to-day and is not predictable. Most personnel are of working class which is a constraint for available personnel during normal working hours, generally Mon-Fri 0600-1800".

Even though each CSD has multiple fire stations at times in the past, presently each is only able to fund the operation of one active station. Additionally, payment for equipment and training has been a challenge. For example, in August 2008 the loss of an emergency response vehicle due to an accident left Yermo without a functioning fire fighting vehicle for several weeks. During that time, fire crews at the Marine Yermo Annex responded to calls within Yermo CSD. In addition to fire protection and emergency response, the property tax revenue that each CSD receives must also fund general administration, park and recreation, and streetlights.

As stated in the Newberry CSD 2014 Fire General Plan, maintenance on equipment and apparatus is primarily performed in house due to financial constraints roughly 90% of the time, with specific needs contracted out. Also, population increases are minimal and do not offer a long term increase of tax revenue to predict increased support for services. Given the current climate Newberry CSD is status quo and will not be able to increase service level or apparatus without substantial financial increase to support it. In the past, federal and state grants have been used to upgrade and maintain equipment, personal protective equipment, and training. Since grant availability has dramatically declined, different revenue or supportive sources are being sought. Training is conducted in house by department instructors or hired personnel (subject to available funding) to which all fire departments are invited. Due to financial constraints, formal classes and group sessions are not common. This circumstance and its reasoning also apply to Daggett and Yermo.

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<sup>21</sup> National Volunteer Fire Council. "Retention & Recruitment Guide." 2008. [www.nvfc.org/index.php?id=1056](http://www.nvfc.org/index.php?id=1056).

<sup>22</sup> Yuba City Fire Department. "Consolidation – Training Issues for Volunteers". Submitted to the National Fire Academy. 2001.

<sup>23</sup> International Fire Chiefs Association, Volunteer and Combination Officers Section. A Call for Action. The Blue Ribbon Report. Preserving and Improving the Future of the Volunteer Fire Service. 2004.

## **F. Update for Newberry CSD**

The 2009 service review identified that Newberry CSD purchased a road grader in 2006 from funds from the one-time Kiewit Pacific Corporation donation<sup>24</sup> in order to keep the non-maintained County roads in acceptable condition for fire protection and emergency medical services in the event of inclement weather. In 2013, the district notified LAFCO that it sold the road grader, and thus, no longer performs road maintenance. The district placed the funds from the sale into its reserve account. Therefore, further review on this matter is not necessary.

## **G. Conclusion for Determination III.**

All three CSDs provide streetlight, park and recreation, and fire protection services. Streetlighting and park and recreation services are adequately provided. Due to the age of each of the community center buildings, upgrades and improvements are necessary.

For Daggett CSD and its water service, of concern to LAFCO staff is not the water violations identified, rather the failure to assess the situation in an appropriate manner and notify the County Department of Public Health. Failure to notify the regulatory agency for the local water system disregards the rules and regulations that are in place to ensure public health and promote transparency. As a result, such inattention to the rules and regulations in place are a disservice to the community.

For fire protection and emergency response, the paradox is that with scant property tax revenue akin to a rural agency funding an all-volunteer force with satisfactory equipment, it is the inherent responsibility of the CSDs not only to provide service to its residential and commercial areas, but to wild fires in the vast public lands and incidents along two of the four interstate highways that exit Southern California to the east.

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<sup>24</sup> In FY 2004-05 the Kiewit Pacific Corporation provided a one-time \$350,000 donation to Newberry CSD to garner support for operation of a rock quarry and asphalt batch plant for approximately two years in the southern portion of the district. Before receipt of the donation, Newberry CSD engaged in legal action against Kiewit on the environmental effects of the project.

## **Determination IV.**

### **Financial ability of agencies to provide services**

This determination outlines the accounting practices of the districts, reviews debt and obligations, net assets, and fund balance in order to determine the financial ability to provide services. LAFCO staff obtained copies of the districts' financial documents from the districts and public sources: assessment and foreclosure data from the San Bernardino Assessor's Office, and the California State Controller's report for special districts.

Each of the districts experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. With the exception of water charges collected by Daggett CSD, the ongoing operations of the districts are primarily funded by property taxes. Fire protection and related activities comprise the largest expense for each of the agencies and its cost increases annually. Further, the districts do not adhere to the constitutional requirements for the establishment of an appropriations limit and statutes related to finances of a community services district.

#### **A. Transparency and State Law Requirements**

##### **Reserve Policy**

CSD Law (Government Section 61112) requires those districts that have their own treasurers to adopt and annually review reserve policies. This oversight enforces the district treasurer's accountability. A review of the minutes from each agency from May 2013 to May 2014 does not identify a review of reserve policies for any of the districts, but each has its own treasurer.

##### **Management Discussion in Audit**

Accounting principles generally accepted in the United States require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board. The management of the districts has elected to omit the Management Discussion and Analysis information, as identified in the available audits. LAFCO staff indicates that the Management Discussion and Analysis provides an understanding of the context for the agency's operations.

##### **Daggett CSD**

CSD Law requires formal budgets and fiscal transparency (Government Code §61110 et seq). Final budgets must conform to generally accepted accounting and budgeting procedures for special districts and must be adopted by September 1 at a noticed hearing. Since 1995-96 Daggett has not adopted a budget and each year the independent auditor uses the 1995-96 budget for the required budgetary comparison portion of the audit. In other words, for almost two decades (last when President Clinton

was in his first term in office) Daggett has operated without a current and adopted budget.

Further, to promote transparency, the law requires the general manager to forward a copy of the final budget to the county auditor; lacking a budget this requirement cannot be met.

By lacking an adopted budget, Daggett CSD violates multiple CSD Law requirements, does not conform to the letter and spirit of the law, and hinders transparency. This circumstance was identified in the 2009 service review determined by the LAFCO Commission as a function of the adoption of Resolution 3063, has not been corrected by the district, continues to be in violation of State law, and is being reiterated in this service review. This circumstance, in the staff opinion, is a symptom of the District's management challenges.

### Newberry CSD

The independent auditor issued a disclaimer of opinion for the 2010 and 2011 audits. This type of report is issued when the auditor tried to audit an entity but could not complete the work due to various reasons and does not issue an opinion on the financial statements. The auditor states that he was not able to obtain sufficient and appropriate audit evidence to provide a basis for an audit opinion. Substantial records and receipts for credit card expenditures, including detailed property records, have not been retained thus making them unavailable for the audit.

For the 2012 audit, the auditor identified significant deficiencies in the district's internal controls. These deficiencies mirror the deficiencies identified in the Grand Jury Report which prompted this off-cycle service review. The 2013 audit does not identify any significant deficiencies.

### Filing Requirements

Government Code Section 26909 requires all districts to provide for regular audits<sup>25</sup>; the districts conduct annual audits. However, the one-year timeframe to complete an audit is not being met. As of the date of this report, only Newberry CSD has responded to LAFCO's request for a copy of the FY 2012-13 audit (however it was not completed until August 2014). The FY 2012-13 audits for Daggett CSD and Yermo CSD remain outstanding.

Section 26909 also requires districts to file a copy of the audit with the county auditor within 12 months of the end of the fiscal year. According to the County Auditor's Office, as of June 19, 2014 the last audits it had received were FY 2011-12 for Daggett CSD and Yermo CSD, and FY 2010-11 for Newberry CSD. As for the FY 2013-14 audits, as of June 30, 2014 the audits were not completed and are past due pursuant to Section 26909.

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<sup>25</sup> This requirement is reinforced in Community Services District Law, Government Code Section 61118.



Government Code Section 61110 states that all districts shall file a copy of its annual budget with the County Auditor<sup>26</sup>. According to the County Auditor's Office, since 2008 the only budget that it has received is from Yermo CSD for 2009-10 (the year of the last LAFCO service review).

## **B. Employment Benefits and Post-Employment Benefits**

A review of CalPERS and SBCERA member listings do not identify the districts as a member. The districts' financial statements do not identify any other post-employment obligations. Therefore, there are no identified unfunded liabilities that could have a future impact on the districts' financial condition.

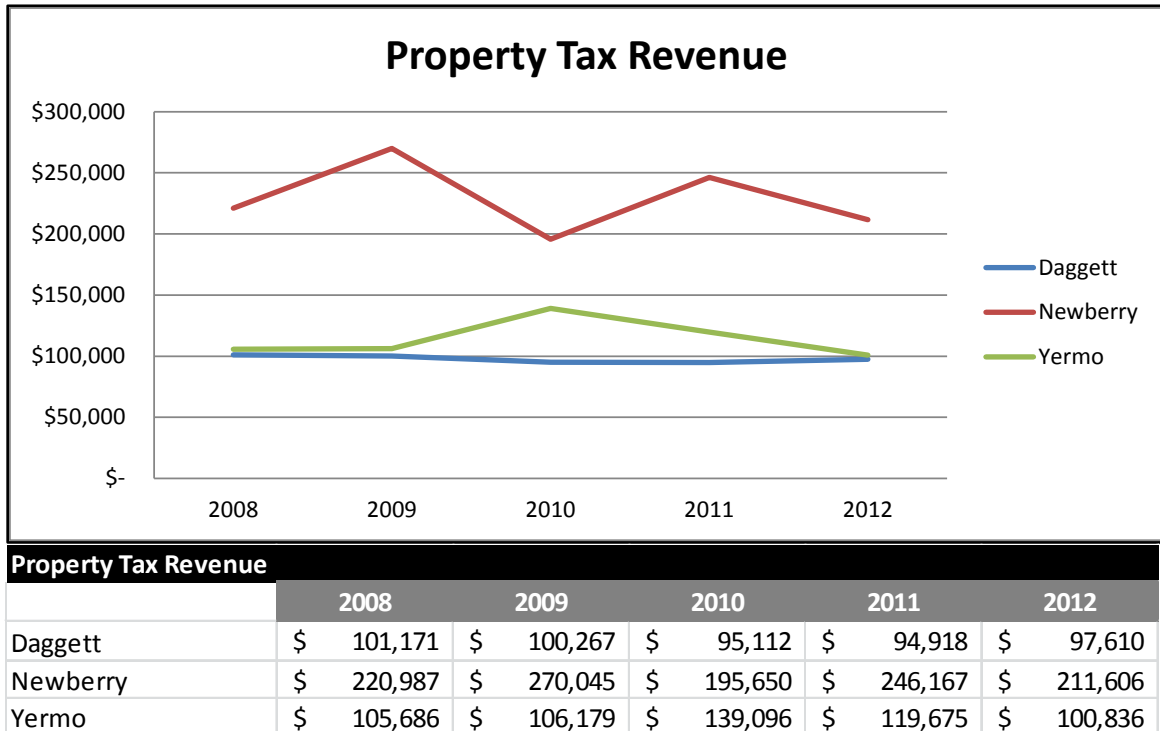
## **C. Revenues and Expenditures**

Each district's primary source of revenue for fire protection and emergency response, park and recreation, and streetlights is from the receipt of each's share of the one percent general levy property tax. On average Daggett receives 25% of each tax dollar and Newberry and Yermo 12% (the percentage is based upon an agency's proportional share of the ad valorem property tax, to include debt, pre-Proposition 13). As this revenue source is relatively stable and lags about two years behind changes in market conditions, this indicator can potentially depict the level of stability of an agency's revenue base. This is particularly problematic when the overall tax base is capped at a maximum two percent growth under Proposition 13 and while districts are experiencing decreasing property values. Increases in costs for labor and benefits, training, replacement of equipment and facilities all have grown at a rate greater than two percent.

As shown on the figure below, Daggett's main revenue source was the least volatile during the economic downturn and recovery. Conversely, Newberry CSD receives the most property tax revenue and has been the most volatile during this timeframe. In 2010, the County allocated \$45,961 in excess property tax revenues to Yermo CSD (as shown by the sharp increase in 2010). As a result, Yermo CSD returned the excess property tax revenues, but the excess property tax revenues remain on the books. By removing this occurrence, a relatively flat line would be shown for Yermo CSD. For Newberry CSD, there was a reassessment of property assessments which explains the up and down receipt of property tax revenue.

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<sup>26</sup> This requirement is reinforced in Community Services District Law, Government Code Section 61110.



The primary expenditure activities in order are: water (Daggett only), fire protection and emergency response, park and recreation, and streetlights. From this, salaries and wages and operations expenses comprise the highest percentage of expenditures.

For Daggett, the water fund annually processes a transfer to the General Activities (General Fund) to pay for the water service's share of the general district administration. A review of the water fund's annual activity shows a minor decrease in funds in 2008. As shown in the figure below, from 2009 through 2011 the water fund experienced revenues greater than expenditures; this is primarily due to the rate increase that took effect in 2009. However, for 2012 and 2013 the water fund has operated with a net loss of \$23,184 and \$115, respectively.

**Daggett CSD – Water Activity from 2009-2013**

	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>	<b>Actual</b>
Operating Revenue	189,385	166,760	162,026	172,366	175,054
Operating Expenses					
water purchases	-	-	-	(4,868)	(15,000)
pumping	(32,249)	(31,557)	(29,545)	(34,160)	(31,754)
water treatment	(4,327)	(4,600)	(1,702)	(2,409)	(8,212)
admin & general	(18,629)	(43,305)	(49,020)	(55,796)	(58,374)
transmission & distribution	(28,474)	(22,862)	(21,951)	(33,034)	(41,949)
depreciation & amortization	(14,406)	(17,141)	-	(19,105)	(18,080)
Total Operating Expenses	(98,085)	(119,465)	(102,218)	(149,372)	(173,369)
Non-Operating Revenues	-	-	-	-	-
Non-Operating Expenses	-	-	-	(2,453)	(1,800)
Transfers In (Out)	(39,714)	(23,226)	(22,354)	(43,725)	-
Net Income (Loss)	51,586	24,069	37,454	(23,184)	(115)

The three figures below show the net cost of each district's governmental activities for the past five years. The data shown is taken directly from each district's audits (included in Attachments #5-7) and the representation differs slightly for each district.

Additionally, the independent auditor for each district has to make corrections to each prior year's audit; often the prior year corrections are substantial. Daggett CSD lacks an adopted budget and therefore does not have a numerical and hierarchical account structure for use in its general ledger and income statement, and operates strictly on a cash basis. During the years reviewed for Newberry CSD and Yermo CSD, the districts also did not have a numerical and hierarchical account structure for use in its general ledger and income statement and have challenges with proper accounting implementation. Addressing these deficiencies should lessen the amount of corrections required by the independent auditor in its annual audit.

DAGGETT CSD							
			2008	2009	2010	2011	2012
Revenues							
	Property Taxes		101,171	100,267	95,112	94,918	97,610
	Other		5,721	1,219	3,252	865	1,467
	Total Revenues		106,892	101,486	98,364	95,783	99,077
Expenditures							
	Current:						
	Salaries & Benfits		28,445	24,659	23,888	17,393	52,306
	Fire Protection		14,289	18,525	14,841	22,778	24,747
	Parks & Rec		527	775	1,865	22,950	24,934
	Streetlighting		3,381	3,920	3,773	3,693	4,778
	Administration		35,758	36,932	59,072	17,442	29,996
	Debt:		5,675	5,525	5,375	2,200	6,000
	Capital Outlay:		5,689	5,090	10,181		
	Total Expenditures		93,764	95,426	118,995	86,456	142,761
Revenue Gain (Loss)			13,128	6,060	(20,631)	9,327	(43,684)
Prior Year Correction			16,491	2,999	3,296	(3)	(177)
Interfund Transfers Water Fund			(33,478)	39,993	23,226	22,354	60,268
Fund Balance, Ending			49,369	98,421	104,312	135,990	152,397
Fund Balance restated in next year's audit						131,761	148,168
source: Daggett CSD audits							

The data in the figure above is taken from Daggett CSD's audits. The Interfund Transfers identified on page 39 for 2009 (\$39,714) and 2012 (\$43,725) are taken from the State Controller's Report for Special Districts and differ from the amounts identified above taken from audit data.

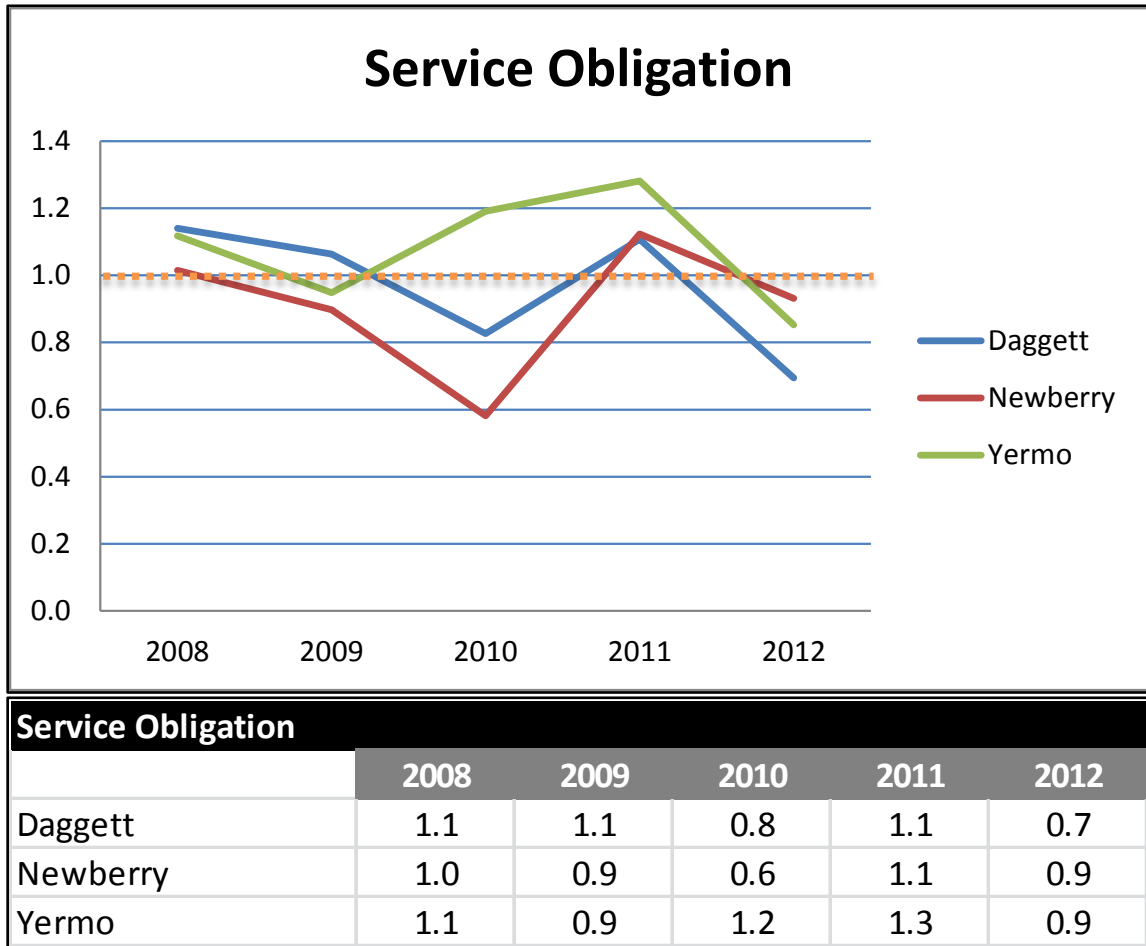
NEW BERRY CSD								
				2008	2009	2010	2011	2012
Revenues								
	Property Taxes			220,987	270,045	195,650	246,167	211,606
	Other			22,262	31,216	41,692	14,416	27,082
	Total Revenues			243,249	301,261	237,342	260,583	238,688
Expenditures								
	Current:							
	Fire Protection			90,634	85,529	53,196	80,315	117,088
	Parks & Rec			11,997	18,866	12,596	21,736	27,819
	Administration			75,989	80,081	95,031	103,703	85,388
	Other			25,562	25,020	32,868	352	92
	Debt:			26,658	26,657	-	25,955	25,955
	Capital Outlay:			8,142	99,639	214,520	-	
	Total Expenditures			238,982	335,792	408,211	232,061	256,342
Revenue Gain (Loss)				4,267	(34,531)	(170,869)	28,522	(17,654)
Prior Year Correction				227	(222)	302	153,349	17,508
Fund Balance, Ending				364,754	330,001	159,434	341,305	341,159
source: Newberry CSD audits								

YERMO CSD							
			2008	2009	2010	2011	2012
Revenues							
	Property Taxes		105,686	106,179	139,096	119,675	100,836
	Other		4,958	15,344	(1,204)	38,892	28,208
	Total Revenues		110,644	121,523	137,892	158,567	129,044
Expenditures							
	Current:						
	Fire Protection		36,059	42,922	46,578	48,129	58,402
	Parks & Rec		36,059	42,922	46,578	48,129	58,402
	Administration		15,831	18,845	20,450	21,129	25,640
	Other		-	2,465	2,136	-	1,178
	Capital Outlay:		11,041	41,120	-	6,379	
	Total Expenditures		98,990	148,274	115,742	123,766	143,622
Revenue Gain (Loss)			11,654	(26,751)	22,150	34,801	(14,578)
Prior Year Correction			1,190	8,057	(345)	3,351	(155)
Fund Balance, Ending			62,654	43,960	65,765	103,917	89,184
source: Yermo CSD audits							

## E. Fiscal Indicators – Governmental Activities

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. The following three indicators are for the governmental activities of the districts (fire protection and emergency response, park and recreation, and streetlights); this does not include the water activity of Daggett CSD.

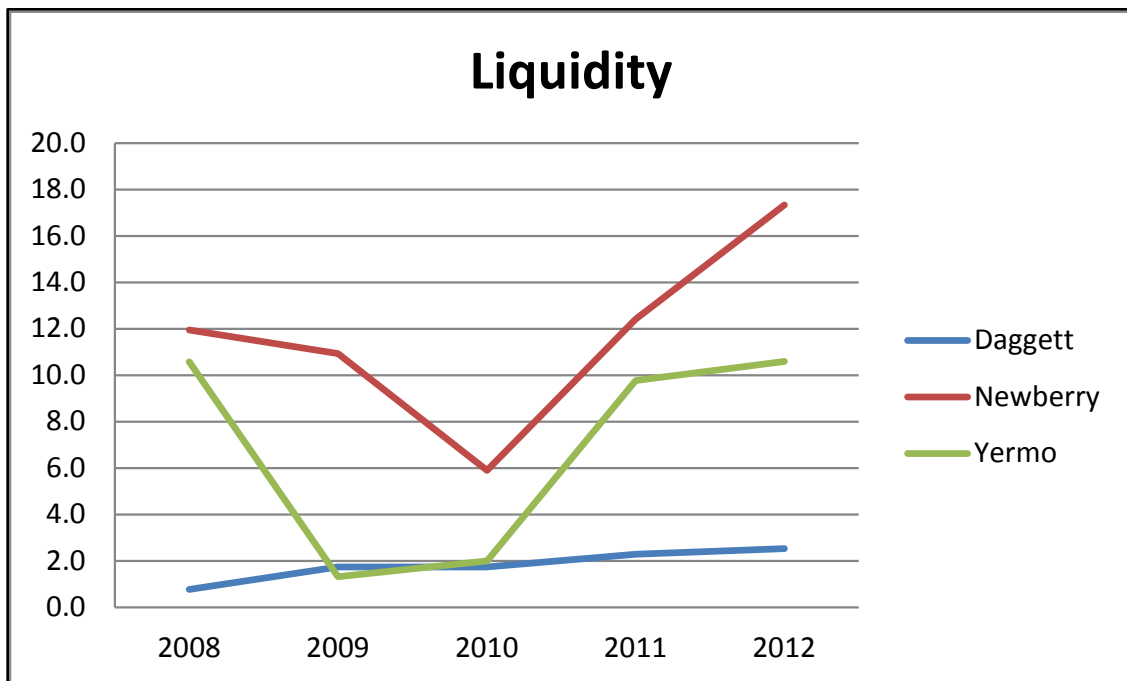
Service Obligation measures whether or not a government's annual revenues were sufficient to pay for annual operations. In most cases, as the percentage of general revenues decreases, an agency loses its ability to respond to changing conditions and to citizens' needs and demands. It is calculated by dividing operating expenditures by operating revenues. A ratio of one or higher indicates that a government lived within its annual revenues. During this timeframe, Daggett CSD and Yermo CSD outspent its revenues two of the years with Newberry CSD outspending three of the years.



Liquidity measures a government's ability to meet its short-term obligations. In other words, if a short-term obligation became due would the agency be able to satisfy that obligation with cash. It is calculated by dividing current liabilities by cash and investments. The higher the ratio suggests a government is better able to meet its short-term obligations. For agencies not meeting its service obligations (see previous indicator), the literature suggests a ratio of ten or above. Using this guideline, if Daggett CSD had to pay-off its short-term obligations its cash and investments would be significantly reduced, thus potentially further impacting service delivery.

As shown, Newberry CSD has experienced a wild swing for this indicator. In FY 2009-10 Newberry CSD purchased a water tender for \$181,335. As described in the 2011-12 audit, in May 2013 a letter of intent to purchase was signed between Newberry CSD and Fire Trucks Plus in the amount of \$150,000 to sell the district water tender that was financed through Kansas State Bank. In October 2013 Fire Trucks Plus sold the truck and would not respond to the district. The fire truck had been sold and was in Colorado in possession of Deer Trail Fire Protection. Fire Trucks Plus during this time filed bankruptcy. The district was told that it along with all others would need to file a lawsuit to try to recoup money with no promises of any remuneration. In December 2013 the district received a settlement agreement that \$96,000 was owed to Kansas State Bank. Deer Trail Fire paid the balance owed and the district signed all transfer documentation and Deer Trail Fire Protection now owns the truck. No money was received in the

transaction. Given the difference in the sale price (\$150,000) and settlement amount (\$96,000), this transaction resulted in a loss of \$54,000 for Newberry CSD; this does not include legal costs and staff time.



Liquidity					
	2008	2009	2010	2011	2012
Daggett	0.8	1.7	1.7	2.3	2.5
Newberry	12.0	10.9	5.9	12.4	17.3
Yermo	10.6	1.3	2.0	9.8	10.6

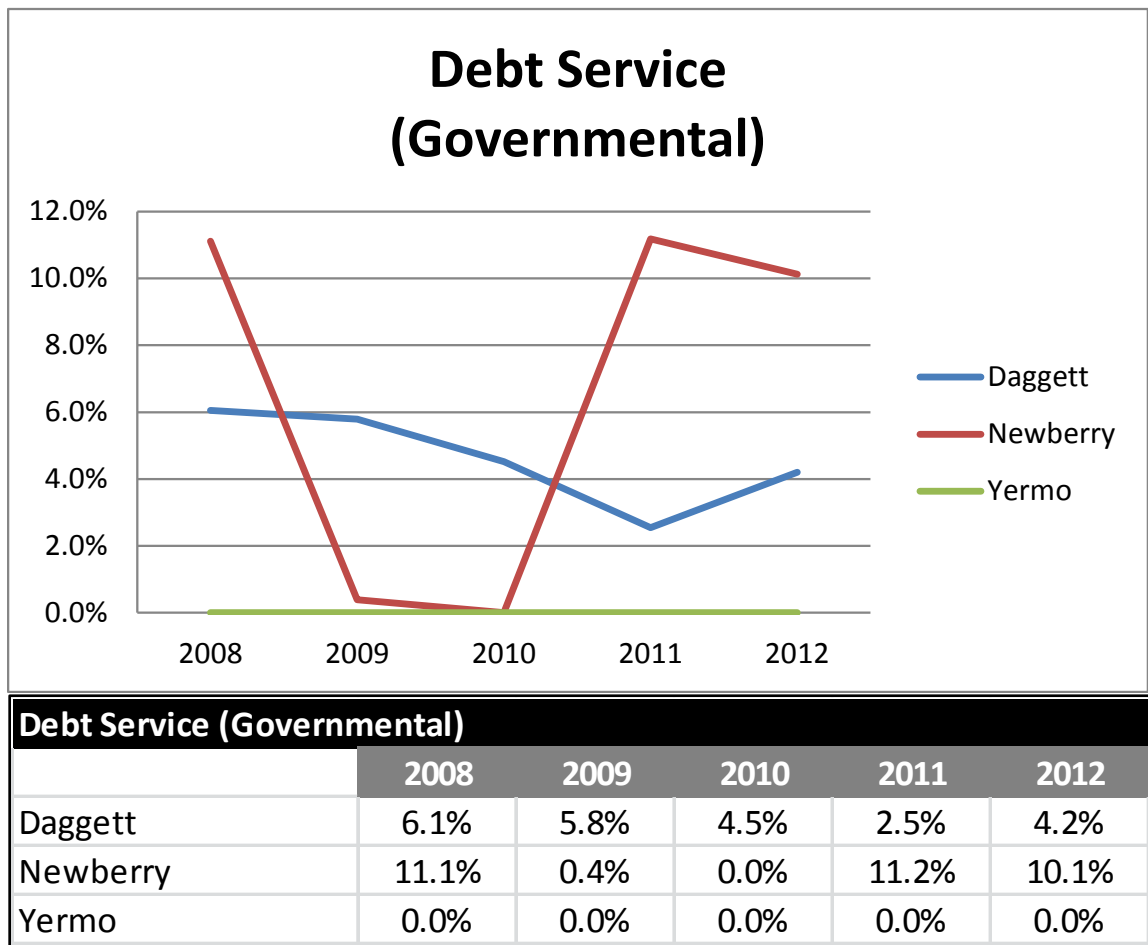
Debt Service looks at service flexibility by determining the amount of total expenditures committed to annual debt service. It is calculated by dividing operating expenses by debt service. Service flexibility decreases as more resources are committed to annual debt service.

Daggett CSD general fund has one bond issue outstanding for park and recreation as of June 2012. The bond was issued in 1979 for \$165,000 and has a current interest rate of five percent. Annual payments are \$4,000, and the bond matures in 2019.

The Newberry CSD audits lists a contract payable due in seven annual installments of \$25,955 beginning in 2009 and ending in 2016 for the purchase of the water tender (see Liquidity indicator above). Of concern is that this debt was not identified in the State Controller's Report for Special Districts. The information in the State Controller's Report is provided by districts, so the inclusion of debt in one document and the exclusion of the debt in another document questions the district's financial reporting practices.

Yermo CSD has not reported any debt for this timeframe.

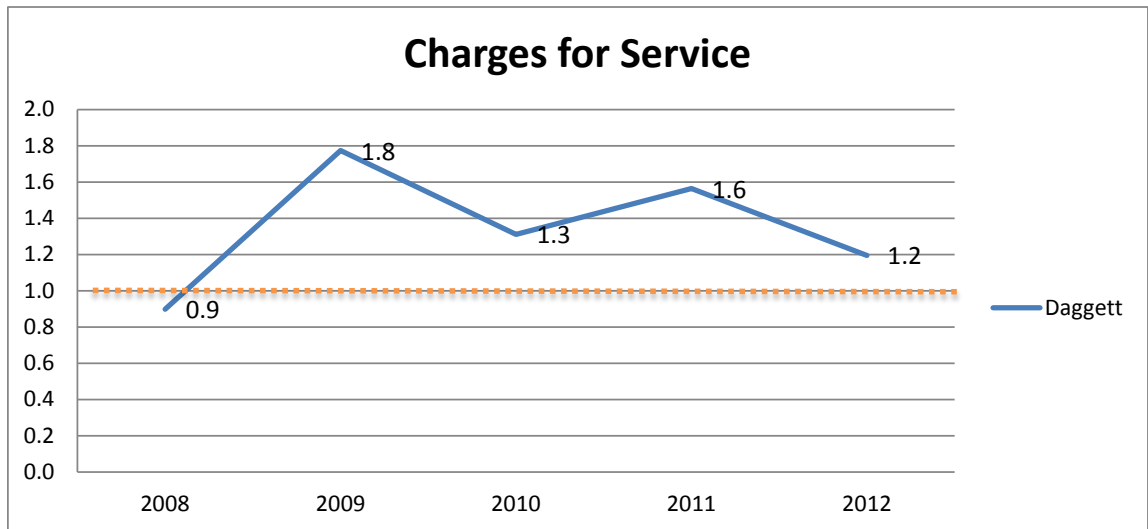




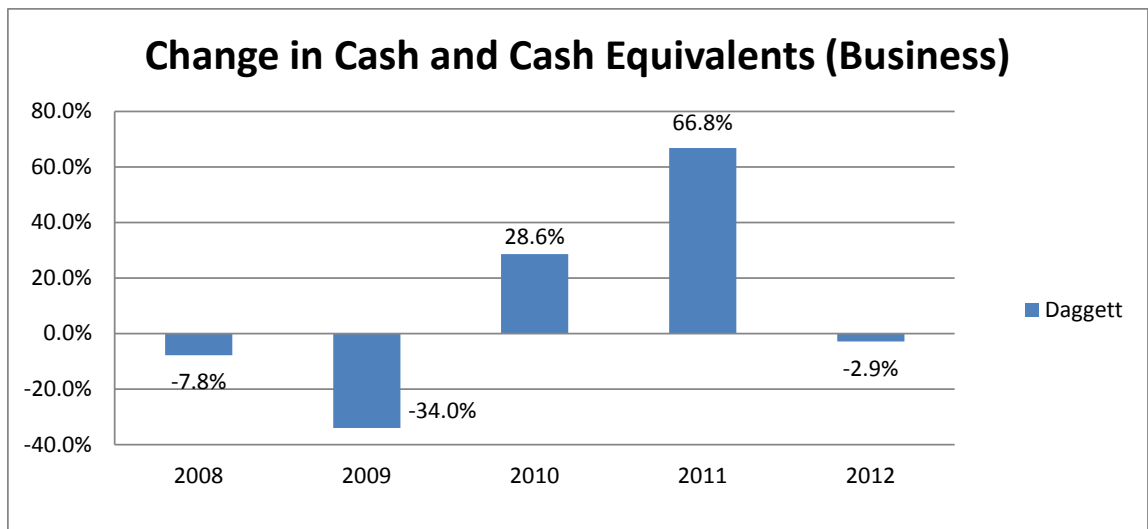
#### F. Fiscal Indicators – Business-type Activities (Daggett CSD Water)

The sole business-type activity is water which is provided by Daggett CSD.

Charges for Service addresses the extent to which water charges covered total expenses. It is calculated by dividing operating expenses by charges for service. A ratio of one or higher indicates that the service is self-supporting. About six years ago Daggett CSD raised its rate for the first time in many years. This accounts for the sharp increase in the ratio. Since the rate increase, service costs have increased while rates have remained even. As a result, it may only be a few years until expenses again are more than charges.

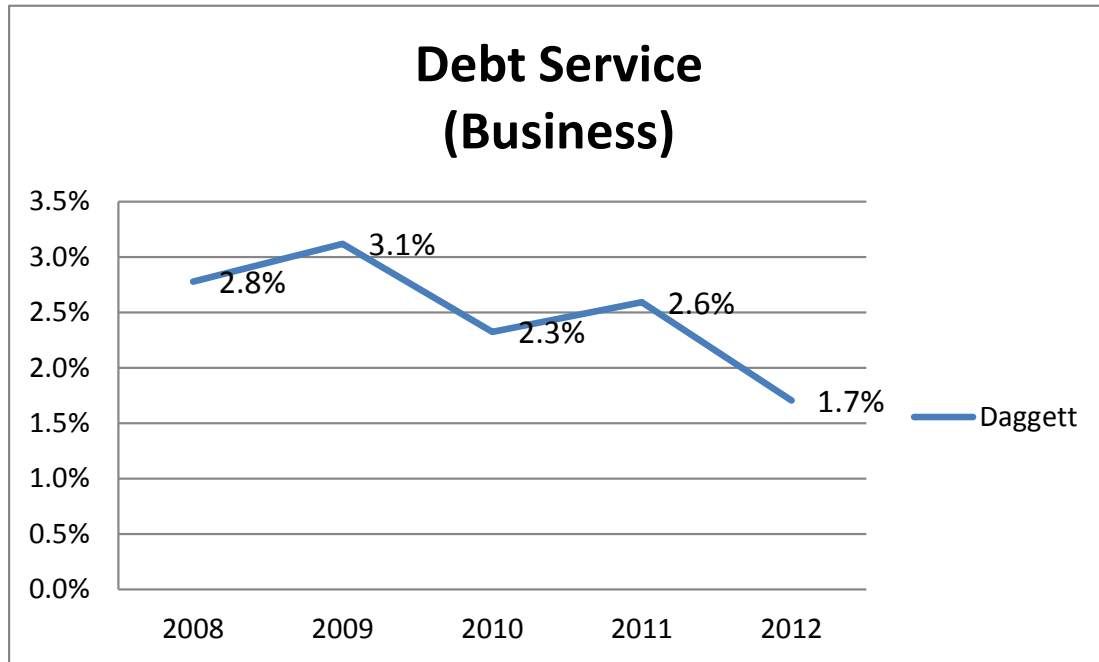


Cash and Cash Equivalents are the most liquid assets of an agency's assets and can be readily converted into cash. A positive percent change from the prior year indicates that a government's cash position has improved.



Debt Service looks at service flexibility by determining the amount of total expenses committed to annual debt service. It is calculated by dividing operating expenses by debt service. Service flexibility decreases as more resources are committed to annual debt service.

Daggett CSD water utility fund has one bond issue outstanding as of June 2012. The bond was issued in 1980 to upgrade the water system for \$131,000 and has a current interest rate of five percent. Annual payments are \$5,000, and the bond matures in 2020. A special tax rate of .0230 per \$100 of assessed value (land and improvements) is levied on property owners on the property tax bill to pay for this debt.



## G. Appropriations Limit

Article XIII B of the State Constitution (the Gann Spending Limitation Initiative)<sup>27</sup>, mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit, which is further acknowledged by CSD Law Section 61113. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9(c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of \$0.125 (12 ½ cents) per \$100 of assessed value for the 1977-78 fiscal year. According to the *County of San Bernardino 1977-78 Valuations/Tax Rates* publication (copy included in Attachment #8), the FY 1977-78 tax rate for the districts was as follows:

### 1977-78 Tax Rates per \$100 of Assessed Value

District	Daggett CSD	Newberry CSD	Yermo CSD
Tax Rate	\$1.2500	\$0.9110	\$1.0883

Being over the \$0.125 tax rate, the districts do not qualify for an exemption from the requirement of an appropriations limit. Therefore, each must have an appropriations limit. Failure to provide for an appropriation limit would question the districts' ability to expend the proceeds of taxes (general ad valorem share and special taxes), which are the primary revenue source for each district.

<sup>27</sup> In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

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. Further, Government Code Section 7910<sup>28</sup> expands upon the Gann Initiative and requires each local government to annually establish its appropriation limits by resolution. Since each agency lacks an appropriations limit, each district also is not in compliance with the above-mentioned statutory requirements. Further, the establishment of an appropriation limit would require Daggett to adopt a budget.

The districts were notified of these requirements in 2009 during the initial service reviews and failed to act. For this service review, in March 2014 LAFCO provided the districts with information regarding the appropriations limit, which included excerpts from the State Constitution and Government Code, examples of calculating the limit, and calculation models from the State Department of Finance. As of the date of this report, LAFCO staff has not received any information from Daggett CSD and Yermo CSD on their intent to adopt the appropriations limit. Newberry CSD has responded to the draft staff report and has indicated that it will begin work on formulating the appropriations limit in the near future.

## **H. Conclusion to Financial Determination**

Each of the districts experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. With the exception of water charges collected by Daggett CSD, the ongoing operations of the districts are mostly funded by property taxes. The information provided indicates that this is not enough to fund capital and needed improvements in the long-run. Fire protection and related activities comprise the largest expense for each of the agencies and its cost increases annually. Further, the districts do not adhere to the constitutional requirements for the establishment of an appropriations limit and other statutes related to finances of a community services district. Specifically, for Daggett CSD, it has failed to operate with a budget since 1995, and Newberry CSDs' independent auditor issued a disclaimer of opinion for the 2010 and 2011 audits.

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<sup>28</sup> Added by Stats.1980, c. 1205, p. 4059, §2. Amended by Stats.1988, c. 1203, §1; Stats.2007, c. 263 (AB310), §25.

## **Determination V.**

### **Status of, and opportunities for, shared facilities**

#### **A. Status of shared facilities**

According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the Community Center located on County property. The term of the lease is for 30 years, terminating in 2012, with two 10-year options to renew. When asked by LAFCO staff, neither the County Department of Community Development and Housing, County Real Estate Services, nor Daggett CSD could provide a copy of the lease to substantiate the terms of the agreement. Thus, technically the lease has expired and needs to be renewed. LAFCO staff recommends that this matter be addressed and resolved in order to reduce risk by clearly defining the arrangement.

Newberry CSD does not own the land for its northern fire station and operates with a cooperative agreement with the Silver Valley Unified School District for space and utilities. The lease is a 40-year lease for \$1 per year that expires in 2025.

Yermo CSD has an arrangement with the Silver Valley Unified School District for use of Smith Park. Yermo CSD pays for all maintenance costs for the park and allows the Yermo Elementary School use of the park. In turn, the School District pays all the water and electricity costs for the park.

#### **B. Opportunities for shared facilities**

For this portion of this determination, please reference the Plan for Service of this service review, which includes a fiscal impact analysis that discusses structure options for the community to consider that would potentially achieve a consistent level of service and economies of scale.

#### **C. Conclusion for Determination V**

Newberry CSD and Yermo CSD have agreements with the Silver Valley Unified School District for use of its land and Daggett has its community center facility on County land. The opportunity for shared facilities amongst all three CSDs through a consolidation or joint powers authority would maximize the limited resources available.

**Determination VI.**  
**Accountability for community service needs, including governmental structure and operational efficiencies**

**A. Governmental Structure**

**Board of Directors**

The CSDs are independent special districts each governed by a five-member board of directors. Members have been either elected at-large by the voters or appointed in-lieu of election by the County Board of Supervisors to four-year staggered terms.

A review of the election results from the County Registrar of Voters website and County Clerk of the Board database identifies that since 2003 a significant portion of elections have not yielded enough interested and qualified candidates for a competitive election to be conducted, resulting in appointments in-lieu of election. There is a correlation with the pool of potential candidates to hold office (registered voters) and the number of candidates seeking office. In a recent edition of its report, *What's So Special about Special Districts*, the state Senate Local Government Committee states that the, "narrow and technical nature of a district's activities often results in low civic visibility until a crisis arises."<sup>29</sup> However, the reality of the situation is that the pool of registered voters that could potentially seek candidacy to hold office within the CSDs is minimal, especially within Daggett CSD.

Additionally, each district board appoints a general manager and a fire chief. The fire chiefs for Daggett and Yermo CSDs are also board members of the respective agency (at this time presidents of the CSDs). The law allows for a board member to also be a volunteer firefighter.<sup>30</sup> LAFCO staff confirmed with Newberry CSD and Yermo CSD that the fire chief is appointed by the board but reports to the general manager. Conversely, Daggett CSD's fire chief is appointed by the board and reports independently to the board. It remains unclear as to how the Daggett CSD fire chief independently reports to the board as fire chief while also holding the position of board president.

LAFCO staff recommends that the Daggett CSD reporting relationships and chain of command be clarified to reduce confusion.

**Daggett CSD**

County Registrar of Voters records indicates that since the 2003 election, the district has only yielded enough candidates to conduct elections in 2003 and 2007. The lack of

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<sup>29</sup> California Senate Local Government Committee, *What's So Special about Special Districts?*, Fourth Edition, October 2010.

<sup>30</sup> CSD Law Section 61040(e) reads that, "A member of the board of directors shall not be the general manager, the district treasurer, or any other compensated employee of the district, except for volunteer firefighters as provided by Section 53227." Government Code Section 53227 states that an employee of a local agency may not be sworn into office of that local agency; the section does not apply to any volunteer who does not receive a salary.

elections can be attributed to the size of the district and the number of registered voters (roughly 200 for the past decade). As a result, 10 of 16 seats have been filled by appointment by the County board of supervisors since 2003. Below is the current composition of the board, their positions, and terms of office as of May 2014:

<b>Board Member</b>	<b>Title</b>	<b>Term</b>	<b>Elected/Appointed as of last election</b>
Joseph Morris, Jr.	President	2017	Appointed
Kareen Golden	Secretary	2015	Appointed
Mark Staggs	Director	2015	Appointed
Robert Whipple	Director	2015	Appointed
Sally Vintus	Director	2017	Appointed

As for staff, the board appoints a general manager/treasurer and a fire chief. The fire chief is also a director (at this time board president). The general manager has oversight of all administrative staff, and the fire chief has oversight of all fire personnel. The office is open five days a week during normal business hours (8am-5pm, Mon-Fri), and the general manager is scheduled for duty during office hours.

#### Newberry CSD

A review of the County Registrar of Voters records indicates that since the 2003 election, the district has yielded enough candidates to conduct elections in 2003, 2007, 2009, and 2013. Since August 2013, the district has four new directors on the board (one appointed in August 2013 and three elected in August 2013) – the high turnover coinciding with the 2012-13 Grand Jury report. As of the last election (August 27, 2013), the district had 930 registered voters. With almost five times the number of registered voters of Daggett CSD, 5 of 15 seats have been filled by appointment by the County board of supervisors since 2003. Below is the current composition of the board, their positions, and terms of office as of May 2014:

<b>Board Member</b>	<b>Title</b>	<b>Term</b>	<b>Elected/Appointed as of last election</b>
Robert Springer	President	2017	Elected
Paula Deel	Vice President	2015	Appointed
Robert Royalty	Director	2015	Appointed
Robert Shaw	Director	2017	Elected
Robert Vassuer	Director	2017	Elected

As for staff, the board appoints a general manager and a fire chief. The fire chief has oversight of all fire personnel. The general manager has oversight of all administrative staff, which includes a treasurer (a contracted position). The general manager position of this district has not been steady since 2008, resulting in a lack of continuity. In late 2013, the district appointed as its general manager an experienced former CSD general manager with over 20 years of prior service. Due to budget constraints, office hours for the district are Wednesday, Thursday, and Friday from noon until 4pm. The general manager is scheduled for duty during office hours.

Additionally, in response to the 2012-13 Grand Jury report, the CSD now has a contract attorney and has formed a finance committee comprised of community members and staff.

### Yermo CSD

A review of the County Registrar of Voters records indicates that Yermo CSD has had roughly 800 registered voters for the past decade. Since 2003 ten of 15 seats have been filled by appointment by the County board of supervisors.<sup>31</sup> Below is the current composition of the board, their positions, and terms of office as of May 2014:

Board Member	Title	Term	Elected/Appointed as of last election
Robert Smith	President	2016	Appointed
Geoffrey L. Berner	Vice President	2018	Elected
David Jensen	Fire Commissioner	2018	Elected
Sean Cloughen	Director	2018	Appointed
Gary Yearsley	Director	2016	Elected

As for staff, the district appoints a general manager (as of May 2014) and a fire chief. The fire chief is also a director (at this time board president). Due to budget constraints, office hours for the district are Monday, Wednesday, and Friday from 8:30am until 11:30am. The general manager is scheduled for duty during office hours.

It was not until May 2012 that Yermo CSD appointed a general manager as required by CSD Law Section 61050. Nonetheless, the legislative intent for this section is to increase the professionalism of CSD's operations by making it clear that the person who holds the general manager's title is responsible for implementing the board's policies and supervising the CSD activities. The lack of an appointed general manager was the circumstance of limited revenue. A symptom of the lack of a general manager during this time was no reporting in the meeting minutes from August 2013 through February 2014 regarding the LAFCO initiation of a service review, LAFCO staff request for information, LAFCO staff request for a meeting with district personnel, or a report to the board by those in attendance at a meeting with LAFCO staff. In March 2014, the district attended a workshop sponsored by LAFCO that identified the risk and liabilities that CSDs incur when lacking a general manager. In turn, in May 2014 the district appointed a general manager.

## **B. Accountability for Community Service Needs – Utility and Transparency of the District's Websites**

The Special District Leadership Foundation ("SDLF") has created a website transparency checklist which LAFCO staff has used for this service review. The SDLF was created in 1999 and defines itself as "a 501(c)(3) organization formed to provide educational opportunities to special district officials and employees to enhance service

<sup>31</sup> In 2006, Yermo CSD switched from an odd-year election cycle to an even-year election cycle.



to the public provided by special districts in California.”<sup>32</sup> In maintaining a government website all of the following items should be readily apparent.

1. Names of Board or Commission members and their terms of office
2. Names of general manager, fire chief, and key staff along with contact information
3. Election procedure and deadlines
4. Board meeting schedule (regular meeting agendas must be posted 72 hours in advance pursuant to Government Code Sections 54954.2(a)(1) and 54956(a))
5. District’s mission statement
6. Description of district’s services/functions and service area
7. Authorizing statute/enabling act
8. Current district budget
9. Most recent financial audit
10. Archive of Board meeting minutes for at least the last six months
11. List of compensation of board members and staff or link to State Controller’s webpage with the data

In addition, the website of each district should include at least four of the following:

12. Post Board member ethics training certificates
13. Picture, biography and email address of Board members
14. Last three years of audits
15. Reimbursement and compensation policy
16. Financial reserves policy
17. Downloadable Public Records Act request form
18. Audio or video recordings of board meetings
19. Map of district boundaries/service area
20. Most recent Local Agency Formation Commission (LAFCO) Municipal Service Review (MSR) and Sphere of Influence (SOI) studies or link to LAFCO’s site

Daggett CSD does not have a website; therefore it cannot satisfy any of the criteria in the checklist. For Newberry CSD and Yermo CSD, LAFCO staff found substantial inadequacies in revealing information regarding finances, contact information, and meeting notices. Newberry CSD fully meets the criteria for items 2, 8 and 20, and partially meets the criteria for item 1. Yermo CSD fully meets the criteria for items 2 and 10, and partially meets the criteria for items 1, 4, 6, and 13. For the benefit of their districts’ constituents, LAFCO staff’s position is that this information should be easily accessible on all special districts’ websites.

It is LAFCO staff’s opinion that there is no attempt by the districts to conceal information. Rather, the websites need to be regularly updated to include the above-listed beneficial information. LAFCO staff recommends that Daggett CSD consider implementing a website as the benefits of transparency are great. For Newberry CSD and Yermo CSD, LAFCO staff recommends that each district conform to the criteria listed in the SDLF transparency website checklist and take the necessary steps to keep their respective websites current.

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<sup>32</sup> [www.sdlf.org](http://www.sdlf.org).

### **C. Governmental Structure Options**

Beginning on page 12 of this report is a Plan for Service (which includes a fiscal impact analysis) that was prepared at the direction of the Commission. The Plan for Service evaluates structure options for the community to consider that would potentially achieve a consistent level of service and economies of scale.

## **ATTACHMENTS**

1. 2012-13 San Bernardino County Grand Jury Report
  - a. Excerpt Regarding Newberry CSD
  - b. Responses to Grand Jury Report from Newberry CSD, LAFCO, and County Auditor
  - c. Newberry CSD Updated Response dated March 10, 2014
2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities
  - a. Staff Report dated April 24, 2009
  - b. Resolutions Reflecting Commission Determinations
    - i. Resolution No. 3062 for Yermo CSD
    - ii. Resolution No. 3063 for Daggett CSD
    - iii. Resolution No. 3064 for Newberry CSD
3. Salaries of General Managers from Comparable CSDs
4. Maps
  - a. Location
  - b. Water Providers
  - c. Fire Station Locations
5. Daggett Community Services District
  - a. Audit for FY 2011-12
  - b. State Controller Report Submission for FY 2012-13
  - c. Daggett CSD Response to Draft Staff Report
6. Newberry Community Services District
  - a. Fire Department Policy and Procedure Manual
  - b. Audits for FY 2010-11 and 2011-12
  - c. State Controller Report Submission for FY 2012-13
  - d. Newberry CSD Response to Draft Service Review
7. Yermo Community Services District
  - a. Audit for FY 2011-12
  - b. State Controller Report Submission for FY 2012-13
8. Fiscal Year 1977-78 Tax Rates for Appropriations Limit Requirement

# **1. 2012-13 San Bernardino County Grand Jury Report**

## **a. Excerpt Regarding Newberry CSD**

**Attachment 1a**

# **NEWBERRY COMMUNITY SERVICES DISTRICT**

## **BACKGROUND**

The Grand Jury received multiple citizen complaints regarding Newberry Community Services District. Issues reviewed were regarding practices, Policy and Procedures and Board actions of the agency.

Due to the numerous issues involved and the detailed information to review, the Grand Jury requested the assistance of an outside consultant. The report that follows is a combination of the Grand Jury and the outside consultant's efforts.

## **RECOMMENDATIONS**

- 13-26. The recommendations within the following report in the Governance Section, numbered 1-3 be responded to appropriately.
- 13-27. The recommendations within the following report in the Accounting and Financial Management Section, numbered 4-7 be responded to appropriately.
- 13-28. The recommendations within the following report in the Internal Controls Section, numbered 8-15 be responded to appropriately.

<b><u>Responding Agency</u></b>	<b><u>Recommendations</u></b>	<b><u>Due Date</u></b>
Newberry Community Services District	1 through 3 4 through 5 8 through 14	09/28/13
LAFCO	15	09/28/13
San Bernardino County Auditor/Controller	6 and 7	09/28/13

**NEWBERRY COMMUNITY SERVICES DISTRICT**

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# Introduction

## Purpose

The Grand Jury received multiple citizen complaints regarding Newberry Community Services District's (NCSD or District) activities.

## Background

Community Services Districts are special districts provided for in the State Government Code by the California Legislature to enable residents and property owners in California's diverse communities to achieve local governance, provide needed public facilities, and supply public services. Community Services Districts may be any of the following:

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

Community Services Districts are legal entities, defined within State Government Code, with powers:

1. To adopt and enforce rules for administration, operation, and services;
2. To sue and be sued;
3. To acquire real and personal property;
4. To appoint employees, define their qualifications and duties;
5. To engage counsel and other professional services; and,
6. To enter into contracts and joint powers agreements

Community Services Districts are required to have an elected Board of Directors. The Board of Directors are responsible for making policies that ensure District's staff are providing chartered services in a responsible, regulatory compliant, and cost effective manner. State Code prescribes rules governing the manner in which a Board must post public notices of meetings, conduct their meetings, and record actions taken at meetings. Community Services District Board of Directors and their meetings are subject to the Ralph M. Brown Act which requires all Board business, but for specific exemptions such as personnel matters and legal advice, to be conducted in public along with certain other conduct related provisions.

NCSD consists of a five member elected Board of Directors. Current Board makeup consists of three men and two women each living within the Districts boundaries. The Board meets monthly to review Districts Operations and Financials in an open public format. Responsibilities of the

Board include oversight of the NCSF Fire Department, public street lighting, and parks and recreation upkeep and maintenance.

In order to execute their responsibilities, a Community Services District's Board of Directors has the ability to:

1. Obtain legal counsel on matters such as:
  - a. Brown Act compliance.
  - b. Employment related laws.
  - c. Bidding and procurement laws.
  - d. Advice on contracts and memorandums of understanding.
2. Obtain financial advice on planning, investments, accounting, and taxes issues.
3. Hire auditors to:
  - a. Ensure an accurate accounting of all District monies.
  - b. Review the District's system of internal controls.
4. Hire subject matter experts for advice on areas of specific concern.
5. Attend training specifically designed for Special District Board members.
6. Raise revenues via special taxes, benefit assessments, and by charging certain fees.
7. Direct the hiring of qualified staff in sufficient quantities, such that: State and county code requirements are met; a system of internal controls and checks-and-balances are in place; minutes of meetings are taken; bills are paid on time and accurately recorded; and to ensure the services, with which the District has been empowered to provide, are adequately provided. Positions may include a Treasurer, a Board Secretary, and administrative and functional department staff as required.

The Newberry Community Services District was formed on December 15, 1958. The District has been specifically empowered by the County of San Bernardino and the County's Local Agency Formation Commission (LAFCO) to provide the following services:

1. Water, including for management, domestic use, irrigation, sanitation, fire protection, and recreational purposes.
2. Fire Protection, including structural, watershed, suppression, and prevention.
3. Street lighting.
4. Parks and Recreation, including local park development, operation, and maintenance.
5. Sewers, including planning and engineering.

## Scope

Utilizing the regulatory framework established for Community Services Districts, as outlined above, the Grand Jury took the following actions to evaluate the issues raised in the citizens' complaints:

1. Subpoenaed financial documents, Board of Director's Meeting Minutes, District Bylaws, District Policy and Procedure manuals, banking records, and certain other district records.
2. Observed District Board of Directors' meetings.
3. Inspected certain facilities.



4. Conducted interviews.
5. Reviewed documentation provided by the District for compliance with State and County code, with its own policies and procedures, and for the adequacy of a system of internal controls.
6. Retained a management consulting firm with expertise in public agency matters and public agency accounting requirements.

## **Financial Period Reviewed**

Financial information reviewed was based primarily upon the District's 2011-2012 fiscal year, which ended on June 30, 2012 and utilized information from the District's General Ledger as of that date.

## **Acknowledgements**

The Grand Jury would like to thank the personnel from the Newberry Community Services District and others for their insight into the finances and operations of the District. In particular, we would like to thank the immediate past General Manager and staff for their efforts in compiling and indexing the many documents required for this review.

## Executive Summary

The Grand Jury received multiple citizen complaints of activities conducted by the Newberry Community Services District.

To accomplish these objectives, the Grand Jury reviewed various District documents and records; observed Board of Directors' meetings; inspected certain facilities; conducted interviews; and, retained a management consulting firm with expertise in public agency matters.

A summary of the findings and recommendations contained in this report are presented on the pages that follow, by report section number.

### Section 1. Governance

Newberry Springs Community Services District (NCSD) Board meetings are not conducted in accordance with rules of order or professional conduct recognized as best practices in public sector organizations. In addition, the NCSD does not consistently record or post official minutes in a timely manner, in violation of the District's own policies, and compromising the ability of Board members to recall official actions when reviewing the minutes for accuracy. A clear violation of California's Open Meeting Law, also known as the Brown Act, was observed by the Grand Jury and has been the topic of concern by members of the Newberry Springs community.

Further, members of the Board have attended mandatory ethics training. However, expanded trainings on leadership and effectively chairing public meetings are available through the California Special District Association, the Special District Leadership Foundation, the California State Association of Counties, and other bodies.

The Board should attend such trainings, and adopt and adhere to expanded, formal policies and rules regarding conduct at public meetings. In addition, NCSD management should take steps to ensure that records of official Board action are routinely recorded, approved for accuracy, and indexed for timely access by the public.

Based on these findings, the NCSD Board of Directors should:

1. The NCSD Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on *Roberts Rules of Order* and other accepted standards for parliamentary procedure.
2. Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings.
3. Direct the General Manager to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the District's current policy.

## Section 2. Accounting and Financial Management

The NCSD has not completed annual financial audits for the previous three fiscal years (2009-2010, 2010-2011, and 2011-2012). State Government Code requires public agencies, including special districts, to conduct annual financial audits within 12 months of the end of each fiscal year. The Board of Directors failure to execute this responsibility is in noncompliance with California Government Code at Section 26909 and 61118 for 2009-2010 and 2010-2011. Further, while State Code requires the County Auditor-Controller to ensure such audits are completed, efforts to monitor and enforce this provision have had limited effectiveness.

Financial reports required by State Government Code to be filed with the State Controller's Office have been submitted by NCSD, but were based upon unaudited and unverified data. Contrary to State code requirements, the District's FY 2011-12 annual report of financial transactions to the State Controller has not been reviewed by an independent public accountant to ensure that it agrees with the official records of the District. The financial information that has been provided, while unaudited, indicates some financial instability, which further underlies the need for regular financial audits.

NCSD lacks basic accounting procedures and controls. Specifically, District does not have: (1) a hierarchical account numbering system; (2) a financial or accounting manual; or, (3) a consistent system to classify expenditures carried out by the District. Further, the District lacks a consistent method for authorizing, classifying, and documenting expenditures from purchase cards.

Based on these findings, the NCSD Board of Directors should direct the General Manager to:

4. Re-adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement.
5. Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual.
6. Create purchase card procedures that require District staff to include documentation showing the purpose and justification for all expenditures.

The Auditor Controller should:

7. Revise *Outside Audit Report* procedures to include corrective actions for special districts that do not comply with State audit requirements for an extended period of time. Such corrective actions could include conducting audits and billing the districts for Auditor-Controller staff time or hiring an outside certified public accountant to conduct the audit and billing the district for the accountant's work.
8. Work with the Newberry Community Services District General Manager to determine a feasible approach to comply with audit requirements established in State Government Code Section 26909. Such approaches could, with the *unanimous* request of the Board of Directors and the *unanimous* approval of the Board of Supervisors, include:

- (a) A biennial audit covering a two-year period;

- (b) An audit covering a five-year period, if the District's annual revenues do not exceed an amount specified by the Board of Supervisors; or,
- (c) An audit conducted at specific intervals, as recommended by the County Auditor-Controller, which shall be completed at least once every five years.

### **Section 3. Internal Controls**

The District has By-laws and a Policy Handbook that contain some internal controls to help protect the District's financial and capital assets against the potential risk of loss or misuse. However, these policies remain insufficient for minimizing risk exposure to potential fraud and abuse. For example, the District's policies on purchase cards do not include spending and transaction limits to ensure that there are sufficient funds to pay for expenditures, segregate duties of purchase approvals and reconciliation to prevent potential fraud, or provide mechanisms for handling disputes and unauthorized charges.

In addition, the policies adopted to establish internal controls are not consistently implemented by Board members and District personnel, further exposing the District to unnecessary costs and potential misuse of District tax dollars for personal benefits. Violations of policies that indicate weak internal controls include:

- The lack of documentation for purchase card expenditures;
- Significant expenditures made with purchase cards without required Board approval;
- Lack of timely payments for purchase card billing statements to avoid potential penalties and fees;
- Reimbursement of expenses without sufficient documentation to ensure they were for District business; and,
- The lack of several key documents and tools such a log of all communication with District Counsel, a policy handbook for the Fire Department, and a catalog of retained District records.

Multiple resignations and terminations by the Board of key personnel within the organization during the audit period coincided with breakdowns in internal controls and the ability of the organization to respond by reassigning functions or implementing compensating controls is limited.

Finally, the District does not have an adequate Capital Management Asset System to control inventory and record key information central to making maintenance and replacement decisions.

Based on these findings, the NCSD Board of Directors should:

#### **9. Revise its purchase card policies to:**

- (a) Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards,

subsequently relinquish any purchase cards currently issued to Board members, and

- (b) Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payments, such as:
  - (i) Spending and transaction limits for each cardholder;
  - (ii) Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders;
  - (iii) A process for handling disputes and unauthorized purchases; and,
  - (iv) A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation.

10. Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and (a) discuss questionable disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.

The General Manager should:

- 11. Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards.
- 12. Review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook.
- 13. Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval.
- 14. Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls:
  - (a) District Legal Counsel Log;
  - (b) Policy handbook for the Fire Department; and,
  - (c) Catalog of all retained District records.

15. Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.

The Local Agency Formation Commission (LAFCO) should:

16. Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.

# 1. NCSD Governance

As a public entity, the NCSD is bound by various laws embedded in the California State Government Code, which establish rules for open meetings and the retention of official records. In addition, best practices are employed by government entities around the world to ensure that the deliberations of public bodies are clearly communicated, and actions are well articulated and accurately recorded. Further, best practices establish various protocol for members of the public to be provided with the opportunity to comment on matters before elected bodies or on matters of general concern, in an orderly, respectful and efficient manner.

## NCSD Public Meetings

Because the NCSD is a public entity that derives its authority from the voters, it is incumbent upon members of the elected Board of Directors to establish policies, procedures and rules that govern the manner in which it conducts the public's business. Based on a review of records, testimony from individual Board members and observations at public meetings, the Grand Jury found that: (1) the Board has not formalized a robust policy framework, rules or protocol for conducting public meetings; (2) individual members of the Board and other persons often exhibit inappropriate behavior during public meetings; and, (3) records of official action are not consistently prepared or otherwise completed in a timely manner.

## Open Government Policy Framework and Rules Are Weak

NCSD Policy 5070 establishes the "Rules of Order for Board and Committee Meetings." Although loosely based on well-regarded rules defining parliamentary procedures, Section 5070.1.1 states that "These rules of order are intended to be informal and applied flexibly. The Board prefers a flexible form of meeting and, therefore, does not conduct its meetings under formalized rules – Roberts Rules of Order." Subsection 5070.1.1.1 further states that "If a Director believes order is not being maintained, then he/she should raise a point of order – not requiring a second – to the President. If the ruling of the President is not satisfactory to the Director, then it may be appealed to the Board. A majority of the Board will govern and determine the point of order."

The intended flexibility of these Rules of Order is emphasized in other sections of the policy. Subsection 5070.5.1 states that "The President shall take whatever actions are necessary and appropriate to preserve order and decorum during Board meetings, including public hearings. The President may eject any person or persons making personal, impertinent or slanderous remarks, refusing to abide by a request from the President, or otherwise disrupting the meeting or hearing." Further, Subsection 5060.6.1 states that "By motion made, seconded and approved by a majority vote, the Board may, at its discretion and at any meeting: a) temporarily suspend these rules in whole or in part; b) amend these rules in whole or in part; or, c) both." The remainder of the Policy addresses procedures for individual Directors to obtain the floor; and, offering, commenting and moving motions to a vote.

Although different parliamentary procedures have been developed over the years, *Roberts Rules of Order* are generally considered to be the standard for local government entities in the United

States. The *Institute for Local Government*<sup>1</sup> states that formalized rules of order are necessary to “guide the discussion and decision-making process.” Although following parliamentary procedure is not required in California, it is considered to be a best practice, makes public meetings more efficient, and reduces the chances of official actions being declared illegal or challenged for procedural deficiencies.

Further, the League of California Cities, in the organization’s publication *Open and Public IV*, has made the observation that there are certain key principles and goals that should be considered when government bodies develop their policies regarding public meetings:

- A legislative body's need to get its business done smoothly;
- The public's right to participate meaningfully in meetings, and to review documents used in decision-making at a relevant point in time;
- A local agency's right to confidentially address certain negotiations, personnel matters, claims and litigation; and,
- The right of the press to fully understand and communicate public agency decision-making.

Although prepared in the context of the State’s Open Meeting Law (i.e., the “Brown Act”), these principles support the concept that in order to operate effectively, meetings require rules and procedures to ensure orderly, efficient, and productive sessions in a calm, professional setting. The limitations of the District’s current policy, including the desire for “flexibility” embedded in the policy foundation, do not support the accomplishment of these goals. The League of California Cities continues by stating, “An explicit and comprehensive public meeting and information policy, especially if reviewed periodically, can be an important element in maintaining or improving public relations. Such a policy exceeds the absolute requirements of the law . . . A narrow legalistic approach will not avoid or resolve potential controversies. An agency should consider going beyond the law, and look at its unique circumstances and determine if there is a better way to prevent potential problems and promote public trust.”

As will be discussed below, the public trust appears to have been damaged in the NCSD, in part by the manner in which public meetings are conducted, the behavior of Directors during public meetings and inconsistencies with the preparation and maintenance of official records of action. As a first step toward improving public access and communication, the NCSD should adopt more robust policies regarding parliamentary procedure, adhering to the basic principles of *Roberts Rules of Order*, which have been in existence and used by local government agencies in the United States for well over 100 years. When developing these policies, the District should consult with the California Special District Association (CSDA), which can provide resources and make suggestions regarding best practices for special district organizations.

## **Members of the Board Exhibit Inappropriate Behavior at Public Meetings and May Have Acted in Violation of California Law**

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<sup>1</sup>An affiliate of the California State Association of Counties (CSAC) and the League of California Cities.



As part of the Grand Jury's investigation, members attended NCSD Board meetings and listened to numerous tape recordings of other meetings to assess the effect of the weak policy foundation on proceedings. The following observations were made:

- Before the start of Board meetings, members of the public who wish to address the Board fill out a "Request to Be Heard" card and are provided with three minutes to voice their concerns. Although this is a typical practice in government organizations, members of the public were also permitted to engage in discussions at any time during the meeting, without filing the required Request to be Heard Card. Often, members of the public spoke to individual directors without going through the President and, although some persons would raise their hand to be recognized, in many instances other persons would simply begin to speak without being recognized. Sometimes, multiple conversations occurred simultaneously and discussions between persons in the audience were conducted separately while the Board merely watched and listened.
- In several instances, members of the Board engaged in arguments with one another and members of the public. During these exchanges, the meetings were disrupted as people talked over one another and made sarcastic and snide remarks. In some instances, the arguments between Board members became overly heated, causing some members to walk out while the meeting proceeded. In another instance, a Board member challenged a member of the public who had just finished addressing the Board. This resulted in a brief shouting match between the two. In another instance, a member of the public was talking loudly during the meeting and, when asked by a Board member to be silent, the person responded with an obscene gesture.
- Some Board members were seen slouching in their chairs, keeping their heads down and speaking in voices that could barely be heard by the audience. Such behavior gives the impression that these members are indifferent and/or disinterested in the proceedings, is disrespectful and unprofessional.
- The unprofessional behavior of the Board has been observed for some time by previous employees and members of the public. In March 2012, the resignation letter submitted by a former Fire Chief, stated that his departure was due, in part, to ". . . the public fights and bickering so prevalent on the NCSD Board."
- At the February 26, 2013 meeting of the Board, an argument started regarding whether the Board member could remove an agenda item without a vote of the Board. The item in question concerned an accusation that a sitting member of the Board had committed fraud and conspiracy. During recess, three members of the Board (a quorum) were observed talking together in private, which is a clear violation of the Brown Act. The Newberry Springs Community Alliance, which describes itself as a ". . . grassroots organization of residents and property owners fostering an improvement of Newberry Springs through the engagement of educating the community" regularly blogs critical comments about the Board. In March 2013, this organization blogged "The CSD Board has had a hard time holding a single meeting that doesn't contain a Brown Act violation."

These examples of poor behavior by Board members, and the inability of the President to control both Board member and audience interaction, suggest that the individual members of the Board

have not yet developed the necessary skills to lead or participate in public meetings in a professional manner. Combined with more robust policies, procedures and rules defining parliamentary procedures, Board members should be provided with training on duties, responsibilities and behavior as elected officials.

Further, it is clear that members of the Board may not be familiar with the requirements of the California Open Meeting Law or Records Retention Act, as discussed in the section, below. Accordingly, the City Attorney should be requested to develop and lead workshops on these topics to ensure that current and future Board members have the background and knowledge to adhere to these laws.

### **Board Members Have Not Been Provided With Appropriate Training**

Assembly Bill 1234 requires that all board members of special districts complete a two-hour, on-line Ethics Compliance Training Course after joining the Board. Based on records maintained by the District, all Board members have received this training. The California Special District Association (CSDA) provides training for elected officials and managers of special districts, including various orientation trainings, leadership summits, and related topics such as human relations and resource management. Other courses are provided through the Special District Leadership Foundation, and guides are available through the State Board of Equalization and other bodies. In addition, other trainings are offered by Statewide organizations, such as the California State Association of Counties (CSAC) that may be helpful to the District's leadership. For example, CSAC has an agreement with California State University Northridge to provide special courses for elected officials and managers that can be attended to obtain credit towards a Master Degree in Public Administration. In addition, CSAC offers courses through the *Institute for Excellence in County Government*, which may be beneficial to the District directors, including:

- The Art and Practice of Elected Leadership;
- Getting Things Done: Working Effectively to Achieve Objectives;
- Chairing and Managing Effective Public Meetings;
- Making Impressions: Media Interviewing;
- Negotiation and Collaboration in Complex Environments; and,
- Advanced Practice in Negotiation.<sup>2</sup>

Although these courses are designed for County elected officials, the topics and content can also be applied to the operations of the NCSD. The members of the Board should explore the opportunity for attending selected courses, with the goal of improving the conduct of public meetings and interactions with each other and members of the public.

### **Records of Board Actions Are Not Complete or Prepared in a Timely Manner**

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<sup>2</sup> Go to [http://www.csac.counties.org/sites/main/files/file-attachments/2013-winter-spring-publish\\_3.pdf](http://www.csac.counties.org/sites/main/files/file-attachments/2013-winter-spring-publish_3.pdf) to view a complete description of available courses for the Spring 2013 schedule.

NCSD Policy 5060.1.1 states that:

Copies of a meeting's minutes shall be posted for a minimum of 10 days on the NCSD website within 14 (days) of NCSD meeting for public review. Copies of meeting minutes shall be distributed to Directors as part of the information packet for the next regular meeting of the Board, at which time the Board will consider approving the minutes as presented or with modifications. Once approved by the Board, the official minutes shall be kept in a fireproof vault or in a fire-resistant cabinet.

The NCSD does not adhere to this policy.

During the period of this review, the Grand Jury found that Board minutes were not being consistently recorded, posted and secured in the manner prescribed by Policy 5060.1.1. Minutes were generally not transcribed promptly and were not ready for approval at the next regularly scheduled Board meeting. When copies of minutes were requested, the current General Manager reported that she had to look in several locations before they were located. A number of Board minutes were audio recorded but not transcribed for weeks or months later, resulting in some Board members not recalling what actions were taken on agenda items when presented with the written notes for approval.

Members of the Grand Jury reviewed the written notes and listened to numerous audio recordings of Board meetings. The background noise on some recordings made it difficult to hear or understand who was speaking and, in some cases, what was being said. Some audio recordings were started after the meetings were called to order and no references to the dates of the meetings were heard. This creates difficulties with providing an accurate written record of Board proceedings, even when the audio recordings are transcribed. For example, the Board minutes from the August 28, 2012 meeting included a typed side-note that stated the notes "... are not transcripts of the meetings; only the hi-lights and hopefully accurate."

To ensure that there are accurate records of official actions, the Board should direct the General Manager to begin and maintain a process to record, transcribe, post, and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the District's current policy.

## Conclusions

NCSD Board meetings are not conducted in accordance with rules of order or professional conduct recognized as best practices in public sector organizations. In addition, the NCSD does not consistently record or post official minutes in a timely manner, in violation of the District's own policies, and compromising the ability of Board members to recall official actions when reviewing the minutes for accuracy. A clear violation of California's Open Meeting Law, also known as the Brown Act, was observed by the Grand Jury and has been the topic of concern by members of the Newberry Springs community.

Further, members of the Board have attended mandatory ethics training. However, expanded trainings on leadership and effectively chairing public meetings are available through the California Special District Association, the Special District Leadership Foundation, the California State Association of Counties, and other bodies.

The Board should attend such trainings, and adopt and adhere to expanded, formal policies and rules regarding conduct at public meetings. In addition, NCSD management should take steps to

ensure that records of official Board action are routinely recorded, approved for accuracy, and indexed for timely access by the public.

## **Recommendations**

The NCSD Board of Directors should:

- 1 The NCSD Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on *Roberts Rules of Order* and other accepted standards for parliamentary procedure.
- 2 Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings.
- 3 Direct the General Manager to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the District's current policy.

## **Costs and Benefits**

There would be minimal cost for the members of the Board to attend leadership and other training offered by CSDA and CSAC.

Parliamentary procedures recognized throughout the world would be followed by the NCSD Board, and the Board members would receive the training necessary to provide leadership and ensure a more professional atmosphere at public meetings. The risk of Directors violating California Open Meeting Laws and the California Records Act would be reduced.

## 2. Accounting and Financial Management

### NCSD Lacks State-Mandated Financial Audits

NCSD has not completed annual financial audits for fiscal years 2009-2010, 2010-2011, and 2011-2012. NCSD is therefore not in compliance with State Government Code Section 26909 for 2009-2010 and 2010-2011, which requires annual audits of financial condition for all special districts within 12 months of the end of a fiscal year.

The State Controller's Office prescribed minimum auditing requirements for special districts, set out in Title 2, Section 1131.2 of the California Code of Regulations, consist of 17 general statements that county auditors or independent accounting firms should consider in preparing an audit program. These 17 statements include the following important steps, among others:

- A proper study and evaluation of the existing internal control and the financial organizational structure;
- A review of the district's report of financial transactions to the State Controller to see that it agrees with official records of the district for the period. The State Controller should be informed of any material difference;
- A determination that expenditures were properly documented, authorized and incurred and are proper charges to the fund and appropriation against which they have been charged; and,
- A verification of all assets and liabilities in accordance with generally accepted auditing standards.

The failure to follow these and the other requirements set out by the State Controller has led to negative consequences for NCSD including: (1) putting NCSD out of compliance with State Code; (2) leaving residents and taxpayers without a reasonable assurance that financial statements are presented fairly and accurately; and, (3) putting the District at greater risk of waste, fraud and abuse due to the absence of any review of internal controls.

The lack of audited financial statements is also not consistent with industry best practices, such as those promulgated by the *Institute for Local Government*, which notes that "audited financial reports alert governing body members if there are irregularities in financial practices and financial reporting."<sup>3</sup>

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<sup>3</sup> The Institute for Local Government is an affiliate of the California State Association of Counties and the League of California Cities. The best practices information can be found online at this address: [http://www.ca-ilg.org/sites/main/files/file-attachments/resources\\_3r\\_Financial\\_Reporting\\_and\\_Accounting.pdf](http://www.ca-ilg.org/sites/main/files/file-attachments/resources_3r_Financial_Reporting_and_Accounting.pdf)

## **Auditor-Controller Monitoring of Audit Requirements Has Had Limited Effectiveness with NCSD**

State code places responsibility on the County Auditor-Controller for making sure special districts are audited annually or on a different frequency under certain restrictions. Specifically, Section 26909 of the State Government Code requires county auditors to:

Either make or contract with a certified public accountant or public accountant to make an annual audit of the accounts and records of every special district within the county for which an audit by a certified public accountant or public accountant is not otherwise provided.

The Internal Audits Section of the County Auditor-Controller, which is responsible for performing operational and financial audits of special districts, has taken steps to monitor special districts' compliance with State auditing requirements. However, these efforts have not been successful with NCSD.

The Auditor-Controller has procedures that call for repeated, increasingly assertive correspondence with general managers and district boards that have not completed a financial audit on time. In the case of NCSD's FY 2011-12 audit, the Auditor-Controller relied on the District's general manager's and its certified public accountant's assertions that a contract was in place to conduct audit services. However, as noted later in this section, the work performed by the certified public accountant does not comply with State audit requirements.

The enforcement of Section 26909 is somewhat complicated by the Code's requirement that any costs incurred by the county auditor, including any contracts with accountants, be borne by the special district. County Auditor-Controller management staff has asserted to our audit team that there has been some hesitancy to enforce the annual audit requirement on NCSD due to the District's budgetary constraints. However, there has been no formal steps taken or analysis conducted by the Auditor-Controller to determine the most cost effective method of complying with State audit requirements.

### NCSD and Auditor-Controller Have Not Pursued Potential Alternatives to Annual Audits

Neither NCSD nor the Auditor-Controller have studied or pursued potential alternatives to annual audits allowed for in the State Government Code under certain restrictions. Specifically, Government Code Section 26909 allows for the following three alternatives if requested unanimously by the special district's governing board and unanimously approved by the Board of Supervisors:

1. A biennial audit covering a two-year period;
2. An audit covering a five-year period, if the special district's annual revenues do not exceed an amount specified by the Board of Supervisors; or,
3. An audit conducted at specific intervals, as recommended by the County Auditor, which shall be completed at least once every five years.

Given the District's relatively small budget of approximately \$250,000 per year, the Auditor-Controller and District Board members should consider these alternatives, which would require fewer resources to be devoted to financial audits, but would still be in compliance with State requirements.

## **2011-12 Financial Review Did Not Meet Minimum Audit Requirements**

Financial reports required by State Government Code to be filed with the State Controller's Office have been submitted by NCSO, but were based upon unaudited and unverified data. Contrary to State code requirements, the District's FY 2011-12 annual report of financial transactions to the State Controller has not been reviewed by an independent public accountant to ensure that they agree with the official records of the District.

In September 2012, NCSO contracted with a certified public accountant for audit services covering financial transactions in FY 2011-12. The Auditor stated the District did not provide adequate or sufficient documentation to complete an audit and express an audit opinion. However, these services did not meet the minimum requirements prescribed by the State Controller's Office for audits of special districts. Rather, in his transmittal letter to the District's Board of Directors the certified public accountant stated that his work was limited to putting together the financial report that must be filed annually with the State Controller. Further, the letter states that "I have not audited or reviewed the financial statements referred to above and accordingly do not express an opinion or any other form of assurance on them."

The State Controller's prescribed minimum audit requirements are contained in the California Code of Regulations (Title 2, Section 1131.2). As previously mentioned, these minimum requirements include the statement that:

the district's report of financial transactions to the State Controller should be reviewed to see that it agrees with the official records of the district for the period. The State Controller should be informed of any material difference.

The General Manager should prepare the District's financial statements on an annual basis before they are reviewed by the Auditor-Controller or a certified public accountant to ensure they are an accurate reflection of the District's financial condition.

## **Financial Data Reported to State Controller Indicate Financial Instability and Structural Deficits**

Although the data provided to the State Controller's Office is unaudited, a review of such data indicates financial instability, which further underlies the need for regular financial audits. As seen in Table 2.1 below, the District appears to have run a deficit in FY 2009-10 of approximately \$18,000 or about 8 percent of total revenues. Further, the lighting and lighting maintenance function has run deficits ranging from \$41,142 to \$5,011 from FY 2008-09 to FY 2010-11 and the Recreation and Park Function has run deficits of approximately \$25,000 in FY 2009-10 and about \$2,300 FY 2010-11. NCSO management has been unable to identify the cause(s) of these deficits. Additionally, the District's methodology for assigning district-wide costs such as Director's fee, office costs, and accounting and legal fees between the three functional departments is not documented, and therefore cannot be verified.

**Table 2.1****NCSD Expenditure Data Reported to State Controller**

<b>Activity</b>	<b>FY 2008-09 Revenues</b>	<b>FY 2008-09 Expenditures</b>	<b>FY 2009-10 Revenues</b>	<b>FY 2009-10 Expenditures</b>	<b>FY 2010-11 Revenues</b>	<b>FY 2010-11 Expenditures</b>
Fire Protection	\$152,701	\$119,179	\$124,762	\$112,437	\$136,411	\$109,611
Lighting and Lighting Maintenance	3,434	44,576	2,141	7,152	2,210	8,698
Recreation and Park	155,645	142,136	98,935	124,115	100,563	102,910
<b>Total</b>	<b>\$311,780</b>	<b>\$287,891</b>	<b>\$225,838</b>	<b>\$243,704</b>	<b>\$239,184</b>	<b>\$221,219</b>

Source: State Controller's Office

**NCSD Lacks Sufficient Accounting Procedures and Controls**

NCSD lacks sufficient accounting procedures and controls. According to State Government Code 61053, NCSD must:

adopt a system of accounting and auditing that shall completely and at all times show the district's financial condition. The system of accounting and auditing shall adhere to generally accepted accounting principles.

However, the District does not have: (1) a hierarchical account numbering system; (2) a financial or accounting manual; or, (3) a consistent system to classify expenditures carried out by the District. Further, although the State Controller requires special districts to use the modified accrual basis of accounting, it is not employed at NCSD.

**NCSD Lacks Account Numbering System and Financial Manual**

Beginning in FY 2012-13, the District abandoned utilizing its numerical and hierarchical account structure in favor of an accounting scheme based on account titles. A fundamental objective of accounting is to accurately classify transactions such as expenditures and receipts into proper "buckets" or accounts. Accounts are generally identified utilizing a numeric or alpha-numeric scheme. Accounting identifiers are usually broken down into some type of hierarchical components to accommodate data correlation and reporting activities. The numerical assignment of an accounting identifier also facilitates system to system and intra-system exchanges of data, such as from a Purchase Order system to the General Ledger. The abandonment of account numbers inhibits accurate and efficient hand-offs of accounting data for establishment and performance measurement of budgets and future growth into new and more sophisticated computer system interfaces.

NCSD lacks a financial or accounting manual, which would provide guidance to the General Manager and other staff on how to create and maintain District accounts and prepare the District's income statement, general ledger, and annual financial statement. In addition, a



financial or accounting manual would assist the staff in using modified accrual based accounting, which is required by the State Controller for non-enterprise funds.

The lack of a financial or accounting manual may have led to the following odd general ledger and income statement entries observed by the Grand Jury from FY 2011-12:

- On the District's Income Statement, a revenue line title "Deposits Not Recorded" shows a value of \$121,248.76, which is 47 percent of the District's fiscal year revenue. No explanation was found for the purpose or intended usage of this account.
- Account 5100 titled "Directors Stipend" reflects amounts that are not in increments of \$50 even though Directors are paid \$50 per authorized meeting.
- Account 5101 titled "Secretary Salary" reflects payments made to five individuals ranging from \$39.67 to \$12,640.02. However, the District did not have five secretaries during FY 2011-12.

### **Expenditures Not Consistently Classified to Support Proper Accounting**

NCSD does not consistently classify or document expenditures to allow for proper accounting of the various functions carried out by the District. For example, approximately \$20,000 of purchase card expenditures was placed in a general ledger clearing account because the former General Manager, lacking documentation, could not determine the appropriate cost account. Additionally, a 4,000 gallon Water Tender Truck was acquired via a capital lease, but is being accounted for as an operating lease. This misstates both the District's assets and liabilities. The failure to properly classify expenditures leaves the District non-compliant with the State Code requirement to adopt a system of accounting and auditing that shall completely and at all times show the District's financial condition. It also affects the accuracy of the District's State-mandated financial reporting.

### **District Has Weak Check Reconciliation Process**

NCSD's check reconciliation process has been deficient. The District's FY 2011-2012 account for workers' compensation insurance was overstated by the value of one extra quarterly payment in the amount of \$2,172, which resulted from a voided check not being reversed off the books. This is an indicator of a weak check reconciliation process.

Reconciling bank statements to check registers and to General Ledger account balances is a fundamental management practice and a basic internal control process. This process ensures the bank's records are in-line with the District's records, and that any voided or un-cashed checks are identified for follow-up and corrective action if needed. A check that has been voided must also have its charged reversed on the accounting ledgers. Failure to reverse an entry in the accounting ledger will overstate expenditures and under-state the District's actual cash position. The General Manager has indicated that improvements to the check reconciliation process have been implemented. Identifying any additional prior year problems requires the completion of outstanding audit work.

## Conclusions

The Newberry Community Services District (NCSD) has not completed annual financial audits for the previous three fiscal years (2009-2010, 2010-2011, and 2011-2012). State Government Code requires public agencies, including special districts, to conduct annual financial audits within 12 months of the end of each fiscal year. The Board of Directors failure to execute this responsibility is in noncompliance with California Government Code at Section 26909 and 61118 for 2009-2010 and 2010-2011. Further, while State Code requires the County Auditor-Controller to ensure such audits are completed, efforts to monitor and enforce this provision have had limited effectiveness.

Financial reports required by State Government Code to be filed with the State Controller's Office have been submitted by NCSD, but were based upon unaudited and unverified data. Contrary to State code requirements, the District's FY 2011-12 annual report of financial transactions to the State Controller has not been reviewed by an independent public accountant to ensure that it agrees with the official records of the District. The financial information that has been provided, while unaudited, indicates some financial instability, which further underlies the need for regular financial audits.

NCSD lacks basic accounting procedures and controls. Specifically, District does not have: (1) a hierarchical account numbering system; (2) a financial or accounting manual; or, (3) a consistent system to classify expenditures carried out by the District. Further, the District lacks a consistent method for authorizing, classifying, and documenting expenditures from purchase cards.

## Recommendations

The Newberry Community Services District Board of Directors should direct the General Manager to:

- 4 Re-adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement.
- 5 Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual.

The Auditor Controller should:

- 6 Revise *Outside Audit Report* procedures to include corrective actions for special districts that do not comply with State audit requirements for an extended period of time. Such corrective actions could include conducting audits and billing the districts for Auditor-Controller staff time or hiring an outside certified public accountant to conduct the audit and billing the district for the accountant's work.
- 7 Work with the Newberry Community Services District General Manager to determine a feasible approach to complying with audit requirements established in State Government Code Section 26909. Such approaches could, with the *unanimous* request of the Board of Directors and the *unanimous* approval of the Board of Supervisors, include:

- (a) A biennial audit covering a two-year period;
- (b) An audit covering a five-year period, if the District's annual revenues do not exceed an amount specified by the Board of Supervisors; or,
- (c) An audit conducted at specific intervals, as recommended by the County Auditor-Controller, which shall be completed at least once every five years.

## **Costs and Benefits**

The costs of implementing with these recommendations would include District staff time to draft and adopt policies and procedures.

The benefits of implementing these recommendations would include stronger controls over accounting and management of the District's finances and greater transparency in the reporting of the District's financial condition. The benefits would also include compliance with State Government Code audit requirements for special districts.

### 3. Internal Controls

According to the Government Finance Officers Association (GFOA), the purpose of internal controls is to protect government's financial and capital assets against the potential risk of loss or misuse. Further, internal controls are needed to ensure that all financial transactions are properly authorized and data in financial reports are reliable. Although there are references to internal controls in the NCSD By-laws and Policy Handbook, they are (1) insufficient for ensuring that the District's assets are protected against potential loss or misuse and (2) are not consistently implemented by District Board members and personnel.

#### Deficient Internal Controls for District Expenditures

NCSD revenues are used to procure materials, supplies and services for District business through purchase cards, contracts with outside contractors and consultants, and reimbursement of expenses made by District Board members and personnel. The Policy Handbook requires various protocols for approval of such expenditures, along with sufficient documentation to ensure that expenditures were appropriately tied to District business. However, sufficient documentation of required approval and/or explanations for the appropriateness of the expenditures were not always provided to the Grand Jury.

#### CAL-Card Purchase Cards

The California Department of General Services has a Master Services Agreement (MSA) with U.S. Bank for purchase card services. Local tax funded agencies such as the District are able to participate in the MSA and obtain CAL-Cards (purchase cards) by submitting required documentation, including a signed Local Agency Addendum to the MSA. Advantages of participating in the CAL-Card program include: (1) no cost for participation; (2) rebates for average transactions, volume sales and prompt payment; and, (3) streamlined purchases by eliminating the need for extensive advertising, bidding and contracting procedures.<sup>4</sup>

#### Insufficient Internal Control Policies and Procedures

In accordance with the U.S. Bank CAL-Card Program Administrator Guide, the District adopted purchase card policies on July 26, 2011.<sup>5</sup> However, based on a comparison with GFOA recommended internal control best practices for purchase cards, these policies are not adequate to ensure that the District can minimize the risk of costly, unnecessary, and/or inappropriate purchases. Table 3.1 below illustrates that the District lacks a few key internal control policies such as spending and transaction limits, reconciliation procedures, and a process for handling disputes and unauthorized purchases.

<sup>4</sup> California Department of General Services, CAL-Card (Purchase Card), <http://www.dgs.ca.gov/pd/Programs/CALCard.aspx>

<sup>5</sup> District Policy Handbook: Policy Number 3075.

**Table 3.1**

**Government Finance Officer Association (GFOA) Best Practices vs. District  
Purchase Card Policies**

<b>GFOA Best Practices</b>	<b>District Policy Number 3075</b>	<b>Grand Jury Comments</b>
Clear guidelines on the appropriate use of purchasing cards	<b>3075.3.2</b> All purchasing card expenses shall be reasonable and necessary to the furtherance of District business. No personal expenses shall be charged on a District purchasing card.	
Spending and transaction limits for each cardholder, both per transaction and on a monthly basis		Spending and transaction limits ensure that the District has sufficient funds to pay for expenditures.  The Policy Handbook fails to mention spending limits. The District did not provide the Grand Jury with additional internal usage guidelines for purchase cards.
Review and approval process	<b>3075.3.3<sup>1</sup></b> The Treasurer shall review and approve purchasing card transactions by the cardholders.	
Timely reconciliation by cardholders and supervisors		Reconciliation includes verifying that purchased goods and services were received, acceptable, and charged appropriately in the purchase card statement.  The Policy Handbook fails to mention reconciliation policies and procedures.
Retention of sales receipts and documentation of purchases	<b>3075.3.3<sup>1</sup></b> All purchase card expenses shall have third-party documents (receipts) attached and the District purpose annotated by the cardholder.	
Segregation of duties for payment approvals, accounting, and reconciliation	<b>3075.3</b> A purchasing card shall be issued to the General Manager and the Treasurer. Purchasing cards shall not be issued to members of the Board of Directors without a majority vote of approval by the Board.  <b>3075.3.3<sup>1</sup></b> (Above)	Although both the General Manager and Treasurer are issued a purchase card, only the Treasurer shall review purchases. This is a failure to segregate approval of use from actual use.  The Policy Handbook fails to mention reconciliation policies and procedures.
Procedures for handling disputes and unauthorized purchases		If reconciliation occurs on a consistent basis and errors are identified, there should be a process for preventing payment for unauthorized or incorrect charges.  The Policy Handbook fails to mention procedures for handling disputes and unauthorized purchases.

Source: "GFOA Best Practice: Purchasing Card Programs," Approved February 2011 and District Policy Handbook, 2012.

<sup>1</sup>3075.3.3 is listed twice in the District Policy Handbook.

### *Segregation of Duties*

The District is in violation of the State MSA by allowing District Board members to be purchase cardholders, with a majority vote of approval by the Board.<sup>6</sup> The MSA explicitly states that the CAL-Card Program is available for use by individual government employees. Pursuant to California Government Code 6140, Board members are responsible for determining policies such as budgets and programs, while the General Manager, a government employee, is responsible for implementing them.

Despite the segregation of duties between policy making and implementation of those policies, such as making purchases, two District Board members<sup>7</sup> were issued purchase cards and incurred \$10,059 and \$7,985, or a total of \$18,044 in expenditures in FY 2011-12. This represents approximately 25 percent of the total FY 2011-12 expenditures of \$70,767 incurred through purchase cards. When District Board members make purchases of this magnitude, the General Manager and/or Treasurer, as government employees, are placed in an awkward position of approving expenditures for those with the power to terminate their employment. Such conditions diminish the District's ability to effectively implement internal controls.

The State Master Services Agreement and U.S. Bank CAL-Card Program guides identify at least four distinct roles and their respective duties within any agency participating in the purchase card program. The segregation of duties prevents any single person from taking advantage of the purchase card program to make unauthorized and/or personal purchases. In contrast, the District Policy Handbook identifies the General Manager, Treasurer, and any other potential cardholder, but the duties of each are not as clearly defined or segregated.

According to the MSA participating agencies should have the following:

- **Program Coordinator/Administrator:** An individual responsible for management and oversight of the purchase card program, including following contract terms, ensuring timely payment of invoices, developing and enforcing agency policy, procedures and training. A Purchasing Officer or equivalent typically maintains this position.
- **Approving Official:** An individual responsible for monitoring, reviewing, and approving the purchases of assigned cardholders. A Budget Manager for which the funds are to be expended by the assigned cardholders typically maintains this position.
- **Billing Officer:** An individual responsible for the timely management and oversight of the invoice reconciliation and payment process. An Accounting Officer or equivalent typically maintains this position.
- **Cardholder:** An individual designated by the Program Coordinator/Administrator and Approving Official to receive a purchase card and make purchases.

<sup>6</sup> Approval by the Board of Directors assumes a "yes" vote by at least two Board members, the minimum number of members to achieve a majority when there are three Board members present to establish quorum and take action.

<sup>7</sup> As of the writing of this report, the Grand Jury could not verify if the two Board members received the necessary approval from other Board members to receive purchase cards.

The District is violating the best practice of segregating duties because the Treasurer appears to serve in at least three of the above roles and perform the following duties simultaneously: (1) recommending internal usage guidelines for the purchasing cards to the Board for approval (Program Coordinator/Administrator duty), (2) approving purchases of assigned cardholders (Approving Official duty), and (3) making purchases on behalf of the District with an issued purchase card (Cardholder duty). Additionally, no personnel are explicitly assigned invoice reconciliation and payment responsibilities (Billing Officer duty) in the District Policy Handbook. It is more appropriate for the General Manager to serve in the function of Program Coordinator/Administrator and Approving Official while the Treasurer serves as the Billing Officer.

Because of the small size of the District, it may be acceptable to issue purchase cards to both the General Manager and Treasurer. However, approving and reconciling purchases should be conducted by someone other than the person making purchases, as recommended by GFOA best practices. Therefore, if both the General Manager and Treasurer continue to make purchases with issued purchase cards, the Treasurer should approve and reconcile the General Manager's purchases and vice versa.

The District should revise its Policy Handbook to (a) exclude Board members as purchase cardholders and (b) include internal controls such as (i) spending and transaction limits; (ii) clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders; and, (iii) a process for handling disputes and unauthorized purchases. Purchase cards issued to Board members should be subsequently relinquished. Additionally, the General Manager should train all staff involved in the purchase card program of the new and revised purchase card policies.

#### Inconsistent Implementation of Policies and Procedures

In addition to lacking key internal controls for purchase card expenditures, the District has failed to provide consistent documentation to ensure that the internal controls that do exist are executed and serving its purpose(s).

#### *Lack of Receipts make it Difficult to Conclude Appropriate Expenditures*

The District spent \$70,767 in FY 2011-12, but the District did not provide receipts explaining what individual charges on the U.S. Bank statements were for. Without such documentation, it is impossible to verify if the charges met the Policy Handbook's criteria of "reasonable and necessary" expenses for District businesses or if personal expenses were charged to the purchase cards and paid for with District tax dollars. For example, typical purchase card expenditures in FY 2011-12 included fuel at a gas station. However, there was an instance when one cardholder made three separate fuel purchases on the same day. Without documentation and further explanation, it is difficult to determine if significant travel for district business occurred on the same day, requiring multiple fueling, or if multiple cars, including personal cars, were fueled with the same District purchase card. Going forward, the Treasurer or General Manager should not approve payment of purchase card transactions without the submission of sufficient documentation demonstrating the appropriateness of the purchase(s). If a cardholder fails to timely submit receipts and other documentation, the cardholder should be held responsible for paying the purchase with their own funds and any subsequent late fees or penalties caused by delays in submitting receipts and/or payment.

### *Significant Expenditures Occurred without Board Approval*

In September of 2011, a single transaction totaling \$11,277 was charged for a purchase from NUVAIR. Three additional purchases from NUVAIR occurred on the same date, resulting in a total of \$12,587 charged to the same purchase card. The initial transaction and aggregate transactions for the same vendor exceed \$5,000. District Policy 3040.2 states that any purchase or expense greater than \$5,000 must be submitted to the Board of Directors for approval. However, approval for the NUVAIR purchase was not recorded in Board meeting minutes. Therefore, internal controls are insufficient to ensure that purchase card transactions comply with other District expenditure policies.

### *Lack of Timely Payments of Billing Statements*

Although the Policy Handbook requires that all purchase card bills shall be paid in a timely manner to avoid late fees and finance charges, half of the billing statements in FY 2011-12 showed that a payment was not previously submitted. The District was not charged any late penalties or fees because their subsequent payments still met the terms of the purchase card agreement. According to the State MSA, the full amount of each participating agency's monthly balance or billing cycle, with the exception of reported fraud or disputed items, is due within 45 days<sup>8</sup> from the billing cycle date of the invoice. According to District personnel and Board members, payments for a billing statement were made after receiving the subsequent billing statement(s) due to the lack of verification of expenditures.

The General Manager should be designated the role of Program Coordinator/Administrator and ensure that purchase cards are paid in a timely manner. By (a) imposing spending and transaction limits and (b) requiring either the General Manager or the Treasurer approve all purchases prior to incurring actual costs based on the (i) appropriateness of the purchase and (ii) availability of funds, the District can ensure that there are sufficient funds available to pay for all expenditures. By requiring cardholders to pay for any charges that do not have sufficient documentation to justify and verify purchases on the bank statement, the District should have sufficient documentation to reconcile and pay the bank statements in a timely manner and/or have an additional source of revenue, other than District tax dollars, to pay for disputed or unauthorized purchases.

## **Outside Contracts and Consultants**

Requiring Board approval for consultant contracts and expenditures over \$5,000 is an essential internal control to ensure that significant funds are not committed to consultants or vendors that are unqualified, unnecessarily costly, and/or participants in fraud or abuse. Open, public discussions among Board members regarding contracts and expenditures could provide a control to help prevent Board members from personally benefiting from the selection of particular contractors or consultants. The General Manager should diligently review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the procurement into compliance with the Policy Handbook.

<sup>8</sup> The total number of days could be adjusted depending on the postmark date of the invoice and/or payment.



## **Reimbursements**

While the Policy Handbook may allow reimbursements of expenses directly related to District business, the Board appears to have violated its policies by allowing a Board member to be reimbursed for a personal cell phone and internet bill on May 26, 2012. Policy 2270.3.18 states that the District is not responsible for maintaining or payment of personal internet accounts or related software. Additionally, the District By-laws state that Board members may authorize reimbursement for expenditures made for “operating supplies, or new and replacement items for office use and also for travel expenses.”<sup>9</sup> The Board members approved the disbursement and the General Manager issued a check equivalent to the entire amount of a personal cell phone and home internet bill. Even if some of the personal cell phone and home internet services were used for District business, there was no additional documentation to justify what portion of the cell phone and home internet bill justified reimbursement.

To improve enforcement of District policies and enhance internal controls against inappropriate use of District funds, the General Manager should review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook. Further, all Board members should carefully review the list of disbursements to be approved on the consent agenda prior to the scheduled Board meeting and (a) discuss questionable disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.

## **Violations of other Policies Indicate Weak Internal Controls**

The Board of Directors has approved District policies to ensure efficient, effective and economical District operations and use of tax funds. However, violations of these policies expose the District to the risk of misuse of tax funds through poor and weak operations.

### **Lack of a District Legal Counsel Log**

In 2009, the Board of Directors adopted a policy to maintain a log of all communication with District Legal Counsel, including the date of the communication, method of communication, and approximate length of time for communication for telephone and in-person communications. However, District personnel reported that no such log was available. The log is supposed to serve as a tool for District personnel to verify District Legal Counsel invoices and expenditures. The Policy Handbook restricts communication with District Legal Counsel to the President of the Board or his/her designee. Therefore, the log also serves as a tool for other District personnel and Board members to be aware of the frequency of District Legal Counsel communication and question any possible misuse of District Legal Counsel for personal benefit, *before* receiving a bill. The District should immediately establish a District Legal Counsel Log to be in compliance with the Policy Handbook and maintain an important control over legal expenditures.

### **Lack of a Policy Handbook for the Fire Department**

A policy handbook, specifically for the operation of the Newberry Springs Fire Department, has not been adopted by the Board, even though a Board policy adopted in 2009 requires one. A

<sup>9</sup> District By-laws, Article III, Internal Organization, #15.

draft policy handbook for the Fire Department was initiated in 2012, three years after the adoption of the policy. However, approval of the policy is not recorded in Board meeting minutes in 2012 or 2013, as of the writing of this report. The GFOA recognizes that establishing policies and procedures is a critical element of creating and maintaining internal controls. Without policies and procedures, the District cannot ensure that the Fire Department is operating efficiently, nor can it adequately evaluate the performance of Fire Department personnel, including the Fire Chief. The District should immediately adopt a policy handbook for the Fire Department.

## **Poor Implementation of Record Retention Policies**

Despite having guidelines in the Policy Handbook for record retention, the manner in which District records are stored and maintained make it difficult to ascertain whether the District is: (i) providing for the identification, maintenance, safeguarding and disposal of records in the normal course of business; (ii) ensuring prompt and accurate retrieval of records; and, (iii) ensuring compliance with legal and regulatory requirements.

During the course of the investigation, the Grand Jury experienced significant delays in retrieving critical documents. For example, a subpoena was issued in September, 2012 for the latest version of Board approved By-laws and Policies and Procedures. Board approval was initiated on January 24, 2012, although items were not fully remitted to the Grand Jury until March 5, 2013, after a subsequent request in February 2013. However, according to the District's retention record policy, adopted pursuant to California Government Code 60201,<sup>10</sup> these records should be with District personnel and maintained to ensure "prompt and accurate retrieval." Grand Jury members observed several unmarked cardboard boxes in various locations throughout the District office that contained District records, and there was no central log describing the contents of each box and their location, potentially contributing to the delay in record retrieval.

The lack of a proper records management system impedes any third party's ability to determine if the District has been complying with laws and regulations. In contrast, the Secretary of State's guidelines on record management state that proper record management is beneficial because it improves customer service, increases staff efficiency, and allocates scarce resources. The District should catalog all remaining records by category and the catalog should remain in a central location that is easily accessible by District personnel. Any records that exceed the retention periods adopted in the District's policies should also be disposed of.

## **Staff Vacancies Contribute to Weak Internal Controls**

The management staff of the NSCD has been unstable in recent years, with multiple resignations and terminations by the Board of key personnel within the organization. This pattern has been particularly apparent in 2012, as follows:

- The previous General Manager, who also performed the functions of Board Secretary and Treasurer due to vacancies, resigned and was rehired twice during 2012. A third resignation,

<sup>10</sup>California Government Code 60201 states that the legislative body of districts may adopt a record retention schedule that complies with guidelines provided by the Secretary of State. It also prohibits districts from destroying certain records, including minutes of any Board meetings.

in July 2012, resulted in the hiring of the current General Manager in October 2012, who resigned on May 22, 2013. The position was vacant at the time this report was finalized.

- The Treasurer position has been vacant since April 2012 and the duties have been assumed temporarily by a member of the Board.
- The Fire Chief, who had been employed by the District since at least 2007, was dismissed by the Board in March 2012. An Interim Fire Chief, hired shortly after the previous incumbent, was dismissed six months later in September 2012. His replacement, a second Interim Fire Chief hired in September, was dismissed by the Board five months later in February 2013. The position of Fire Chief remains vacant, as of the writing of this report, with day-to-day management duties being assumed by a Fire Captain.

With only eight authorized positions, this amount of turnover at the highest levels of the organization is disruptive to operations and result in short-term weaknesses in internal control.

According to testimony received during the Grand Jury's investigation, the Board generally terminated employees due to performance concerns expressed by some members. Conversely, some resignations have reportedly occurred because of the dysfunction of the Board and an environment where individuals feel as though they have been treated unfairly. This was alleged by the Fire Chief in his March 2012 resignation letter, who stated that his resignation was, in part, due to "... the public fights and bickering so prevalent on the Board."

According to other testimony, it is sometimes difficult to recruit employees because of the remote location of the NCSO, the small size of the organization, the limited number of hours and pay offered to employees, and other factors. In addition, given recent turnover history and the culture of the organization, some prospective employees may be reluctant to apply. For example, statements were made that hiring a new Fire Chief has been difficult because of the limited number of potential applicants and the recent history of terminations.

Although a close examination of these factors could not be conducted, given the limited resources available to the Grand Jury, the impacts on the organization have been substantial. As stated separately in this section, the breakdown in internal controls has been significant in some instances and the ability of the organization to respond by reassigning functions or implementing compensating controls is limited.

In July 2009, the Local Agency Formation Commission (LAFCO) of San Bernardino County issued a *Service Review and Sphere of Influence Update for the Newberry Community Service District*. Among the various observations made in that report, it was suggested that possible improvements should be examined, including: (1) removing the NCSO fire protection powers from the District and reassigning them to the County; or – more substantially – (2) consolidating the NCSO with two adjacent community services districts, to allow for "economies of scale and provide the opportunity for streamlined governance and compliance with CSD law." These two suggestions merit further review, and more robust analysis of governance and reorganization options should be included in LAFCO's next Service Review of the District, scheduled for 2014.

## **NCSD Needs an Adequate Capital Asset Management System**

The District's management of capital assets is weak compared to GFOA best practices to ensure that entities assess assets, appropriately plan, and budget for any capital maintenance and replacement needs. According to District personnel, an inventory of capital assets only occurs at the time, and with the assistance, of the annual audit. There is no Capital Asset Management System to record the date an asset was purchased, the condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs. Such information is important for District personnel and the Board to review when making key decisions, such as whether to approve an agreement for the consignment and sale of a water tender that was obtained in 2009, or to pursue the various repairs for equipment charged to purchase cards in FY 2011-12. In addition, an adequate Capital Asset Management System should prevent loss or misuse of capital assets through central recording and inventory control. The District should establish a Capital Asset Management System.

## **Conclusions**

The District has By-laws and a Policy Handbook that contain some internal controls to help protect the District's financial and capital assets against the potential risk of loss or misuse. However, these policies remain insufficient for minimizing risk exposure to potential fraud and abuse. For example, the District's policies on purchase cards do not include spending and transaction limits to ensure that there are sufficient funds to pay for expenditures, segregate duties of purchase approvals and reconciliation to prevent potential fraud, or provide mechanisms for handling disputes and unauthorized charges.

In addition, the policies adopted to establish internal controls are not consistently implemented by Board members and District personnel, further exposing the District to unnecessary costs and potential misuse of District tax dollars for personal benefits. Violations of policies that indicate weak internal controls include:

- The lack of documentation for purchase card expenditures;
- Significant expenditures made with purchase cards without required Board approval;
- Lack of timely payments for purchase card billing statements to avoid potential penalties and fees;
- Reimbursement of expenses without sufficient documentation to ensure they were for District business; and,
- The lack of several key documents and tools such a log of all communication with District Counsel, a policy handbook for the Fire Department, and a catalog of retained District records.

Multiple resignations and terminations by the Board of key personnel within the organization during the audit period coincided with breakdowns in internal controls and the ability of the

organization to respond by reassigning functions or implementing compensating controls is limited.

Finally, the District does not have an adequate Capital Management Asset System to control inventory and record key information central to making maintenance and replacement decisions.

## Recommendations

The Board of Directors should:

- 8     Revise its purchase card policies to:
  - (a)   Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards, subsequently relinquish any purchase cards currently issued to Board members, and
  - (b)   Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payments, such as:
    - (i)   Spending and transaction limits for each cardholder;
    - (v)   Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders;
    - (vi)   A process for handling disputes and unauthorized purchases; and,
    - (vii) A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation.
- 9     Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and (a) discuss questionable disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.

The General Manager should:

- 10    Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards.
- 11    Review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure

approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook.

- 12 Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval.
- 13 Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls:
  - (a) District Legal Counsel Log;
  - (b) Policy handbook for the Fire Department; and,
  - (c) Catalog of all retained District records.
- 14 Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.

The Local Agency Formation Commission (LAFCO) should:

- 15 Review suggestions made in its 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.

## **Costs and Benefits**

Implementing these recommendations will require additional staff time, but should be done with existing resources.

Proper internal controls over District expenditures through purchase cards, contracts, and reimbursements should prevent subsequent unauthorized, inappropriate or unnecessary costs. Additionally, a good records management system would help the District (i) increase staff efficiency when key documents are easily accessible and (ii) ensure compliance with legal and regulatory requirements.

**1. 2012-13 San Bernardino County Grand  
Jury Report**

**b. Responses to Grand Jury Report  
and County Auditor**

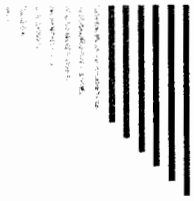
**Attachment 1b**

**RESPONSES**  
**TO THE**  
**SAN BERNARDINO COUNTY**  
**2012-2013 GRAND JURY**  
**FINAL REPORT**



SAN BERNARDINO COUNTY GRAND JURY  
351 N. ARROWHEAD AVENUE, ROOM 200  
SAN BERNARDINO, CA 92415-0243  
(909) 387-3820





# Newberry Community Services District

Established 1958

**Robert Royalty**  
President/Director

**September 25, 2013**

**Kathleen Ridler**  
Vice President/Director

To: San Bernardino County Grand Jury  
351 N. Arrowhead Ave  
San Bernardino CA 92415

**Diana Williams**  
Director

**Attn: Presiding Judge**

**Wayne L. Snively**  
Director

From: Newberry Community Services District  
30884 Newberry Road  
Newberry Springs CA 92365

**Re: 2012-2013 Grand Jury Final Report-Response(s)**

**Paula Deel**  
Director

Please find attached the following Responses to Findings:

page 1-3 NCSD PC 933.05 Responses to Findings

page 4 Response #1

page 5 Response #1 Attachments

page 6 Response #2

page 7 Response #2 Attachments

page 8 Response #3

page 9 Response #4

page 10 Response #4 Attachments

page 11 Response #5

page 12 Response #5 Attachments

Response 6 & 7 - not ours

page 13 Response #8

page 14-18 Response #8 Attachments

page 19 Response #9

page 20-21 Response #9 Attachments

page 22 Response #10

page 23 Response #11

**Peter Porritt**  
General Manager

Treasurer

**Robert Rogers**  
Assistant Fire Chief

Fire Chief



30884 Newberry Road • PO Box 206 • Newberry Springs, CA 92365-0206  
(760) 257-3613 • FAX (760) 257-4314 • NewberryCSD.net

**RECEIVED**

**SEP 27 2013**

**San Bernardino County Grand Jury**

page 24 Response #12  
page 25 Response #13  
page 26-30 Response #13 Attachments  
page 31 Response #14  
page 32-36 Supporting Documents-7-9-2013 Minutes  
page 37-40 Supporting Documents-2013-2014 Fiscal Year Budget

Newberry Community Services District  
PC 933.05 Responses to Findings

1. The NCSD Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on Roberts Rules of Order and other accepted standards for parliamentary procedures.
2. Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conduction public meetings.
3. Direct the General Manger to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the District's current policy.
4. Re-Adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement.
5. Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual.
8. The Board of Directors should - Revise its purchase card policies to:
  - A. Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards, subsequently relinquish any purchase cards currently issued to Board members
  - B. Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payment such as
    - I. Spending and transaction limits for each cardholder
    - V. Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders

VI. A process for handling disputes and unauthorized purchases

VII. A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation

9. Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and
  - A. discuss questionable disbursement with the General Manager and/or
  - B. request to pull questionable disbursements from the consent agenda that results from the delay in submitting such documentation
10. Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards
11. Review consultants or vendors with a single invoice over \$5000.00, or multiple invoices that, together, exceed \$5000.00 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook
12. Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval
13. Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal control
  - A. District Legal Counsel Log
  - B. Policy Handbook for the Fire Department
  - C. Catalog of all retained District records
14. Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties,

maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District

**AGENCY/DEPARTMENT** Board of Directors

**SUBMITTED BY**

Peter Porritt/General Manager

**DATE** September 25, 2013

**RECOMMENDATION NO.** 1

**PAGE** 23-24

**RESPONSE**

On August 13, 2013 the Newberry Community Services District Board of Directors hired Peter Porritt as the new General Manager. On September 5, 2013 Mr. Porritt started his position as General Manager for the District (after having successfully completed a live scan and background check). Mr. Porritt is aware there are several key items that will need to be addressed and this item is one of them.

Currently there is no re-structuring of the NCSD Policies and Procedures before the Board.

Please see attached copy of Agenda Item 9G dated July 9, 2013 and Approved Minutes from the July 9, 2013 Board Meeting.

Prepared by Kathy Ridler, Board Administrator

4

# NEWBERRY

## COMMUNITY SERVICES DISTRICT

### AGENDA MATTER:

Enforcement of existing NCSD By-Laws and Policy Handbook while current By-Laws and Policy Handbook are reviewed/updated

### EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 14 ..." references to internal control in the NCSD By-Laws and Policy Handbook are not consistently implemented by District Board members and personnel."

### DISCUSSION:

All Directors and All Staff review the NCSD By-Laws and Policy Handbook for familiarization of our current rules and policies

Recognize importance of adhering to and enforcing existing By-Laws and Policies to ensure minimum District exposure

Recognize need for By-Law and Policy updates/review

### RECOMMENDED ACTION:

Enforce existing NCSD By-Laws and Policy Handbook to ensure minimum District exposure

Begin process of Revise/Update of NCSD By-Laws and Policy Handbook including the following:

safe guarding of the District's Financial and Capital Assets

safe guarding of all NCSD inventory and maintenance records

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9G



**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

GROUP Newberry Community Services District  
AGENCY/DEPARTMENT Board of Directors  
SUBMITTED BY  
Peter Porritt/General Manager

DATE September 25, 2013  
RECOMMENDATION NO. 2  
PAGE 23-23

**RESPONSE**

August 2013 the Newberry Community held a mail ballot election to fill 3 seats on the Board of Directors. The current Board of Directors felt it wiser to wait until after the election and appointment (swearing in) of the newly elected Board Members before sending them to training.

The Budget Committee was made aware of this decision and the 2013-2014 Fiscal Year Budget was structured to afford this training in 2014.

Please see attached copy of Agenda Item 9I dated July 9, 2013 and Approved Minutes from the July 9, 2013 Board Meeting.

Also, please see attached the Approved NCSD 2013-2014 Fiscal Year Budget.

# NEWBERRY

## COMMUNITY SERVICES DISTRICT

### AGENDA MATTER:

ALL NCSD Director' attend CSDA & CSAC Leadership Courses and AB1234 Ethics Training

### EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 6 ..."Seek to attend course offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings."

### DISCUSSION:

Review 2014 CSDA and CSAC Trainings offered and schedule appropriate class

Review Ethics Training Certificates and schedule renewal or new class

### RECOMMENDED ACTION:

Approve future attendance of CSDA and/or CSAC Director Trainings

Direct all Directors to complete Ethics Training

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	unknown	unknown	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	unknown	Education/Training	9I

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District  
**AGENCY/DEPARTMENT** Board of Directors  
**SUBMITTED BY**  
Peter Porritt/General Manager

**DATE** September 25, 2013  
**RECOMMENDATION NO.** 3  
**PAGE** 23-24

**RESPONSE**

On August 13, 2013 the Newberry Community Services District Board of Directors hired Peter Porritt as the new General Manager. On September 5, 2013 Mr. Porritt started his position as General Manager for the District (after having successfully completed a live scan and background check). Mr. Porritt is aware there are several key items that will need to be addressed and this item is one of them.

Currently, written minutes of all regular and special meetings are posted on the NCSD website within 48 hours of the meeting date. A copy of the audio portion of the meeting is labeled and filed with the approved minutes. This practice will continue until such time as a new/different practice is presented to the Board of Directors for approval.

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District  
**AGENCY/DEPARTMENT** Board of Directors  
**SUBMITTED BY**  
Peter Porritt/General Manager

**DATE** September 25, 2013  
**RECOMMENDATION NO.** 4  
**PAGE** 23-24

**RESPONSE**

On July 9, 2013 the NCSD Board of Directors considered and approved the re-adoption of chart of account numbers and a standing monthly review finance committee. On August 27, 2013 the NCSD Board of Directors approved the 2013-2014 Fiscal Year Budget including the numerical accounting system. This accounting system is being incorporated into daily use by both staff and Board Members.

Please see attached copy of Agenda Item 9B dated July 9, 2013 and Approved Minutes from the July 9, 2013 Board Meeting.

In addition, please see copy of the Approved 2013-2014 Fiscal Year Budget.

# NEWBERRY

## COMMUNITY SERVICES DISTRICT

### AGENDA MATTER:

Re-Adopt NCSD Numerical Accounting System, Develop basic accounting system and Appoint a monthly review committee

### EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 12 ... "Re-adopt a numerical and hierarchical account numbering structure for use in the District's general ledger and income statement."

### DISCUSSION:

Review SAMPLE chart of account numbers added to 2013-2014 NCSD Budget

Benefits of a Budget Review Committee

Special Monthly Meeting to pre approve all expenses/warrant registers prior to approval of consent calendar

Move Warrant Register from consent calendar to business Item 9A on NCSD agendas

### RECOMMENDED ACTION:

Assign chart of account numbers to all general ledger accounts (income and expense)

Appoint a Budget Review Committee

Schedule Special Monthly Meetings to pre approve all expenses/warrant registers prior to approval of consent calendar at NCSD regular monthly meetings

Move warrant registers from consent calendar to Item 9A at NCSD regular monthly meetings

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9B

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District  
**AGENCY/DEPARTMENT** Board of Directors  
**SUBMITTED BY**  
Peter Porritt/General Manager

**DATE** September 25, 2013  
**RECOMMENDATION NO.** 5  
**PAGE** 23-24

**RESPONSE**

On September 24, 2013 The Newberry Community Services District board of Directors hired Kerri Zurcher as the new District Treasurer. Upon successful completion of a live scan and background check this individual will start working on or about October 2, 2013. This individual is aware there are several key items that will need to be addressed and this item is one of them.

The Board of Directors has already approved the numerical accounting system. The NCSD does have a current Auditor, David B. Whitford Jr. and the new District Treasurer will be working with the Auditor.

Please see attached copy of Agenda Item "Closed Session" dated September 24, 2013.



# Newberry Community Services District

Established 1958

## BOARD OF DIRECTORS REGULAR MEETING AGENDA

Tuesday, September 24, 2013

5:30 pm

Newberry Community Center  
30884 Newberry Road  
Newberry Springs, CA 92365

### Posting Locations:

- ☐ Newberry CSD Office
- ☐ Newberry CSD Website ([www.NewberryCSD.net](http://www.NewberryCSD.net))

### CALL TO ORDER

### ROLL CALL

### PLEDGE OF ALLEGIANCE

### CLOSED SESSION:

#### PUBLIC EMPLOYMENT: (Government Code Section 54957)

"To consider the appointment, employment, evaluation of performance, discipline, or dismissal of a public employee or to hear complaints or charges brought against the employee."

**Treasurer - Employment**

### REPORT FROM CLOSED SESSION:

#### 1. WELCOME TO GUESTS

2. **PUBLIC COMMENTS:** This is the time and place for the General Public to address the Newberry Community Services District Board of Directors on matters within their jurisdiction that are not currently on the printed agenda. A Request to be Heard Card must be completed and submitted to speak. State law prohibits the Newberry Community Services District Board of Directors from addressing any issue not previously included on the agenda. The Board of Directors may receive comments and set the matter for a subsequent meeting. Speakers are asked to limit their comments to three (3) minutes.
- Any member of the audience who would like to address the Board on a specific agenda item is required to complete a Request to be Heard Card and submit to the Secretary of the Board, prior to REVIEW AND APPROVAL OF THE AGENDA. Speakers will be limited to three (3) minutes and are asked to voluntarily identify themselves for the record. Speakers will be given an opportunity to address the Board on the specific agenda item prior to the Board's motion and discussion of the agenda item.

#### 3. SUGGESTED FUTURE AGENDA ITEMS, INFORMATION, QUESTIONS FROM BOARD MEMBERS AND STAFF

The president shall poll the Directors followed by staff.

#### 4. WRITTEN COMMUNICATIONS

All written communications are available for public viewing in the office during regular business hours and at the Secretary table at all meetings.

**LAFCO Meeting date of 9-18-2013 with an Agenda Item referencing Grand Jury Response to NCSD (Agenda Item #8)**

#### 5. REVIEW AND APPROVAL OF THE AGENDA - **Action Item**

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District  
**AGENCY/DEPARTMENT** Board of Directors  
**SUBMITTED BY**  
Peter Porritt/General Manager

**DATE** September 25, 2013  
**RECOMMENDATION NO.** 8  
**PAGE** 23-24

**RESPONSE**

On July 9, 2013 the Newberry Community Services District Board of Directors reviewed amendments to their current NCSD Policy # 3075, NCSD Purchasing Card Use Agreement, and on August 27, 2013 approved and passed the amendments and revisions to NCSD Policy # 3075 including the Credit Card Usage Agreement and Cardholder Acknowledgement and Responsibility Form. These amendments/changes went into effect on September 1, 2013.

The NCSD Board of Directors has also separated the duties of their staff by adding additional staff members.

General Manager

District Treasurer

District Office Assistant

Board Secretary

Fire Dept. Office Administrator

The 2013-2014 Fiscal Year Budget reflects the allowance of pay for all positions. Currently all said positions are filled except Board Secretary. That position is being covered by the Board Administrator until a Board Secretary is appointed/hired.

Please see attached copy of Agenda Item 9E dated July 9, 2013.

Also, please see attached copies of NCSD Policy # 3075, Credit Cardholder/User Acknowledgement and Responsibility Agreement and Purchasing Cardholder/User Expense Explanation Form.

Prepared by Kathy Ridler, Board Administrator

13



# NEWBERRY

## COMMUNITY SERVICES DISTRICT

### AGENDA MATTER:

NCSD Purchasing Card Use Agreement and NCSD Policy #3075

### EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 23 ..."Revise its purchase card policies to exclude Board members from use, include additional policies to ensure sufficient funds for paying authorized transactions, spending and transaction limits per cardholder, and requirement that cardholder use personal fund to pay for transactions that lack the timely submission of sufficient documentation, as well as penalties and fees resulting from

### DISCUSSION:

Review NCSD Policy #3075 - Purchasing Card Usage

Review NCSD Policy Credit Card Usage Agreement

Review CAL-Card SAMPLE of Credit Cardholder Acknowledgement and Responsibility Form

Review CAL-Card Required Training for Administrators and Cardholders

### RECOMMENDED ACTION:

Immediate removal of any purchasing cards assigned to directors and non-staff

Appoint NEW Purchasing Card Administrator including Approval Officer, Billing Officer and Card Holder

Creation of NEW Purchasing Card Use Agreement

Creation of NEW Purchasing Card procedures including limits, proper documentation collections and guarantee of timely payment process

Define duties between General Manager, Treasurer, Purchasing Card Administrator and Card Holder

Creation of Process for handling disputes on un authorized purchases and a requirement for that card holders use personal funds when they violate Purchasing Card Policy

Assign fuel cards to the NSVFD vehicles with limits

Establish NCSD Corporate Card for reoccurring monthly expenses

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9E

# Newberry Community Services District

## POLICY HANDBOOK

**POLICY TITLE:** Purchasing Card Usage

**POLICY NUMBER:** 3075

**3075.1** Purpose The purpose of this policy is to prescribe the internal controls for management of District purchasing cards.

**3075.2** Scope This policy applies to all individuals who are authorized to use District purchasing cards and/or who are responsible for managing purchasing card accounts and/or paying purchasing card bills.

**3075.3** Implementation A purchasing card shall be assigned to the General Manager for monthly re-occurring auto pay bills. Purchasing cards shall not be issued to members of the Board of Directors. All recipients/users of purchasing cards shall read and sign the Credit Cardholder Acknowledgement and Responsibility Agreement.

**3075.4** Payment All purchasing card bills shall be paid in a timely manner to avoid late fees and finance charges and to take advantage of the incentive rebate program.

**3075.4.1** All purchasing card expenses shall be reasonable and necessary for day to day furtherance of District business. **No personal expenses shall be charged** on a District purchasing card. If there is an overlap on a transaction between personal and District business, the purchasing cardholder/employee shall pay for the transaction personally and then request reimbursement by the District.

**3075.4.2** All purchasing card transactions require third-party documents (receipts) attached and the District purpose annotated by the cardholder/user including chart of account number and purpose of purchase. Each Department Head shall review and verify all required documents are attached by completing the Purchasing Cardholder/User Expense Explanation Form before submitting to the Treasurer. Failure to provide the required documents will result in the cardholder/user paying for the transaction out of their own personal money.

**3075.4.3** The Treasurer shall review and approve purchasing card transactions received from Department Head(s) or cardholder/users before payment is made. Transactions NOT containing the required documentation will be sent back to the department head(s) or cardholder/user.

**3075.4.4** The Treasurer or General Manager will inform the Board if additional purchasing cards are necessary to conduct the business of the District.

**3075.4.5** The Treasurer or Purchasing Card Administrator shall have the authority to recommend internal usage guideline for District purchasing cards to the Board for approval.

**3075.4.6** The Department Heads and Board shall have the authority to request the Purchasing Card Administrator suspend, limit, or revoke the purchasing card of any cardholder.

**3075.5**      Accounting All purchases shall indicate the department and chart of account number they will be applied towards (Administration, 1006.4 Education Expense: Mileage). No one (1) purchase shall go over 1/12th of that chart of account numbers total fiscal budget unless pre-approved by the Board. Completion of the Purchasing Cardholder/User Expense Explanation Form will accompany all purchases for payment.

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# Newberry Community Services District

## POLICY HANDBOOK

**POLICY TITLE:** Credit Cardholder/User Acknowledgement and Responsibility Agreement

The U S Bank Purchasing Card Number # \_\_\_\_\_ has been  
assigned to \_\_\_\_\_ on the \_\_\_\_\_ day of \_\_\_\_\_ in the year \_\_\_\_\_.

By signing this form the above named person acknowledges they are responsible for the security of the purchasing card and for the appropriate use(s) of this card for departmental and official purchases only, as describe in NCSD Policy # 3075 . **No personal purchases are allowed.** Furthermore, the above named person has participated in the training video per CAL-Card Requirements and understands fully their agency's policies and procedures. This Agreement includes all cardholders and all card users.

The above named person understands this card is valid only while employed in the department; upon termination of employment or transfer to another department or agency the cardholder must relinquish this card to the assigned Purchasing Card Administrator for their agency.

\_\_\_\_\_  
Cardholder/User

\_\_\_\_\_  
Date

\_\_\_\_\_  
Purchasing Card Administrator

\_\_\_\_\_  
Date

# Newberry Community Services District

## Purchasing Cardholder/User Expense Explanation Form

Date of Purchase \_\_\_\_\_ Name of Cardholder/User \_\_\_\_\_

Department Incurring Expense \_\_\_\_\_ Chart of Account # \_\_\_\_\_

Brief explanation of expense \_\_\_\_\_

\_\_\_\_\_

Copy of receipt attached \_\_\_\_\_ Original receipt received \_\_\_\_\_

Amount budgeted for Chart of Account used \_\_\_\_\_ Amount remaining \_\_\_\_\_

\_\_\_\_\_  
Signature of Department Head authorization payment approval

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

GROUP Newberry Community Services District  
AGENCY/DEPARTMENT Board of Directors  
SUBMITTED BY  
Peter Porritt/General Manager

DATE September 25, 2013  
RECOMMENDATION NO. 9  
PAGE 23-24

**RESPONSE**

On July 9, 2013 the Newberry Community Services District Board of Directors considered possible way to reduce non- warranted expenditures within the District. Agenda Item 9B addressed this concern. The final decision made by the Board of Directors was to remove the monthly warrant register from the consent calendar and make it Item 9A on the monthly regular meeting agenda. The Board of Directors also gave staff direction that any item not considered normal monthly expense or any expense in question shall be a separate item on the agenda for specific review. This adjustment has already alerted the District to two (2) such expenses. Please see copy of regular monthly meeting agenda with Agenda Item 9A addressing the warrant register.



# Newberry Community Services District

Established 1958

## BOARD OF DIRECTORS REGULAR MEETING AGENDA

Tuesday, August 27, 2013

6:00 pm

Newberry Community Center  
30884 Newbery Road  
Newberry Springs, CA 92365

### Posting Locations:

- ☐ Newberry CSD Office    ☐ Newberry CSD Website ([www.NewberryCSD.net](http://www.NewberryCSD.net))

### CALL TO ORDER

### ROLL CALL

### PLEDGE OF ALLEGIANCE

#### 1. WELCOME TO GUESTS

2. **PUBLIC COMMENTS:** This is the time and place for the General Public to address the Newberry Community Services District Board of Directors on matters within their jurisdiction that are not currently on the printed agenda. A Request to be Heard Card must be completed and submitted to speak. State law prohibits the Newberry Community Services District Board of Directors from addressing any issue not previously included on the agenda. The Board of Directors may receive comments and set the matter for a subsequent meeting. Speakers are asked to limit their comments to three (3) minutes.

Any member of the audience who would like to address the Board on a specific agenda item is required to complete a Request to be Heard Card and submit to the Secretary of the Board, prior to REVIEW AND APPROVAL OF THE AGENDA. Speakers will be limited to three (3) minutes and are asked to voluntarily identify themselves for the record. Speakers will be given an opportunity to address the Board on the specific agenda item prior to the Board's motion and discussion of the agenda item.

#### 3. SUGGESTED FUTURE AGENDA ITEMS, INFORMATION, QUESTIONS FROM BOARD MEMBERS AND STAFF

The president shall poll the Directors followed by staff.

#### 4. WRITTEN COMMUNICATIONS

All written communications are available for public viewing in the office during regular business hours and at the Secretary table at all meetings.

#### 5. REVIEW AND APPROVAL OF THE AGENDA - **Action Item**

Review agenda for the purpose of rearranging the order of the Agenda, adding emergency items, or removing items from the Agenda, or moving items from the consent calendar for discussion and/or separate action.

#### 6. CONSENT CALENDAR - **Action Item**

All matters on the Consent Calendar are to be approved on one motion, unless a Board member, staff member, or any member of the public requests a separate action on a specific item. Questions for **clarification purposes** can be asked prior to acceptance of the consent calendar.

July 9, 2013 Special Meeting Minutes  
July 23, 2013 Regular Meeting Minutes  
July 30, 2013 Special Meeting Minutes

**7. REPORTS**

- 7A** Sheriff Department Report
- 7B** Fire Department Report
- 7C** General Manager/Purchasing Card Administrator/Board Administrator Report(s)
- 7D** Multi-CSD Luncheon Report
- 7E** MWA Technical Advisory Committee Report
- 7F** Finance Committee Report
- 7G** Parks Report

**8. SPECIAL PRESENTATION**

None

**9. BUSINESS ITEMS**

1. Present Item. 2. Public Comment 3. Motion 4. Director Discussion

- 9A** Review and Approval of the NCSD July 2013 Warrant Register Action Item
- 9B** Final Approval of the 2013-2014 NCSD Budget and Adopt NCSD Resolution  
No. 65-2013 for the 2013-2014 Fiscal Year Budget Action Item
- 9C** Appoint one candidate by majority vote of the Board to fill vacancy  
on the NCSD Board created by Director Owens' resignation and  
completes his term ending 12-2015 Action Item
- 9D** Public Records Request Action Item
- 9E** 2003.1 Contract Labor: Landscape Bids Action Item
- 9F** Basketball Project Proposal Update Action Item
- 9G** Securing of NCSD Main Building Action Item
- 9H** Duarte's Landscape Invoice Action Item

**CLOSED SESSION:**

**PUBLIC EMPLOYMENT: (Government Code Section 54957)**

"To consider the appointment, employment, evaluation of performance, discipline, or dismissal of a public employee or to hear complaints or charges brought against the employee."

**Treasurer** - Employment

**REPORT FROM CLOSED SESSION**

**ADJOURN**

**DECLARATION OF POSTING:**

I, Robert Royalty, **declare under penalty of perjury**, that I am the President of the Board of Directors, of the Newberry Community Services District, and posted the foregoing Agenda, 72 hours prior to the stated meeting, at the District Offices on the 23rd Day of August, 2013 in a place accessible to the public and the District's website at [www.NewberryCSD.net](http://www.NewberryCSD.net).

Approved by: \_\_\_\_\_

Robert Royalty, Director/Board President



# ATTACHMENT I

## 2012-2013 GRAND JURY REPORT RESPONSE FORM

GROUP Newberry Community Services District  
AGENCY/DEPARTMENT Board of Directors  
SUBMITTED BY  
Peter Porritt/General Manager

DATE September 25, 2013  
RECOMMENDATION NO. 10  
PAGE 23-24

### RESPONSE

On July 9, 2013 the Newberry Community Services District Board of Directors addressed many issues in Agenda Item 9E, this item was included. The Board of Directors appointed Jodi Howard, District Office Assistant, as the Purchasing Card Administrator which includes training of all Cardholders. The new Purchasing Card Policy # 3075 and supporting forms went into effect September 1, 2013. Copies of the above mentioned are included in this packet.

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District  
**AGENCY/DEPARTMENT** Board of Directors  
**SUBMITTED BY**  
Peter Porritt/General Manager

**DATE** September 25, 2013  
**RECOMMENDATION NO.** 11  
**PAGE** 23-24

**RESPONSE**

Although many of the items discussed by the Newberry Community Services District Board of Directors has hit areas close to this item, it has not been addressed separately from other items. The agreed enforcement of current Policies and By-Laws until new/amended ones are presented is a start. The separation of duties between staff also will help this process along with staff pulling any items other than normal District expenses and placing them on the agenda as a single item of discussion.  
As our General Manger settles in to his new job responsibilities like this item will be directly addressed.

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District  
**AGENCY/DEPARTMENT** Board of Directors  
**SUBMITTED BY**  
Peter Porritt/General Manager

**DATE** September 25, 2013  
**RECOMMENDATION NO.** 12  
**PAGE** 23-24

**RESPONSE**

With the creation and approval of Policy # 3075 and supporting forms that detail the purchases allowed in conjunction with the 2013-2014 Fiscal Year Budget with chart of account numbers the hope is this will clear up past confusion and alert staff to misuse of District Charge Cards. The separation of duties of staff now requires each level of review to sign off on all purchases before payment or reimbursement is requested. The separation of the monthly warrant register from the consent calendar and the monthly Agenda Item 9A addressing the warrant register along with staff singling out any other than normal expenses of the District should also bring any discrepancies to the attention of the Board of Directors.

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District  
**AGENCY/DEPARTMENT** Board of Directors  
**SUBMITTED BY**  
Peter Porritt/General Manager

**DATE** September 25, 2013  
**RECOMMENDATION NO.** 13  
**PAGE** 23-24

**RESPONSE**

On August 13, 2013 the Newberry Community Services District Board of Directors hired Peter Porritt as their new General Manager. On September 5, 2013 Mr. Porritt started his position as General Manager for the District (after having successfully completed a live scan and background check). Mr. Porritt is aware there are several key items that will need to be addressed and these items are listed.

A. On July 9, 2013 the NCSD Board of Directors addressed the need for the creation of a Legal Counsel Log Book. This document will aid in the tracking of correspondence with the District's Legal Counsel.

Please see attached copy of Agenda Item 9K dated July 9, 2013 along with "Confidential" District Legal Counsel Log Book document.

B. On July 9, 2013 the NCSD Board of Directors addressed the need for a current Newberry Springs Volunteer Fire Department Policy Handbook. Per NCSD Policy # 1071 this document is to be created by the Fire Chief and District General Manager. On July 30, 2013 the NCSD Board of Directors appointed/hired Robert Rogers as their Assistant Fire Chief. He will be acting Fire Chief until such time as a Fire Chief is appointed/hired or he is promoted. The Board of Directors feels confident that Mr. Rogers and Mr. Porritt are qualified to begin this process.

Please see attached copy of Agenda Item 9H dated July 9, 2013.

C. On July 9, 2013 the NCSD Board of Directors addressed the need for the creation of a document to help track the records of the District. Again, this is an item that once all staff members are trained and comfortable with their daily duties will be addressed.

Please see attached copy of Agenda Item 9J dated July 9, 2013 along with Catalog of District Documents form.

# NEWBERRY

## COMMUNITY SERVICES DISTRICT

### AGENDA MATTER:

Creation of NCSD Legal Counsel Log Book and review NCSD Policy #3092

### EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 24 ...."Establish District Legal Counsel Log to ensure the District is in compliance with the Policy Handbook and maintains adequate internal control."

### DISCUSSION:

Review NCSD Policy #3092, Communication with District Legal Counsel  
Review Sample NCSD "Confidential" District Legal Counsel Log Book Document

### RECOMMENDED ACTION:

Approve creation of NCSD "Confidential" District Legal Counsel Log Book and direct staff to create such a document and present to Board for final Approval

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9K

Newberry Community Services District  
"Confidential" District Legal Counsel Log Book

[illegible]

# NEWBERRY

## COMMUNITY SERVICES DISTRICT

### AGENDA MATTER:

Creation of NSV Fire Department Policy Handbook and review of NCSD Policy #1071

### EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 24 ..."Policy handbook for the Fire Department to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls."

### DISCUSSION:

Review NCSD Policy #1071 Newberry Springs Fire Department Policies

Make appointment of qualified and informed Fire Chief and General Manager a priority so this task may be accomplished per NCSD Policy #1071

### RECOMMENDED ACTION:

Recognize importance of Fire Department Policy Handbook and its creation upon appointment of Fire Chief and placement of General Manager

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a	Fire Department	9H

# NEWBERRY

## COMMUNITY SERVICES DISTRICT

### AGENDA MATTER:

Establish catalog of ALL NCSD retained documents and review NCSD Policy #3090

### EXECUTIVE SUMMARY:

Per Grand Jury Report dated June 28, 2013 pg 24 ..."Establish Catalog of all retained District records to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls."

### DISCUSSION:

Review NCSD Policy #3090, Records Retention

Review Sample NCSD Catalog of District Documents

### RECOMMENDED ACTION:

Approve creation of NCSD Retained Catalog of District's Retained Documents and direct staff to create such a document and present to Board for final Approval.

PROPOSED BY	FUNDS BUDGETED	FUNDS AVAILABLE	MEETING DATE
Director Ridler	n/a	n/a	July 9, 2013
APPROVED BY	AMOUNT REQUIRED	CATEGORY	ITEM NUMBER
President Royalty	n/a		9J



Newberry Community Services District  
Catalog of District Documents

[illegible]

**2012-2013 GRAND JURY REPORT  
RESPONSE FORM**

**GROUP** Newberry Community Services District  
**AGENCY/DEPARTMENT** Board of Directors  
**SUBMITTED BY**  
Peter Porritt/General Manager

**DATE** September 25, 2013  
**RECOMMENDATION NO.** 14  
**PAGE** 23-24

**RESPONSE**

On August 13, 2013 the Newberry Community Services District Board of Directors hired Peter Porritt as their new General Manager. On September 5, 2013 Mr. Porritt started his position as General Manager for the District (after having successfully completed a live scan and background check). Mr. Porritt is aware there are several key items that will need to be addressed and this item is a large one.

This particular item will require the help of the Assistant Fire Chief (acting as Fire Chief) The goal for completion of this recommendation is January 2014.



# Newberry Community Services District

Established 1958

## BOARD OF DIRECTORS SPECIAL MEETING

Tuesday, July 9, 2013

6:00 pm

Newberry Community Center  
30884 Newbery Road  
Newberry Springs, CA 92365

## MINUTES

This Document is provided as a complement to the audio recording intended to be included with approval of this document as the official minutes of the herein referenced meeting. A digital copy of the audio recording shall be referenced for identification as "Minutes - July 9, 2013 - AUDIO PORTION"

**CALL TO ORDER:** President Royalty called the meeting to order 6:05 p.m.

**ROLL CALL:** By President Royalty

Director Snively - Present  
Director Williams - Absent  
Director Owens - Absent  
Director Ridler - Present  
Director Royalty - Present

### PLEDGE OF ALLEGIANCE

1. **WELCOME TO GUESTS**
2. **PUBLIC COMMENTS** NONE
3. **REVIEW AND APPROVAL OF THE AGENDA**

**Special Meeting: July 9, 2013**

**MOTION:** Director Ridler moved, seconded by Director Snively to accept the Agenda as written with the noted corrections that Business Items are 4 not 9  
President Royalty call for the vote

Director Snively - Aye  
Director Williams - Absent  
Director Owens - Absent  
Director Ridler - Aye  
Director Royalty - Aye

**NOTE:** For the record Director Owens arrived at 6:11 p.m.

4. **BUSINESS ITEMS**
  - 4A. **NCSD President regains control of Meeting(s)**

**Recommended Action:** Discussion Only

#### **PUBLIC COMMENTS:**

Robert Vasseur

**NOTE:** Review of our current rules/policies and use of Robert's Rules of Order

**4B. Re-Adopt NCSD Numerical Accounting System, Develop basic accounting system and Appoint a monthly review committee**

**Recommended Action:** Assign Chart of account numbers to all general ledger accounts  
Appoint a Budget Review Committee

Schedule Special Monthly Meetings to pre approve all expenses/warrant registers prior to approval of consent calendar at NCSD regular monthly meetings

Move warrant registers from consent calendar to item 9A at NCSD regular monthly meetings

**PUBLIC COMMENT:**

Robert Vasseur

Paula Deel

**MOTION:** Director Ridler moved, seconded by Director Snively to Adopt NCSD Numerical Chart of Accounting System, Develop basic accounting system and appoint a monthly review committee

President Royalty call for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Aye

Director Ridler - Aye

Director Royalty - Aye

President Royalty appoints Debbie Farrington chairperson of Budget/Finance Committee and acknowledges Daphne Lanier, Robert Shaw and Robert Vasseur as members

**NOTE:** Moving warrant register to Business Item 9A for pre-review

**4C. Hire qualified and sufficient staff for NCSD**

**Recommended Action:** Examine applicants closer to ensure they are well qualified for positions

Treasurer, keep this position separate and redefine job duties including establishment of correct account procedures for the District

Board Secretary, keep this position separate and redefine job duties including the creation of a process to record, transcribe, post and safe guard all meeting minutes and post results within 2 weeks including catalog system of all minutes/audio

General Manager, keep this position separate and redefine job duties and enforcement of NCSD Policies

Fire Dept Administrator, keep this position separate and redefine job duties and enforcement of NCSD Policies

**PUBLIC COMMENTS:**

None

**MOTION:** Director Owens moved, seconded by Director Ridler to hire qualified people

**AMENDED MOTION:** Director Ridler moved, seconded by Director Snively to recognize the positions of Board Secretary, Treasurer, General Manager and Fire Dept

Administrator as 4 separate positions with their own duties and set compensation

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Aye

Director Ridler - Aye

Director Royalty - Aye

**MOTION:** Director Ridler moved, seconded by Director Snively to set compensation for the 4 positions, Board Secretary, Treasurer, General Manager and Fire Dept Administrator

Board Secretary - \$200 monthly salary

Treasurer - \$300 monthly salary

General Manager - \$783 monthly salary

Fire Dept Administrator - \$600 monthly salary

President Royalty called for the vote

Director Snively - Aye  
Director Williams - Absent  
Director Owens - Aye  
Director Ridler - Aye  
Director Royalty - Aye

**4D. Approve in Concept the Proposed 2013-2014 Newberry Community Services District Budget**

**Recommended Action:** Approve in concept the proposed 2013-2014 Fiscal year NCSD Budget

Direct staff to keep the proposed budget posted at the District office and on the website until final acceptance of the 2013-2014 Fiscal year NCSD Budget by action of the board  
Place agenda item for final acceptance of the 2013-2014 Fiscal Year NCSD Budget at the August 27, 2013 Regular Meeting

**PUBLIC COMMENTS:**

None

**MOTION:** Director Snively moved, seconded by Director Ridler to approve concept of the proposed 2013-2014 NCSD Budget

President Royalty called for a break at 7:32 p.m.

President Royalty called meeting back to order at 7:43 p.m.

**NOTE:** Let the record reflect Director Owens left the meeting at 7:45 p.m.

**AMENDED MOTION:** Director Ridler moved, seconded by Director Snively to approve in concept the 2013-2014 NCSD Budget with the following changes

Administration item 1012.4 increase to \$3600, Fire Department item 2.1 reduced to zero, FD item 4.1 to \$2500, FD item 4.3 to \$750, FD item 5.1 to \$1000, FD item 5.2 to \$1500, FD item 6.1 to \$260, FD item 7.5 to \$5335, FD item 8.1 to \$200 with total income and expense of \$205,800.00

President Royalty called for the vote

Director Snively - Aye  
Director Williams - Absent  
Director Owens - Absent  
Director Ridler - Aye  
Director Royalty - Aye

**NOTE:** Debbie Farrington will get clean copy to Jodi Howard for posting and the Board thanks her and the committee for all their hard work

**4E. NCSD Purchasing Card Use Agreement and NCSD Policy #3075**

**Recommended Action:** Immediate removal of any purchasing cards assigned to directors and non-staff

Appoint new Purchasing Card Administrator including Approval Officer, Billing Officer and Card Holder

Creation of new Purchasing Card Use Agreement

Creation of new Purchasing Card procedures including limits, proper documentation collections and guarantee of timely payment process

Define duties between General Manager, Treasurer, Purchasing Card Administrator and Card Holder

Creation of Process for handling disputes on unauthorized purchases and a requirement for that card holder use personal funds when they violate Purchasing Card Policy

Assign fuel cards to the NSVFD vehicles with limits

Establish NCSD Corporate Card for reoccurring monthly expenses

**PUBLIC COMMENTS:**

Paula Deel

Debbie Farrington

Ellen Johnson

**MOTION:** Director Snively moved, seconded by Director Ridler to remove purchasing cards assigned to directors - appoint new purchasing card administrator including approval officer - creation of new purchasing card agreement - creation of new purchasing card procedures including limits, proper documentation collections and guarantee of timely payment process - define duties between GM, Treasurer, Purchasing Card Administrator and Card Holder - Creation of Process for handling disputes on unauthorized purchases and requiring card holder use personal funds when they violate Purchasing Card Policy - assign fuel cards to the NSVFD vehicles with limits - and establish NCSD Corporate Card for reoccurring monthly expenses

- Original Motion broke into separate Motions -

**MOTION 1:** Director Ridler moved, seconded by Director Snively to immediately remove Director Owens' purchasing card

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

**MOTION 2:** Director Ridler moved, seconded by Director Snively to appoint Jodi Howard as new purchasing card administrator and approval officer and training administrator

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

**MOTION 3:** Director Ridler moved, seconded by Director Snively to create new Purchasing Card Use Agreement and present to the board

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

**MOTION 4:** Director Ridler moved, seconded by Director Snively to create a new purchasing card procedure and present to the board

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

**MOTION 5:** Director Ridler moved, seconded by Director Snively that definition of duties between GM, Treasurer and Purchasing Card Administrator should be with job description

President Royalty called for the vote

Director Snively - Aye

Director Williams - Absent

Director Owens - Absent

Director Ridler - Aye

Director Royalty - Aye

**NOTE:** Dispute agreement should be included with User Agreement - Fuel Card and Corporate Card assignment given to Jodi Howard

**4F. District's Finances and Spending  
Recommended Action - Discussion Only**

**PUBLIC COMMENTS:**

None

- NOTE:** re present this idea after budget resolution
- 4G. Enforcement of existing NCSD By-Laws and Policy Handbook while current By-Laws and Policy Handbook are reviewed/updated**  
**Recommended Action - Discussion Only**  
**PUBLIC COMMENTS:**  
 None  
**NOTE:** follow current rules and present for first review in August, By-laws & Policies
- 4H. Creation of NSV Fire Department Policy Handbook and review of NCSD Policy #1071**  
**Recommended Action - Discussion Only**  
**PUBLIC COMMENTS:**  
 None  
**NOTE:** Fire Dept will present to Board when ready
- 4I. All NCSD Directors attend CSDA & CSAC Leadership Courses and AB 1234 Ethics Training**  
**Recommended Action - Discussion Only**  
**PUBLIC COMMENTS:**  
 None  
**NOTE:** training should be considered after January 2014
- 4J. Establish catalog of ALL Retained District documents and review NCSD Policy #3090**  
**Recommended Action - Discussion Only**  
**PUBLIC COMMENTS:**  
 None  
**NOTE:** recommend use of form after hiring of full staff
- 4K. Creation of NCSD Legal Counsel Log Book and review NCSD Policy #3092**  
**Recommended Action - Discussion Only**  
**PUBLIC COMMENTS:**  
 None  
**NOTE:** recommend use of form after staff in place

#### **ADJOURN**

Director Ridler moved, seconded by Director Snively to adjourn the meeting  
 President Royalty called for the vote

Director Snively - Aye  
 Director Williams - Absent  
 Director Owens - Absent  
 Director Ridler - Aye  
 Director Royalty - Aye

President Royalty declared the meeting adjourned at 8:35 p.m.

Respectfully Submitted,

**Kathleen S Ridler**

Director Ridler - Board Administrator  
 July 10, 2013

**Newberry Community Services District  
2013-2014 Proposed Budget**

**1000.0 ADMINISTRATION**

<b>1001.0 Advertising</b>	<b>\$300.00</b>
<b>1002.0 Annex</b>	
1002.1 Annex Capital Improvement	\$0.00
1002.2 Annex/Parking Lot Electric	\$1,250.00
1002.3 Annex Propane	\$1,800.00
1002.4 Annexr Repair/Maintenance	\$500.00
<b>1003.0 Auditor</b>	<b>\$29,150.00</b>
<b>1004.0 Bank Fees</b>	<b>\$100.00</b>
<b>1005.0 Director Stipends</b>	<b>\$4,500.00</b>
<b>1006.0 Education Expenses</b>	
1006.1 Education: Tuition	\$3,925.00
1006.2 Education: Books	\$500.00
1006.3 Education Expense: Lodging	\$555.00
1006.4 Education Expense: Mileage	\$800.00
<b>1007.0 Election Expenses</b>	<b>\$3,000.00</b>
<b>1008.0 LAFCO</b>	<b>\$100.00</b>
<b>1009.0 Legal Expenses</b>	<b>\$5,000.00</b>
<b>1010.0 Office Expense</b>	
1010.1 Office Supplies	\$750.00
1010.2 Office Equipment: Maintenance/Repair	\$600.00
1010.3 Office Equipment: Purchases	\$0.00
1010.4 Postage/Shipping	\$500.00
1010.5 Annex Telephone/Fax	\$500.00
1010.6 Subscription/Membership Fees	\$500.00
1002.3 Annex Internet	\$1,000.00
<b>1011.0 Outside Bookkeeping</b>	
1011.1 Stewart's	\$580.00
<b>1012.0 Administrative Personnel Expenses</b>	
1012.1 Salary: Board Secretary	\$2,400.00
1012.2 Salary: General Manager	\$9,400.00
1012.3 Salary: Office Assistant	\$7,200.00
1012.4 Salary: Treasurer	\$3,600.00
1012.5 Payroll Taxes (District Portion)	\$3,250.00
1012.6 California State Distribution - no cost item	\$0.00
1012.7 Department of Justice - Live Scane	\$210.00
<b>1013.0 SDRMA Insurance: Liability/Bonding</b>	<b>\$4,700.00</b>
<b>SUB-TOTAL</b>	<b>\$86,670.00</b>

*Amended Budget approved for posting on July 30, 2013*



**Newberry Community Services District  
2013-2014 Proposed Budget**

**2000.0     PARK & RECREATION**

<b>2001.0 Community Events</b>		
2001.1	Community Event: Advertising	\$150.00
2001.2	Community Event: Expenses	\$12,500.00
<b>2002.0 Community Center Expenses</b>		
2002.1	Consumable Supplies	\$850.00
2002.2	CSD Electric	\$6,000.00
2002.3	CSD Propane	\$3,000.00
2002.4	Contract Labor: Cleaning	\$4,620.00
2002.5	Health Permits	\$1,000.00
2002.6	Maintenance/Repair: CSD Building	\$500.00
2002.7	Pest Control	\$600.00
<b>2003.0 Grounds Expenses</b>		
2003.1	Contract Labor: Landscape	\$4,900.00
2003.2	Disposal Services	\$1,800.00
2003.3	Maintenance/Repair: Equipment	\$500.00
2003.4	Maintenance/Repair: Grounds	\$1,500.00
2003.5	Maintenance/Repair: Well	\$1,000.00
2003.6	Mojave Water Agency Fees	\$100.00
2003.7	Park: Capital Improvements	\$0.00
2003.8	Park: Electric	\$900.00
2003.9	Water Testing Fees	\$600.00
<b>SUB-TOTAL</b>		<b>\$40,520.00</b>

**3000.0     STREET LIGHTS**

3001.0	Street Lights	\$5,000.00
<b>SUB-TOTAL</b>		<b>\$5,000.00</b>

**Newberry Community Services District  
2013-2014 Proposed Budget**

**4000.00 FIRE DEPARTMENT**

4001.0	Apparatus Lease/Purchase	\$0.00
4002.0	Capital Improvements	
4002.1	Station	\$0.00
4003.0	Equipment Expense: Vehicle	
4003.1	Equipment Vehicle: Fuel	\$5,500.00
4003.2	Maintenance/Repair	\$8,200.00
4003.3	SDRMA: Vehicle Insurance	\$9,700.00
4004.0	Equipment Expense: Non-Vehicle	
4004.1	Purchase	\$2,000.00
4004.2	Maintenance/Repair	\$750.00
4004.3	First Aid Supplies	\$750.00
4004.3	Drinking Water	\$300.00
4004.4	Equipment Fuel	\$200.00
4005.0	Dispatching Expense	
4005.1	Equipment Purchase	\$1,000.00
4005.2	Equipment Maintenance/Repair	\$1,500.00
4005.3	Cal Fire Dispatching	\$7,000.00
4006.0	Station Expense	
4006.1	Internet Service	\$260.00
4006.2	Maintenance/Repair: Station	\$500.00
4006.3	Office Supplies	\$350.00
4006.4	Pest Control	\$200.00
4006.5	Subscriptions & Membership	\$2,100.00
4006.6	Electric: Fire Station 2	\$2,000.00
4007.0	Firefighter Personnel Expense	
4007.1	Fire Department Office Administrator	\$7,200.00
4007.2	Payroll Taxes: FICA; Unemployment	\$1,100.00
4007.3	FASIS-Workers Compensation Insurance	\$12,000.00
4007.4	Firefighter: Appreciation	\$1,000.00
4007.5	Firefighter: Callout Pay - Monthly Stipend	\$3,600.00
4007.6	Training Expense: Certificates/Tuition/Books	\$5,000.00
4007.7	California State Distribution - no cost item	\$0.00
4007.8	Department of Justice - Live Scan	\$700.00
4007.9	Cell Phone - cancelled contract	\$300.00
4007.10	Uniform Expense	\$200.00
4008.0	Public Relations	
4008.1	Prevention	\$200.00

**SUB-TOTAL                      \$73,610.00**

**Newberry Community Services District  
2013-2014 Proposed Budget**

**5000.0 INCOME**

<b>5001.0 Interest</b>	
5001.1 Bank Interest	\$500.00
5001.2 Certificate of Deposit	\$0.00
5001.3 Savings Account	\$0.00
<b>5002.0 Rental</b>	
5002.1 Building Rental	\$800.00
5002.2 Equipment: Table/Chairs	
<b>5003.0 Fire Department</b>	
5003.1 Fire Department: Burn Permits	\$2,000.00
5003.2 Fire Department: Response Charges	\$0.00
5003.3 Fire Department: Grant Income	\$0.00
5003.4 Fire Department Donations	\$0.00
<b>5004.0 Other Income</b>	
5004.1 Kiewitt Fund Transfer for public events	\$10,000.00
5004.2 Rebate: Purchasing Card	\$0.00
5004.3 Copies	\$0.00
5004.4 Fireworks Donations	\$2,500.00
<b>5005.0 San Bernardino County Tax Share</b>	\$190,000.00
<b>TOTAL</b>	<b>\$205,800.00</b>

**Expense Totals**

1000.0 Administration	\$86,670.00
2000.0 Park and Recreation	\$40,520.00
3000.0 Street Lights	\$5,000.00
4000.0 Fire Department	\$73,610.00
<b>Total</b>	<b>\$205,800.00</b>
<b>BALANCE BETWEEN INCOME AND EXPENSES</b>	<b>\$0.00</b>



# LAFCO

**Local Agency  
Formation Commission**  
*for San Bernardino County*

215 North "D" Street, Suite 204  
San Bernardino, CA 92416-0490  
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)

Established by the State of California  
to serve the Citizens, Cities, Special Districts  
and the County of San Bernardino

**COMMISSIONERS**

JIM BAGLEY  
Public Member

KIMBERLY COX, Vice Chair  
Special District

JAMES V. CURATALO, Chair  
Special District

ROBERT A. LOVINGOOD  
Board of Supervisors

LARRY McCALLON  
City Member

JAMES RAMOS  
Board of Supervisors

DIANE WILLIAMS  
City Member

**ALTERNATES**

DAWN ROWE  
City Member

JANICE RUTHERFORD  
Board of Supervisors

SUNIL SETHI  
Public Member

ROBERT W. SMITH  
Special District

**STAFF**

KATHLEEN ROLLINGS-McDONALD  
Executive Officer

SAMUEL MARTINEZ  
Assistant Executive Officer

MICHAEL TUERPE  
Project Manager

REBECCA LOWERY  
Clerk to the Commission

**LEGAL COUNSEL**

CLARK H. ALSOP

September 25, 2013

RECEIVED  
SEP 27 2013

SUPERIOR COURT OF CALIFORNIA  
COUNTY OF SAN BERNARDINO  
OFFICE OF THE PRESIDING JUDGE

Honorable Marsha G. Slough, Presiding Judge  
Superior Court of California  
County of San Bernardino  
303 West Third Street, Fourth Floor  
San Bernardino, CA 92415-0302

Dear Judge Slough:

This response is provided to the *2012-13 San Bernardino County Final Grand Jury Report* identifying issues related to the Newberry Community Services District and the Local Agency Formation Commission for San Bernardino County (hereafter LAFCO).

**Recommendation #15:** "Review suggestions made in its (LAFCO) 2009 report and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014." (*Italics included by LAFCO staff*)

**Response:** On August 21 and September 18 LAFCO reviewed Recommendation #15 outlined above as well as the Grand Jury concerns related to the operations of the Newberry Community Services District. By action taken September 18, LAFCO has directed its staff to undertake an immediate off-cycle service review for the Newberry Community Services District as well as the Yermo and Daggett Community Services Districts to address the concerns outlined in the Grand Jury Report and Recommendation #15. The Commission chose to look at all three communities on the basis that the original report addressed the regional area and outlined the concerns for future sustainability of services. Due to the severity of the issues identified in the Grand Jury report, LAFCO was concerned that the next service review, while currently scheduled for 2014, would be delayed. Therefore, an off-cycle response was approved.

The Commission's direction to its staff is to undertake a detailed analysis of the various service delivery options (which will include but will not limited to consolidation, transfer of service to a more regional entity, etc.) available for the area. A copy of the report presented to the Commission for the September hearing is included for your information. LAFCO staff will be contacting the three

Community Services Districts in the near future to request submission of financial and service plan documents to commence the study.

Should you have any questions on this response or LAFCO actions to be undertaken, please do not hesitate to contact me directly at the address or phone number listed above or by email at: [kmcdonald@lafco.sbcounty.gov](mailto:kmcdonald@lafco.sbcounty.gov).

Sincerely,



KATHLEEN ROLLINGS-McDONALD  
Executive Officer

Attachment



# 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: SEPTEMBER 10, 2013

FROM: KATHLEEN ROLLINGS-McDONALD, Executive Officer

TO: LOCAL AGENCY FORMATION COMMISSION

---

SUBJECT: Agenda Item #8 – Consideration of Response to San Bernardino County Grand Jury Report Related to the Newberry Community Services District

---

## **RECOMMENDATION:**

Staff recommends that the Commission approve the response to the San Bernardino County Grand Jury Report related to the Newberry Springs Community Services District as follows:

1. Concur with the 2012-13 Grand Jury Final Report Recommendation #15 and determine the option for addressing the information needs identified – Option #1 or Option #2 – as outlined in this report; and,
2. Authorize the Executive Officer to submit the response to the Presiding Judge of the Superior Court outlining the Option chosen to address the recommendation by the deadline of September 28, 2013.

## **BACKGROUND:**

At the August 21, 2013 hearing the Commission reviewed the staff report related to the mandatory response to the 2012-13 Grand Jury Final Report (copy included as Attachment #1) related to the Newberry Community Services District. Recommendation #15 relates to LAFCO and reads as follows (the italics have been provided by LAFCO staff):

“Review suggestions made in its 2009 report (*Service Review for the Communities of Daggett, Yermo and Newberry Springs*) and include more robust analysis of governance and reorganization options for the next Service Review of the District, scheduled for 2014.”

The reorganization options identified in this 2009 report included, among others, is the consolidation of the three CSDs into a single agency, which the staff recommendation supported through a consolidated sphere of influence. The staff's rationale was identified as being that the three CSDs were experiencing governance issues (compliance with audit requirements, budget compliance, etc.) to varying degrees and the consolidation would pool resources to allow for the hiring of professional staff to move them toward compliance. The August staff report provided two options for consideration to respond to the Grand Jury:

**OPTION #1** Concur with Recommendation #15 and direct staff to provide a more detailed analysis of the potential consolidation of the District during the second cycle review, anticipated to be 2014 but could be later in time; or,

**OPTION #2** Concur with Recommendation #15 and because of the severity of the issues identified direct staff to undertake an off-cycle review of the Newberry Community Services District, as well as the Yermo and Daggett Community Services Districts, to provide a more detailed financial and operational analysis for governance options. The only issue with undertaking this option would be funding since the revenues for service reviews must come from the Commission's mandatory apportionment process, as no fees can be charged for the process.

The key issue of concern for LAFCO staff was the estimated cost of in conducting this special study. At the August meeting staff was directed to see if there were mechanisms to reduce the cost of Option #2, then estimated to be between \$15,000 and \$20,000. Staff has reviewed the cost estimate and identified that in order to provide the necessary information on the actual cost and structure of any governance changes (such as a preparation of a financial and governance analysis including documentation of a future board of directors, etc.), the necessary outreach to the residents and property owners in the area, and the costs of hearings before the Commission, staff believes that \$15,000 is needed. Some of the direct costs associated with the estimates anticipated at this time include:

- Notice to all landowners and registered voters of at least a single community meeting, if not more, and the Commission's consideration. In 2009 the cost for conducting a community meeting and providing individual notice had a direct cost of \$2,144. In addition there would be a charge from the Registrar of Voters to provide the mailing list currently estimated at \$240 per district. The total cost for two mailings would be \$4,768.
- Legal advertising in the Desert Dispatch, the newspaper of general circulation in the area, for the prior service review was \$810. The estimate for legal advertising would be \$1,620 (one community meeting and Commission hearing).
- Travel and salary costs for staff to meet with the staff of each of the districts and possibly needing to develop the information to complete the study \$3,000.



The total of the estimated direct costs are \$9,388. The indirect costs of LAFCO staff, at all levels, to provide the report needed and the presentation to the Commission would consume the remaining \$5,612, for a total cost of \$15,000.

At the July hearing staff identified in the unaudited financial report for Fiscal Year 2012-13 the potential of an additional carryover of \$37,692. Since that time, the final year-end financial reports have been received and this figure has been verified; therefore, there is some additional funding available for this study. LAFCO staff would recommend that if there is an interest in moving forward with a special study of governance options for the three communities, that the cost be divided between LAFCO (\$10,000) and the First District (\$5,000). The First District funding identified in this proposal is for financial assistance to LAFCO staff in gathering and disseminating information on governance options for the three communities. Staff believes that it is extremely important that governance issues be reviewed and discussed within the communities as this will be the last major area of potential developable lands in the I-15 and I-40 corridors for the future, being the gateway to the Mojave Preserve and other federally held lands.

Based upon the Commission's determination of option, staff will prepare the letter response to the presiding judge of the Superior Court and submit by the September 28, 2013 deadline. Should the Commission have any questions, staff will be happy to answer them prior to or at the hearing.

KRM

Attachment – August 12, 2013 Staff Report





County of San Bernardino

# INTEROFFICE MEMO

DATE: October 2, 2013

PHONE: 386-9000

FROM: **LARRY WALKER** *[Signature]*  
Auditor-Controller/Treasurer/Tax Collector

TO: **MARSHA G. SLOUGH**, Presiding Judge  
Superior Court of California

---

SUBJECT: **RESPONSE TO 2012-2013 SAN BERNARDINO COUNTY GRAND JURY REPORT**

---

The Auditor-Controller/Treasurer/Tax Collector (ATC) respectfully responds to the 2012-13 San Bernardino County Grand Jury Final Report (hereinafter "The Report"). There was one recommendation in The Report that addresses ATC and one follow-up recommendation from the 2010-11 Grand Jury Report that is also related to ATC.

## Grand Jury Report 2012-13

Finding  
No Finding

Recommendation  
13-27

## Grand Jury Report 2010-11

Finding  
No Finding

Recommendation  
2011-30

### Recommendation 13-27

#### [Rec. 6, p.12]

We partially concur with this recommendation, while noting that no funding exists for the suggested work in the absence of voluntary cooperation by the agency. ATC had procedures in place to notify special districts of their duties. For the FY 2009-2010 report, ATC Internal Audits Section (IAS) sent Newberry Community Services District (NCSD) the following reminder and late notice letters:

- Late Notice 1 – July 8, 2011
- Late Notice 2 – February 10, 2012
- Late Notice/Reminder Letter – May 7, 2013

In addition to the letters, ATC also contacted the General Manager of NCSD in February of 2013 to obtain his permission to work directly with the District's external auditors, DB Whitford, to discuss the status and submission of the outstanding reports. DB Whitford informed ATC that due to tax season they were unable to provide the reports, but indicated their intent to submit them as soon as possible.



ATC has modified our special district notification procedures. We now send the reminder letters annually in December. We also begin the late notification process much sooner. Our notification process is as follows:

- **Reminder Letter**-December 1<sup>st</sup> - Letter is sent to remind districts that their financial statements for the previous fiscal year are due to ATC before next June 30<sup>th</sup>.
- **Late Notice 1**-July 1<sup>st</sup> - Delinquent notices are mailed to non-compliant districts.
- **Late Notice 2**-October 1<sup>st</sup> - (three months after the financial statements are overdue).
- **Final Notice**-January 1<sup>st</sup> - (six months after the financial statements are overdue).
- An annual report will be presented to the Board of Supervisors no later than June. The report will include any district that has not submitted annual financial statements to ATC after receiving the final notice from our office. ATC will cause the audit of the non-compliant districts financial statements following the Board of Supervisors' acceptance of the annual report, which will include cost estimates for the delinquent work.

**[Rec. 7, p.12]**

Members of ATC are available to work with the NCSD General Manager to determine the best approach to bring the District in compliance with Government Code section 26909.

**Recommendation 2011-30**

ATC does not concur with the Grand Jury response to the follow-up of this recommendation. ATC's response to this recommendation on September 30, 2011 was not reported as we responded. ATC's response to this recommendation was as follows:

*"ATC Central Collections will cooperate with the Public Defender to implement this recommendation."*

It appears the County Administration's response was included in place of ATC's response. Central Collections does not conduct fee studies for departments. Central Collections is able to provide limited accounts receivable and collections data to departments for fee studies.

The 2012-2013 Grand Jury's question and answer below does not accurately characterize ATC's responsibility in the implementation of the recommendation.

**Question:** *"Has the recommendation been implemented?"*

**Answer:** *"The recommendation has not been implemented. The Central Collections Department was advised that the Public Defender's Office and Internal Audit are responsible for implementing this recommendation."*



The Public Defender's office is responsible for implementation of this recommendation. ATC Internal Audits Section does not conduct fee studies and does not have the ability to implement the recommendation. County departments are required to independently review their departmental fees on an annual basis and report to the Board of Supervisors. Any analysis provided by ATC would be conducted by the Management Services Section of the Controller Division. We respectfully request the Grand Jury revise the report to reflect that it is the sole responsibility of the Public Defender's office to implement the recommendation and to clarify that 1) Central Collections is a division within ATC, not a department, and 2) ATC assistance to the Public Defender to study costs is available from ATC Management Services Section.

Please feel free to contact me if you have any questions.

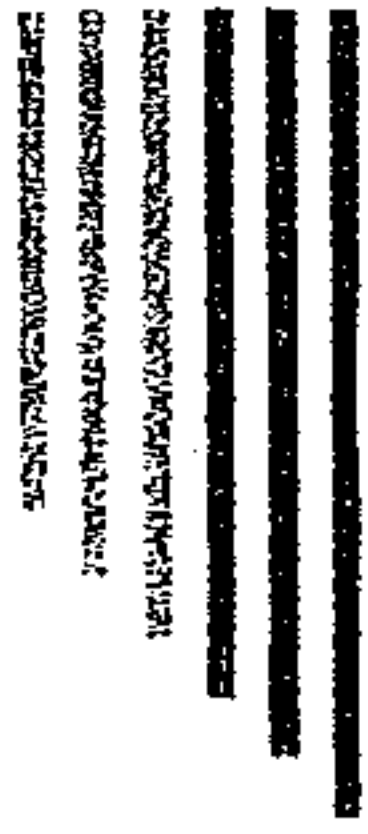
LDW:MJB:wds



**1. 2012-13 San Bernardino County Grand  
Jury Report**

**c. Newberry CSD Updated Responses  
dated March 10, 2014**

**Attachment 1c**



# Newberry Community Services District

March 10, 2014

Established 1958

**Robert Springer**  
President/Director

**Paula Deel**  
Vice President/Director

**Robert Royalty**  
Director

**Robert Shaw**  
Director

**Robert Vasseur**  
Director

**Le Hayes**  
General Manager

**Jodi Howard**  
Board Secretary  
Office Administrator

**Kerri Zurcher**  
Treasurer

**Robert Rogers**  
Fire Chief

**Daphne Lanier**  
Assistant Fire Chief  
Fire Dept. Admin.



TO:

The County of San Bernardino Grand Jury  
Honorable Marsha G. Slough, Presiding Judge, Superior Court of California  
351 North Arrowhead Ave.  
San Bernardino, Calif. 92415

FROM:

Newberry Community Services District  
PO Box 206  
30884 Newberry Road  
Newberry Springs, Calif. 92365

SUBJECT:

Updated response to the recommendations provided by the Grand Jury in its  
2012-2013 Final Report.

RECEIVED  
MAR 18 2014

LAFCO  
San Bernardino County

Please note that subsequent to the 2012-2013 Grand Jury report the citizens of Newberry Springs and some members of the Board of Directors saw the pressing need for substantial changes. Three new Board Members were elected to serve on the Board and they took office in December, 2013.

Our Board of Directors:

President Robert Springer, Vice President Paula Deel, Director Robert Royalty, Director Robert Shaw, and Director Robert Vasseur. Each member of our Board has lived many years in Newberry Springs and they are determined to create an effective CSD which will serve the needs of our community while adhering to best practices and procedures.

Our Current Staff members are:

**Le Hayes**, General Manager. Mr. Hayes was hired on January 14<sup>th</sup>, 2014 and has 22 years of experience as the General Manager for Baker CSD. He retired from Baker CSD and moved to Newberry Springs in August of 2013.

**Jodi Howard** is our Office Secretary and Secretary to the Board. She has excellent secretarial skills and meets the public well.

**Kerri Zurcher** is our Treasurer. Kerri works full time for a major Real Estate firm as their Bookkeeper and has excellent financial accounting/budgeting skills.

**Robert Rogers** is our Fire Chief. Roger has 22 years of Firefighting and medical aid experience.

**Daphne Lanier** is our Assistant Chief and Fire Department Administrator. She has been in the administrator position for several years and has an excellent understanding of policy and procedures.

Additionally we have 22 well trained and dedicated volunteer firefighters.

Due to budget constraints, all of our staff members are part time. Our office hours are Wednesday, Thursday and Friday from noon until 4pm.

Following are our updated responses to the Grand Jury Recommendations:

Recommendation 1.

The Grand Jury recommended the Board of Directors should: “The NCSD Board should direct the General Manager to develop proposed policies and rules for conducting public meetings, based on *Roberts Rules of Order* and other accepted standards for parliamentary procedure.

Response:

The By Laws and Policy Handbook of the Newberry CSD are currently being revised. Our policy will then substantially adhere to the California Special Districts Association “Board Meeting Conduct” policy recommendations.

Recommendation 2.

The Grand Jury recommended: “Seek to attend courses offered by the CSDA and CSAC on the roles and functions of elected officials, including those offered on leadership and conducting public meetings.”

Response:

Directors Deel and Shaw have attended Board Member training provided by CSDA in Fountain Valley on January 23rd, 2014. The remainder of our Directors, our General Manager and our Treasurer will attend the training titled “Governance Training” provided by SDRMA, and funded by LAFCO, on Tuesday March 25 at the Mojave Water Agency in Apple Valley, California. Most of our Directors have completed the AB1234 ethics training and all have filed their Conflict of Interest form 700.

Recommendation 3.

The Grand Jury recommended: “Direct the General Manager to begin and maintain a process to record, transcribe, post and safeguard official Board minutes within two weeks of any Board meeting, in accordance with the districts current policy.”

Response:

Our policy is being amended, noting that Board Minutes drafts prepared by the General Manager or the Secretary to the Board may contain mistakes or omissions. The Board Minutes drafts are not official until they have been reviewed and approved by the Board of Directors. They are then posted on the NCSD website, stored and backed up electronically in a secure password protected pdf format as well as file secured hard-copy.

Recommendation 4.

The Grand Jury recommended: “Re-adopt a numerical and hierarchical account numbering structure for use in the District’s general ledger and income statement.”



Response:

We are currently using such a system formulated in cooperation with our auditing firm, David Whitmore located in Riverside, California. Our enclosed Budget uses the recommended system.

Recommendation 5.

The Grand Jury recommended: "Work with the Board, County Auditor, and utilize resources such as the California Special Districts Association to develop a basic accounting manual."

Response:

Due to limited resources and the intrinsic limitations of a part time staff, our audit firm and our own Treasurer, are developing an accounting manual based on generally accepted accounting principles, to be implemented in the immediate future.

Recommendation 8: Revise its purchase card policies to:

(a) Exclude Board members from the use of purchase cards in order to be in compliance with the State Master Services Agreement for purchase cards, subsequently relinquish any purchase cards currently issued to Board members, and

(b) Include additional policies to ensure that there are sufficient funds for paying authorized purchase card transactions, prevent potential fraud and abuse through unauthorized and/or inappropriate purchases, and avoid unnecessary penalties and fees from late payments, such as:

- (iv) Spending and transaction limits for each cardholder;
- (v) Clearly segregated duties for approving, executing, and reconciling purchases among the General Manager, Treasurer, and other purchase cardholders;
- (vi) A process for handling disputes and unauthorized purchases; and,
- (vii) A requirement that purchase cardholders use personal funds to pay for transactions that lack the timely submission of sufficient documentation of the transaction and purpose, as well as any subsequent penalties and fees that result from the delay in submitting such documentation.

Response:

No Board member currently holds or will be issued a Newberry CSD credit card. Our Treasurer tracks available funds and she and the General Manager, assisted by our Office Secretary closely examine each purchase to ensure its validity and that it serves a valid CSD purpose. Purchases by the Treasurer, General Manager or other staff members now require approval by another staff member. No staff member may approve their own purchase. Each purchase requires that receipts be attached to a form documenting the purchaser, the date, and justification for the purchase.

If a purchaser does not submit the required documentation validating the purchase in a timely manner or if the purchase does not clearly meet district needs, the purchaser is personally responsible for the expenses. Misuse of a credit card is grounds for immediate dismissal.

Recommendation 9.

The Grand Jury recommended: "Diligently review the list of disbursements to be approved on the consent agenda prior to scheduled Board meetings and (a) discuss questionable



disbursements with the General Manager and/or (b) request to pull questionable disbursements from the consent agenda for public discussion and review.”

Response:

We no longer use a consent agenda item. Alternatively we are using an agenda item entitled “Pay Bills and Approve the Bills already Paid.” Included in the meeting packets provided to the Directors and the Public is a list of the bills which have been paid since the last meeting and a list of the bills to be paid at the current meeting, ensuring that every Board Member and every member of the Public can see every bill which has been paid and can avail themselves of the opportunity to question any bill. Checks are prepared to pay the current bills and once those bills are reviewed and approved the checks are presented to the Board for signatures. Each check requires the signature of two Board Members. This procedure also helps to ensure that bills are paid in a timely manner.

Recommendation 10.

The Grand Jury recommended: “Train all participants in the purchase card program on the new and revised policies and procedures for purchase cards.”

Response:

Currently there are four credit card holders. Jodi Howard, our District Secretary and Secretary to the Board is our purchasing card Administrator. She has verified that board members and staff are aware of the new procedures. Additionally, all of our credit card holders are senior staff members well aware of problems we’ve had in the past and who are determined that those problems will not recur.

Recommendation 11.

The Grand Jury recommended: “Review consultants or vendors with a single invoice over \$5,000, or multiple invoices that, together, exceed \$5,000 to ensure that they have a contract or total expenditure approved by the Board of Directors at a meeting. If the contract was not approved by at least two Board members, or no contract exists, steps should be taken to bring the purchase(s) into compliance with the Policy Handbook.”

Response:

Currently only our Auditor and Legal Counsel have submitted invoices which meet this criterion. Those expenses have been authorized by the Board. We are currently working on our revised Policy Manual adopting CSDA standards entitled “Expense Authorization- Policy #3040” and “Employment of Outside Contractors and Consultants. Policy #3042”

Recommendation 12.

The Grand Jury recommended: “Carefully review all requests for reimbursements, including supporting documentation, against the policies and procedures in the District Policy Handbook prior to approval.”

Response:

Currently our General Manager, Board Secretary and Treasurer all review any request for reimbursements. When our revised Policy Manual is completed and approved we will adopt



CSDA standards for Expenditure Reimbursement – Policy #4025 which reads in part: “Whenever District employees or directors desire to be reimbursed for out-of-pocket expenses for item(s) or service (s) appropriately relating to District business, they shall submit their requests on a reimbursement form approved by the General Manager. Included on the reimbursement form will be an explanation of the District-related purpose for the expenditure(s), and receipts evidencing each expense shall be attached.” Subsections of that policy further specify who may approve these expenses, prohibiting staff or Board Members from approving their own expenditures, and specifying that all expenditures must be reasonable and necessary. We are working diligently to completely revise our policy manual and see no reason to reinvent the wheel. We will substantially adopt the policy model recommended by CSDA.

#### Recommendation 13.

The Grand Jury recommended: “Establish the following to ensure that the District is in compliance with the Policy Handbook and maintains adequate internal controls:

- (a) District Legal Counsel Log;
- (b) Policy Handbook for the Fire Department; and,
- (c) Catalog of all retained District Records.

#### Response:

- (a) We are now creating the Legal Counsel Log having received a portion of that information from legal counsel.
- (b) A Fire Department Policy Handbook has been created by Daphne Lanier, Assistant Fire Chief and Fire Department Administrator. The document will be submitted to the Board of Directors for revision and approval.
- (c) At the time we were working with the Auditor to bring our required annual audits up to date, our Board Secretary and Treasurer were searching records locate necessary supporting documents that were placed in separate file boxes with labels specifying the contents. Additionally, in moving our offices from one location to another we are examining files to ascertain which files will be resident in the new office and which will be placed into archival storage. Those boxes will also be labeled to indicate content.

#### Recommendation 14.

The Grand Jury recommended: “Establish a Capital Asset Management System that records capital asset information such as the purchase date, condition it was in at the time of purchase, warranties, maintenance history, usage statistics, original useful life, remaining useful life, and replacement costs.”

#### Response:

We have very little property, buildings, vehicles or machinery that meets this requirement. Our land was acquired in the 1950’s and is classified as *older infrastructure* exempt from capital assets management. We do have a minor amount of Fire Department equipment meeting the requirement and will establish a system for capitalizing that equipment in the future.

#### Recommendation 15.

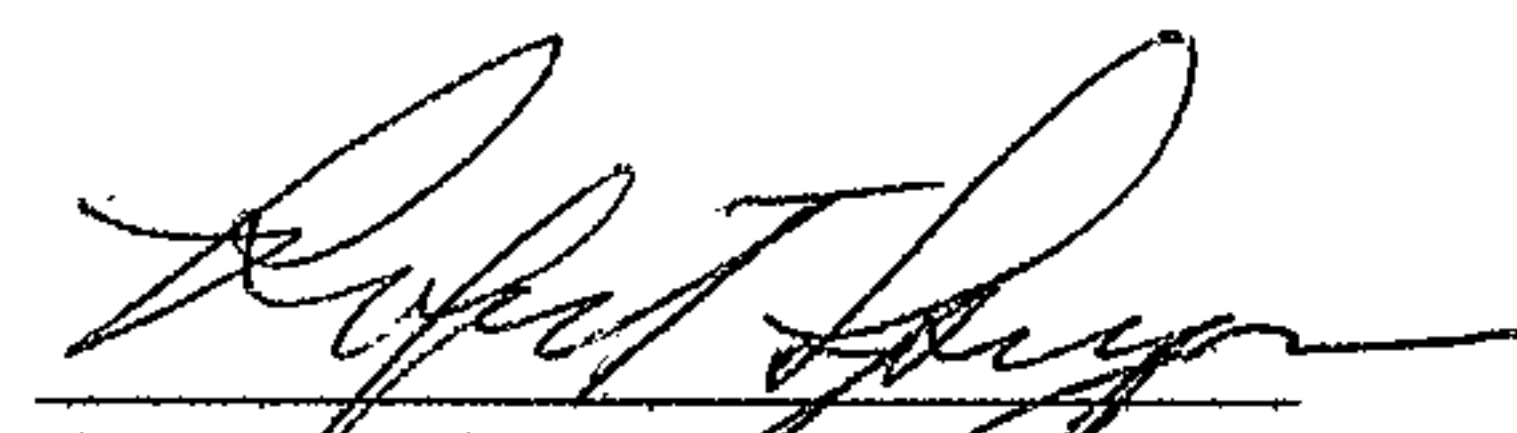
Recommendation by the grand jury to direct Local Agency Formation Committee (LAFCO) to conduct an immediate Municipals Services Review (MSR) for review.

Response:

We are working closely with Michael Tuerpe from LAFCO on our next MSR and fully expect to meet/exceed their expectations. This process is currently active and we are participating to the fullest extent.

Should you have questions please contact us by mail.

On Behalf of the Board and Staff of Newberry CSD

A handwritten signature in black ink, appearing to read "Robert Springer", written over a horizontal line.

Robert Springer  
Board President

Enclosures:

Current Budget

Current Agenda

Current Board Minutes

- 2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities**
  - a. Staff Report dated April 24, 2009**

**Attachment 2a**

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

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**DATE:** APRIL 24, 2009

**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
MICHAEL TUERPE, LAFCO Analyst

**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #6: Municipal Service Reviews for the Communities of  
Daggett, Newberry Springs, and Yermo

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**INITIATED BY:**

San Bernardino Local Agency Formation Commission

## **INTRODUCTION**

San Bernardino LAFCO has chosen to undertake its Municipal Service Reviews on a regional basis. By action taken in February 2002, the Commission divided the county into five separate regions, with the North Desert Region defined as the territory north of the San Bernardino/San Gabriel Mountains, east of the Los Angeles County line, south of the Inyo County line, and generally west of the Mojave Water Agency boundary. The Commission has further identified by policy declaration its community-by-community approach to sphere of influence identification.

Presented in this report are the municipal service reviews and sphere of influence updates for the Daggett Community Services District (CSD), Newberry CSD, and Yermo CSD. Included within these districts are the defined communities of Daggett, Newberry Springs, Yermo, and a portion of the community of Harvard (within the Yermo sphere of influence). These communities are the northeastern most populated areas of the North Desert Region which are, or could be served by multi-function agencies.

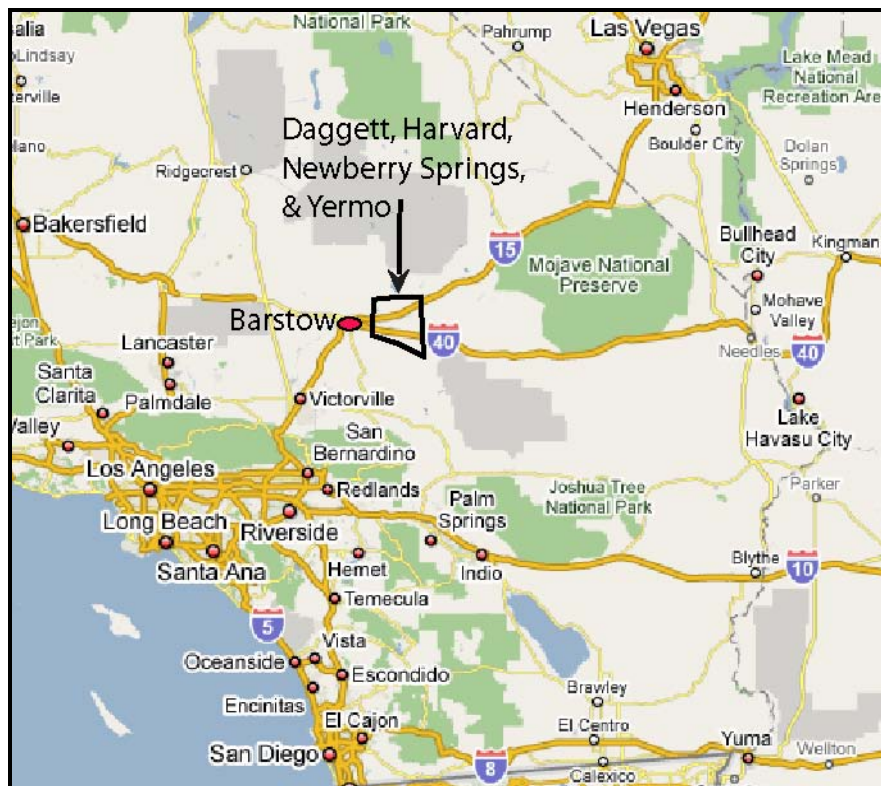
These communities are presented in a single report due to their interrelationship, location within the Interstate 15 and Interstate 40 corridors, their historic divide from the larger Barstow community and their enclosure by public lands (military and preservation lands). These communities are generally east of the San Bernardino Meridian line (the line between Ranges 1 West and 1 East) which is generally the line dividing the communities of Daggett, Yermo, Harvard, and Newberry Springs from the City of Barstow. In addition, the



community services districts which serve these communities essentially provide the same services, operate under the same law (Community Services District Law [Government Code Section 61000 et. seq]), are located adjacent to one another, have a historic divide from the Barstow community, and rely upon each other for assistance in service delivery, such as fire protection. As this report will outline, these three districts strive to provide their range of services, generally fire protection, streetlighting and park and recreation, within their limited financial resources and they have succeeded in providing a governmental voice for their communities.

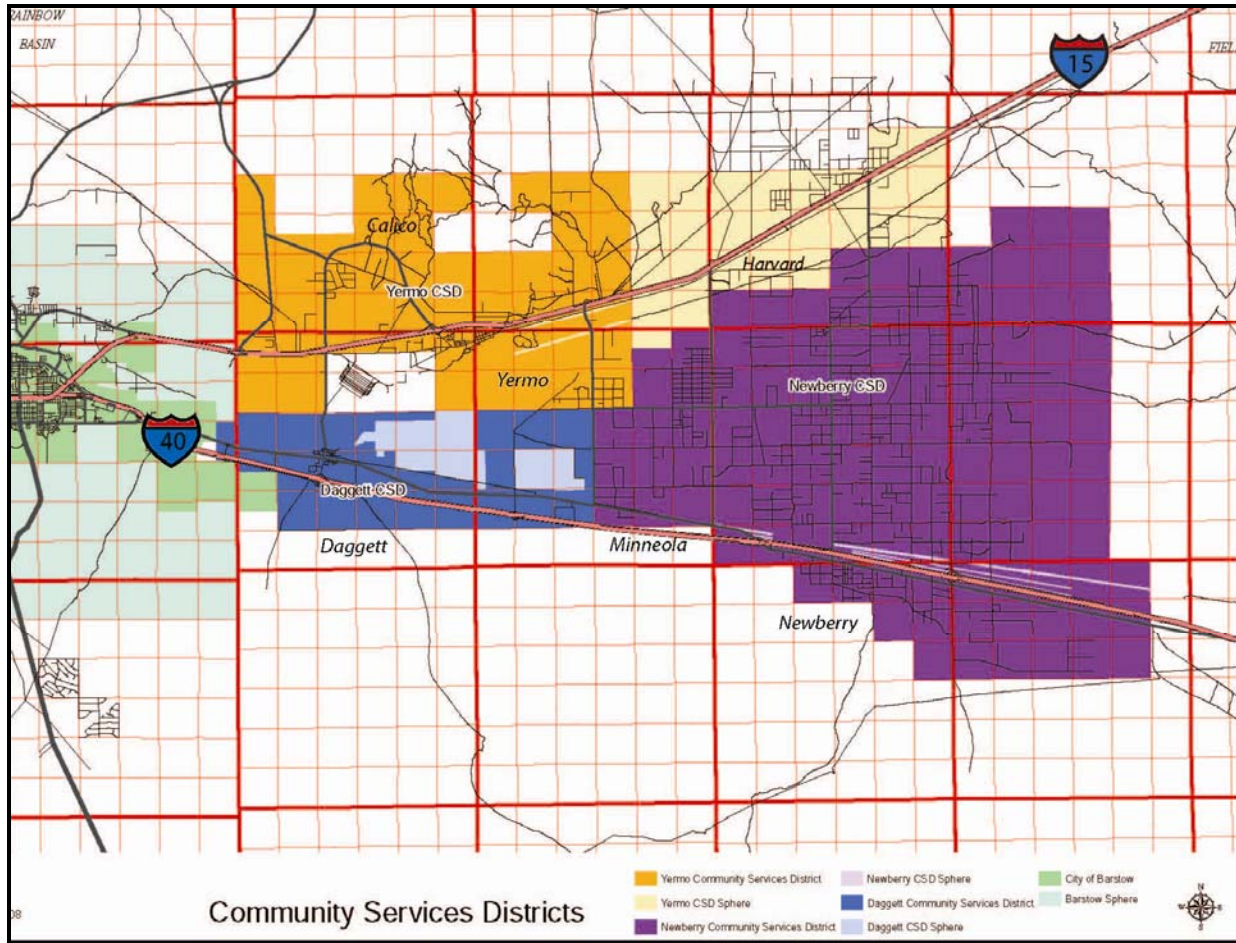
While the permanent population of these communities may be low, the transient activity is high. As shown in the map below, the communities are along two of the four major highway routes leaving southern California to the east. Additionally, railway traffic passes through the communities into and out of one of the largest rail classification yards in the country located in Barstow. Therefore, emergency response for the Interstate 15, Interstate 40 and rail corridors is important and warrants discussion in a single report.

### Map Showing Major Routes Leaving Southern California



Below is a map of the communities in a regional context with the City of Barstow to the west, which is also included in Attachment #1.

## Daggett, Harvard, Newberry Springs, and Yermo Communities



The residents and landowners within the communities of Daggett, Newberry Springs, and Yermo are directly served by the community services districts that overlay them:

Daggett Community Services District  
Newberry Community Services District  
Yermo Community Services District

The residents and landowners of the Harvard community are within the Yermo CSD sphere of influence, and they receive their services through County operated special districts. Residents and landowners also receive direct services from regional service providers:

County Service Area 40 (television)  
San Bernardino County Fire Protection District and its North Desert Service Zone

(areas within the sphere of influence of the community services districts but not within their boundaries, including the Harvard community, and the Marine Corps Yermo Annex)

Other regional service providers include:

Barstow Cemetery District (eight square miles within Daggett CSD and three square miles within Newberry CSD)  
County Service Area 70 (unincorporated County-wide)  
Mojave Desert Resource Conservation District  
Mojave Water Agency  
San Bernardino County Flood Control District

### **COMMUNITY HISTORY:**

The following provides a historical perspective of the communities from information gathered from historic books<sup>1</sup>, the San Bernardino County Regional Parks website<sup>2</sup>, interviews<sup>3</sup>, and the municipal service review for the Mojave Water Agency (LAFCO 3033).

Human activity in these communities can be traced back thousands of years to native settlers and travelers. However, not until the early 1880s did this area begin to sprout defined communities, beginning with the community of Calico. Situated in the North Desert region of the County, Calico was roughly 12 miles east of what is now the City of Barstow and four miles north of Yermo in the Calico Mountains. Activity flourished in the Calico community towards the end of the 19<sup>th</sup> century (in the northern area of the current Yermo CSD) with prospectors seeking fortune. Founded in 1881, Calico was a mining boomtown with extractions of silver and borax and grew to a population of 1,200. The town supported bars, gambling halls, trading posts, churches, and a newspaper. Silver was the predominant strike and was abundant and high in quality. South of Calico, around the rail line junction connecting Calico with the main east-west rail lines through the State, arose the town of Daggett (formerly called Calico Junction and then renamed after then California Lieutenant Governor John Daggett).

In the mid-1890s the price of silver declined and silver was no longer used as a form of currency. The Calico silver mines were no longer economically viable so the Town's population began to shrink. Calico survived in the 1900s by shifting its focus to borax mining, which was a more labor intensive activity. With the price of silver down, Daggett as well shifted its focus to become a shipping center for borax mined in Calico. At the turn of the century, Daggett was larger than either Barstow or Victorville and was anticipated to become the metropolis of the Mojave Desert. But fate once again stepped in, and in 1907

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<sup>1</sup> Casebier, Dennis G and the Friends of the Mojave Road. Guide to the East Mojave Heritage Trail. Tales of the Mojave Road Publishing Company, Norco, CA, 1989.

Various, Once Upon a Desert. Mojave River Valley Museum Association, Barstow, CA, 1994; Patricia Keeling, Editor.

<sup>2</sup> San Bernardino County, Regional Parks, Accessed May 22, 2008, Last update April 12, 2008, <http://www.co.san-bernardino.ca.us/parks/calico.htm>.

<sup>3</sup> Interview with Lawrence Alf and Beryl Bell of Daggett CSD, May 27, 2008.

borax mining moved to Death Valley and Calico was abandoned. After the borax companies moved, the surrounding communities of Yermo and Daggett became fractions of what they previously were.

East of Daggett and Calico, the first settlement in Newberry Springs was founded in about 1911. The Santa Fe Railway used the water from Newberry Springs for its steam engines and to deliver water east to Ludlow and Baghdad and created a rail stop in the community.

In 1926, Route 66 was established from Chicago to Santa Monica and quickly became known as the "Mother Road" primarily bringing travelers from the East. Route 66 traversed through the southern portions of the communities of Daggett and Newberry Springs. This portion of Route 66 was decommissioned in 1985, being replaced by Interstate 40 for east-west travel. CALTRANS provided on/off ramps within Daggett and Newberry; therefore, the closure of Route 66 did not adversely affect these communities to the extent as the other communities to the east within the County (such as Amboy and Ludlow).

In 1951, Walter Knott, founder of Knott's Berry Farm, purchased the Calico town and began restoring it to its original condition referencing old photographs as a tourist attraction. Five of the original town buildings exist today, and many others were recreated as replicas of their originals. In 1966, Walter Knott donated the town to San Bernardino County, and Calico became a county regional park. The last original inhabitant of Calico, before it was abandoned, Mrs. Lucy Bell Lane, died in the 1960s. Her house remains as the main museum in the town. Today, the park operates mine tours, gunfight stunt shows, gold panning, a restaurant, the Calico & Odessa Railroad and a number of general merchandise stores. Calico is a registered California historic monument and is the "official state silver rush ghost town" of California.

Today, the largest economic presences in the overall community are the Silver Valley Unified School District, the Yermo Annex to the Marine Corps Logistics Base Barstow, the San Bernardino County Regional Park at Calico Ghost Town, and Union Pacific Rail Yard. The Silver Valley Unified School District encompasses the four communities and Fort Irwin, and includes four schools and the district headquarters. The Yermo Annex encompasses approximately 1,859 acres and is primarily a storage and industrial complex. It was established in 1942 as a supply center for the United States Navy and was transferred to Marine Corps command in 1954. The Yermo Annex is surrounded by Yermo CSD on the west and north, and Daggett CSD on the south. The Yermo Annex is not within the boundary or sphere of either the Daggett or Yermo community services districts.

A brief history of the major Government events in the communities is described below, listed chronologically by end date:

1955	The application for formation of the Daggett CSD was directed for placement on the ballot by County of San Bernardino Board of Supervisors action and was originally approved by the voters with the authorized functions for providing water, sewer, refuse, fire protection, park and recreation, street lighting, mosquito abatement, and police services to the Daggett community.
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- 1958 The application for formation of the Newberry CSD was directed for placement on the ballot by County of San Bernardino Board of Supervisors action and was originally approved by the voters with the authorized function for providing water, sewer, refuse, fire protection, park and recreation, police, and streetlighting to the Newberry community as those were then defined in law.
- 1962 The application for formation of the Yermo CSD was directed for placement on the ballot by County of San Bernardino Board of Supervisors action and approved by the voters, whereby it succeeded to the Yermo Fire Protection District. The District was originally approved by the voters with the authorized functions for providing water, sewer, refuse, fire protection, park and recreation, streetlighting, mosquito abatement, police protection, library, and road and incidental works construction and improvement services to the Yermo community. The initial active service powers were fire protection, park and recreation, and streetlighting.
- 1965-69 In 1965, the application for formation of County Service Area 40 was directed for placement on the ballot by County of San Bernardino Board of Supervisors action and approved by the voters to provide television translator signals for the area generally defined as Daggett, Newberry, and Yermo. Litigation against the formation was filed by John R. Beyers and heard in 1968. This action was resolved through special legislation and the District formed in 1969. Further information can be found in the municipal service review for County Service Area 40 (LAFCO 3022).
- 1972 Sphere of influence established for County Service Area 40 (LAFCO 1270). The sphere establishment comprised the communities of Daggett, Harvard, Newberry Springs, and Yermo, thereby reinforcing the concept of the combined community.
- 1973 Sphere of influence established for Newberry CSD (LAFCO 1261). The original sphere encompassed approximately 59 square miles (50% of present sphere) and mainly did not include the area between Minneola Road and Dune/Hereford Road (a part of present sphere).
- Sphere of influence established for Yermo CSD (LAFCO 1266). The original sphere is the same as its present configuration.
- Sphere of influence established for Daggett CSD (LAFCO 1271). The original sphere encompassed approximately six square miles and mainly consisted of the populated center of the district.
- 1976 When special districts were granted representation on the San Bernardino LAFCO Commission, all special districts were limited to the functions/services provided at that time. The affected districts responded to LAFCO's request to list their active functions and services by providing the following:

- Daggett CSD identified to LAFCO that the active functions were water, streetlighting, park and recreation, and fire protection (response included in Attachment #8).
- Newberry CSD identified to LAFCO that the active functions were streetlighting, park and recreation, and fire protection (response included in Attachment #8).
- Yermo CSD identified to LAFCO that the active functions were streetlighting, park and recreation, and fire protection (response included in Attachment #8).

Pursuant to adoption of the “Rules And Regulations Of The Local Agency Formation Commission Of San Bernardino County Affecting Functions And Services Of Special Districts” in 1976 and amendments thereafter, the functions and services active for Districts have been specified and the procedures required to apply to the Commission for activation of any other latent powers have been defined.

1978-79 Newberry CSD submitted an application to annex 111 square miles for the primary purpose of extending improved fire and emergency services to the area (LAFCO 1783). The application for annexation extended into the sphere of influence of Yermo CSD located outside the Yermo CSD’s boundaries by 28 miles and into the former Barstow Park and Recreation District within the overall Daggett community by six miles. After considering the district’s application, the Commission expressed concern regarding the district’s expansion into the Yermo CSD sphere of influence and the probable impact of the proposal on the operation of the “Daggett pool” located on the Barstow Daggett Airport property and continued its consideration of the proposal to the next hearing. Following the initial hearing, the Newberry CSD board of directors voted to exclude the six square miles within the Barstow Park and Recreation District from the proposal.

At the continued hearing, the Commission determined that there was not sufficient information to support the reduction of the Yermo CSD sphere of influence that Newberry requested. The annexation proposal was reduced by 59 square miles to encompass 52 square miles in five separate areas and subsequently completed January 9, 1979.

1981 Annexation of 175 acres to Daggett CSD initiated by property owner petition for the purposes of clarifying the District’s boundary to recognize service delivery. The territory already received the full range of services provided by the district (except for streetlighting) and wished to play an active role in the community (LAFCO 2127).

- 1982      The Commission approved the expansion of water and sewer powers for Newberry CSD in August 1982. The District defined the rationale for service expansion as the ability to provide the full range of services to a proposed development (LAFCO 2168) generally defined as being between I-40 and the Railroad, east of Newberry Springs Road. Water and sewer service as well as the proposed development never materialized.
- The Commission approved the expansion of water powers for Yermo CSD (LAFCO 2189) in October 1982. Referencing the staff report for LAFCO 2189, Yermo CSD hoped to form an improvement zone surrounding the private water system within its boundaries and acquire and improve the water system over time. At that time, the water system was deteriorated, under-sized, and without adequate water supply or storage. Costs for the effort were unknown. No record of the Yermo CSD pursuing acquisition of the private water system has been identified.
- 1984      In September 1983, the Daggett CSD Board of Directors initiated a sphere of influence expansion and annexation request to expand the district by approximately 30 sq. miles (LAFCO 2245 and 2246). The territory included the Barstow-Daggett Airport, Yermo Annex, and the Edison Solar One/Two Plant. Over a series of several hearings, LAFCO staff removed the Yermo Annex from the sphere consideration due to its military use and lack of need of the services available from the District but retained the Barstow Daggett Airport and Edison facilities within the sphere, encompassing approximately 24 sq. miles. In addition, the annexation request was reduced to encompass approximately 19 square miles for the purpose of providing fire services and to better identify the District's service area and gain additional revenues for emergency responsibilities. The annexation excluded the Barstow-Daggett Airport and the utility property and lands which surrounded them.
- 1985      Three square mile sphere expansion and annexation to Newberry CSD and detachment from Barstow Recreation and Park District, to better reflect the Newberry community (LAFCO 2306 and 2307). The territory was located at the southwestern corner of the District's boundary and was bisected east/west by National Trails Highway (formerly Route 66).
- 1989      Sphere expansion and annexation to Daggett CSD of 320 acres and detachment from Barstow Recreation and Park District in order for the area to receive CSD services (LAFCO 2492 and 2493).
- 1996      Newberry CSD submitted an application to expand its sphere of influence by 392 square miles to allow for the planning to ultimately provide fire protection and paramedic services to future industrial-type facilities to the south and east of the existing District (LAFCO 2798). The Commission denied the proposal based upon the following determinations:

- Future planning of the proposed sphere expansion area would not result in a comprehensive approach for services offered by the District;
- The District was primarily concerned about fire protection and paramedic services to future industrial-type facilities that may or may not be approved for construction or use. In addition, the Planning Conditions of Approval anticipated the delivery of these services through the County with funding provided by the industrial developments;
- Delivery of fire and paramedic services could reasonably be provided by County Service Area 38 (fire) through expansion of its service boundary; and
- The bulk of the area would not benefit from the District's services.

In response to the Commission's concerns, the District amended its sphere expansion request to include only 71 square miles generally southeast of the District's boundaries and north of Twentynine Palms Marine Corps Base (LAFCO 2798A). The Commission continued consideration of the alternative sphere expansion request to allow for submission of materials for further analysis. Soon after the continuance, the Newberry CSD withdrew its alternative sphere expansion request which the Commission acknowledged and accepted.

1984 - 2001 Since 1984 Daggett CSD has been providing water service within a portion of Yermo CSD territory. This expansion was prompted by the need for water service to the Silver Valley High School and Silver Valley Unified School District offices. In contemplating the construction needs of the School District, it requested that Daggett CSD provide the service because no other entity within the area was capable of providing the level of service required. Between 1984 and 2001, Daggett CSD allowed residents along the water main in Daggett Yermo/Ghost Town Road to connect.

AB 1335 (Gotch), effective January 1, 1994, required LAFCO approval prior to the extension of service by a city or district outside of its boundaries (Government Code Section 56133). During the fall of 1993, LAFCO staff requested that agencies respond to a survey regarding services provided outside an agency's boundary to clarify those contracts grandfathered by the legislation. Daggett CSD did not respond to LAFCO's request.

In 2001, the Commission reviewed and approved an out-of-agency service contract authorizing Daggett CSD to provide domestic water and water for fire protection purposes within a defined service area inside Yermo CSD territory. The application to the Commission was prompted by LAFCO staff's response to a County Planning Department referral on a proposed Conditional Use

Permit for a development project which indicated that Daggett CSD would serve the area, a part of Yermo CSD.

The service area defined by LAFCO SC#135 is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water within this service area to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels.

2004 - 2005 In November 2004 the Commission initiated the municipal service reviews and sphere of influence updates for the North Desert region of the County. In June 2005, LAFCO staff conducted a general meeting for all the North Desert agencies to discuss the municipal service review and sphere of influence update process.

2005 - 2006 LAFCO staff apprised all the community services districts within the County of the rewrite of Community Services District Law (Senate Bill 135 [Kehoe]), effective January 1, 2006. The update of CSD Law included new provisions related to governance and latent powers for community services districts.

Pursuant to the 2006 re-write of Community Services District Law, those services that LAFCO determined that a district did not actively provide prior to January 1, 2006 were to be designated as a "latent power" (Government Code Section 61002[h]). The districts' responses are summarized below and are included as Attachment #8:

- Daggett CSD identified that it provided water, streetlighting, park and recreation, and fire protection.
- Newberry CSD identified that it provided water (limited to its own facilities), sewer (not active - for planning purposes), streetlighting, park and recreation, and fire protection.
- Yermo CSD identified that it provided streetlighting, park and recreation, and fire protection.

1996 - 2008 In 1996 the Mojave Water Agency began construction on the Mojave River Pipeline in order to offset the depletion of groundwater in the upper reaches of the Mojave River Basin caused by population growth and over pumping from wells. The Pipeline was constructed in three phases and was completed in 2006. The Pipeline spans approximately 76 miles. It can supply up to

45,000 acre-feet of water each year to the upper Mojave River Basin where it percolates into groundwater recharge basins in the Centro subarea (Hodge and Lenwood), and Baja subarea (Daggett and Newberry Springs). It serves the communities of Barstow, Daggett, Hodge, Lenwood, Minneola, Newberry Springs, and Yermo. The recharge sites particular to this report are in the Baja subarea. The first deliveries to the Baja subarea began in 2003 to the Daggett recharge site. Since that time, through October 2008, the Mojave River Pipeline has delivered 12,803 acre-feet of water to the Daggett and Newberry Springs recharge sites. No deliveries are anticipated for the balance of 2008.

1985 - 2009 Since 1985 the Yermo Water Company has been of concern to the California Public Utilities Commission (PUC) and the California Department of Public Health (CDPH)<sup>4</sup>. In general, the concerns of the PUC, CDPH, and the customers of the Water Company center on the Water Company's failure to comply with PUC and CDPH directives and with the quality and pressure of the water.

On April 24, 2008 the PUC issued an Order Instituting Investigation (Order) of the Yermo Water Company (included as a part of Attachment #6). According to the Order, the Water Company has a record of deferred or non-existent maintenance, unmet regulatory mandates, and continuing problems with water quality and service. Pursuant to the Order, the Water Company is directed to show cause why the PUC should not penalize the Water Company in addition to not petitioning the San Bernardino County Superior Court for the appointment of a receiver to assume the operation of the Water Company and its water system. A Pre-hearing Conference convened by an administrative law judge took place on June 11, 2008 to determine if a hearing was necessary. A hearing was deemed necessary and opening testimony has begun. An evidentiary hearing was originally scheduled for November 4, 2008, but was rescheduled to November 20, 2008, and was deferred to January 13, 2009.

On April 6, 2009 the PUC issued a ruling related to its investigation of the Yermo Water Company, directing its legal division to seek receivership of the Company through petition to the San Bernardino Superior Court. On April 17, 2009 an extension to the required response time was provided, until August 2009.

2005-2009 Throughout the processing of the service review for Yermo CSD, LAFCO staff and representatives of the district have discussed the addition of water powers for Yermo CSD as a part of its service review. Yermo CSD's intent was to be considered an option for taking over the Water Company, either

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<sup>4</sup> The California Department of Public Health was formerly known as the California Department of Health Services.

through purchase or as a receiver if the court so determines. On July 9, the Commission approved a request by Yermo CSD to reduce the filing fees for activation of new services to direct cost only since the activation of water powers was intended to be considered as a part of the municipal service review and sphere of influence update process. On October 21, the Yermo CSD Board of Directors took an action to formally discontinue their pursuits to either acquire the Yermo Water Company or to be considered an option should the court determine a receiver for the Yermo Water Company was necessary.

However, in January 2009 the Board of Directors changed direction related to activation of water services due to actions taken by the Public Utilities Commission related to the operations of the Yermo Water Company. The District determined to once again pursue activation of their latent water functions. On April 6, 2009 the District submitted its official application for reactivation and LAFCO staff has assigned it the designation of LAFCO 3008A for processing.

## **DAGGETT, NEWBERRY, AND YERMO COMMUNITIES**

The Commission's policy guidelines for spheres of influence identify that its approach is defined as a "community-by-community" consideration.<sup>5</sup> This practice employs looking at the whole of the community as defined by the existence of inter-related economic, environmental, geographic and social interests. The Commission's policies point toward the designation of a single sphere of influence for all related service providers.

### **Discussion of Spheres of Influence Consolidation:**

The preamble to LAFCO law reads that while the Legislature recognizes the critical role of many limited purpose agencies, especially in rural areas, it finds and declares that a single multipurpose governmental agency accountable for community service needs and financial resources may be the best mechanism for establishing community service priorities. As a part of this review, the Commission is to consider the spheres of influence of the three community services districts. The information outlined within this report opens a discussion of the following question:

*"Should the three community services districts that are adjacent to each other and essentially provide the same services ultimately be consolidated?"*

In addition, related to the governance and service provision of the districts, staff has concerns which include the apparent lack of familiarity with and adherence to the changes that took place in 2006 through the rewrite of Community Services District Law, as well as LAFCO Law and the State Constitution. The issues needing to be addressed include the following:

1. An adopted budget (Government Code Section 61110 et seq.) – CSD Law requires the annual adoption of a budget which conforms with generally accepted accounting and budgeting procedures and for the general manager to forward a copy of the final budget to the county auditor. Daggett has not adopted an annual budget since FY 1995-96 and has thus operated without a budget for over a decade. Newberry and Yermo have adopted budgets and have stated that they submit them annually to the County; however, neither district recognizes carryover funds or provides a breakdown of revenue categories. The submission by Yermo has not yet been verified by the County Auditor/Controller-Recorder Office. At present they are reviewing internal operations to provide this information.
2. Adoption of annual appropriations limits under the Gann Initiative <sup>6</sup> (Article XIII B of the State Constitution and Government Code 61113) – The districts do not currently have nor have they ever adopted an annual appropriations limit according to the materials provided and interviews with the districts. Article XIII B of the State

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<sup>5</sup> San Bernardino LAFCO Commission Policy Guidelines for Spheres of Influence.

<sup>6</sup> In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).



Constitution (Gann Limit) mandates local government agencies receiving the proceeds of taxes to establish an appropriations limit, which is further acknowledged by Government Code 61113. Without an appropriations limit, agencies are not authorized to expend the proceeds of taxes. Section 9 of this Article provides exemptions to the appropriations limit, such as Section 9 (c) exempts the appropriations limit for special districts which existed on January 1, 1978 and which did not levy an ad valorem tax on property in excess of \$0.125 (12 ½ cents) per \$100 of assessed value for the 1977-78 fiscal year. A copy of the FY 1977-1978 property tax rates as provided by the County with each CSD highlighted for reference, is included as Attachment #7. The tax rate for each district for FY 1977-1978 was over the \$0.125 tax rate per \$100 of assessed value (as shown in the chart below).

**1977-78 Tax Rates per \$100 of Assessed Value**

<b>District</b>	<b>Daggett CSD</b>	<b>Newberry CSD</b>	<b>Yermo CSD</b>
<b>Tax Rate</b>	\$1.2500	\$0.9110	\$1.0883

Being over the \$0.125 tax rate, the districts do not qualify for an exemption from the requirement of an appropriations limit. Therefore, each district must have an appropriations limit.

3. General Manager of a CSD (Government Code 61050) - Since 1955, CSDs have been required to have a General Manager as a separate, designated position, not the performance of these functions by a member of the Board of Directors. Historically, each district did not comply with CSD law; each had a member of the Board of Directors perform these duties. During the processing of this service review and discussion with LAFCO staff each of the districts has come into compliance. Currently, Newberry CSD has contracted for a part-time general manager, and Daggett CSD and Yermo CSD have assigned an employee to the position of general manager.
4. Implementation of board policies (Government Code 61051) - For years members of the Daggett CSD and Yermo CSD boards actively participated in the management and operation of the districts due to the limited financial resources for operation. However, beginning in January 1, 2006 Government Code Section 61050 requires the board of directors to appoint a general manager, who is not a member of the Board of Directors. The legislative intent for this section is to separate the functions of policymaking and implementation, making it clear that the person who holds the general manager's title is responsible for implementing the board's policies and supervising the CSD activities.
5. Requirement to have a Designated Treasurer who is bonded (Government Code 61050 61052 and 61053) – Current CSD law and its predecessor provisions have required that the Districts have an appointed Treasurer (Finance Officer prior to January 1, 2006) and that the revenues of the District be deposited into the County Treasury for payment of charges unless the District takes specific action to place

them in either a bank or savings and loan. Current provisions require that the appointed Treasurer be bonded. At the inception of this review, LAFCO staff was aware that the Daggett CSD complied with this provision. However, as of the date of this report, all Districts are in compliance through the Yermo CSD action of February 17, 2009 and Newberry CSD action on March 10, 2009.

6. Providing or engaging in unauthorized services (Government Code Section 56824.10 et seq. [LAFCO law] and 61106 [CSD law]) – If a community services district desires to provide a new or different service anywhere within its boundaries, it must first receive LAFCO approval according to LAFCO and CSD statutes. For LAFCO consideration of a request to provide a new or different service, a community services district must submit an application to LAFCO along with a resolution of initiation of application and a plan for services detailing how the district will finance and provide the service. Currently, there are two instances within the community of providing or engaging in unauthorized services:
- Newberry CSD has purchased and operates a road grader to provide road maintenance service, but the district has not been authorized nor has it formally requested authorization by LAFCO to provide said service pursuant to the Government Code and the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. Further, Newberry CSD is actively grading on County roads and such an action requires written consent from the County, as outlined in CSD Law. To date, the District has provided its resolution seeking County consent, but not the consent from the County.
  - Throughout the processing of the service review for Yermo CSD, LAFCO staff and representatives of the district have discussed the addition of water powers for Yermo CSD as a part of the service review. Yermo CSD's intent was to be considered an option for taking over the Yermo Water Company, either through purchase or as a receiver if the court so determines.

In anticipation of being an option to assume the service responsibilities of the Yermo Water Company, on July 22, 2008 the County Board of Supervisors approved the sale of tax defaulted property <sup>7</sup> to the Yermo CSD for the stated purpose of providing a site for a future well/storage tank for local water service. However, Yermo CSD has not been authorized by LAFCO to provide or engage in water service in any manner pursuant to the Government Code and the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. At the time of the preparation of this staff report, it is staff's understanding that completion of this sale has not occurred

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<sup>7</sup> Chapter 8 of the State of California Revenue and Taxation Code (§3771 et seq.) authorizes the Tax Collector to offer properties for sale that have been tax-defaulted for five years or more to taxing agencies or non-profit organizations.

because the mapping requirements of the State Controller have not been satisfied.

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

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

These districts are adjacent to each other and actively provide essentially the same services with one exception. The following items alone do not support consolidation but together warrant further discussion of a potential future consolidation:

- The three districts can be considered a single community because:
  - Each identifies themselves as interstate corridor communities:
    - Daggett's urban core and industrial uses are located dependent upon access to Interstate 40,
    - Newberry Springs does not have an urban core to the extent of Daggett and Yermo, but its commercial and industrial core is dependent upon access to Interstate 40, and
    - Yermo has an urban core with commercial uses geared towards access to Interstate 15.
  - There is a clear and distinct divide between the Barstow community and the three communities (San Bernardino Meridian line - the line between Ranges 1 West and 1 East). This historic divide has been protected by the Daggett CSD for over 20 years.
  - They share similar General Plan land use designations assigned by the County of San Bernardino Board of Supervisors.
  - The districts actively provide essentially the same services, and there are no geographical impediments that would hinder delivery of the same services of the adjacent districts (streetlighting, park and recreation, and fire protection). The exception is Daggett CSD provides retail water service within its boundaries and it is also currently authorized to do so within the boundaries of the Yermo CSD.
  - The districts are dependent upon each other for service delivery.

- Daggett CSD provides retail water service within the boundaries of Yermo CSD.
- The districts experience challenges related to fire protection services given the limited resources available. Each provides its service through an extensive system of volunteers and rely upon one another and other fire protection agencies for mutual aid to fulfill this mission.
- The areas currently coordinate for community activities such as:
  - A disaster council made up of volunteer citizens of the communities meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan. FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.
  - Electronic Clean-up Program comprising the Daggett, Yermo, and Newberry Springs communities. The three communities rotate the drop-off location in order to assist residents.
- There is a general lack of familiarity with and adherence to the laws which govern these districts, including CSD Law. This is illustrated by the items discussed above.
- Lack of municipal water and sewer systems within the areas hinders the growth of communities and the needed revenue associated with growth to maintain and operate municipal services. Although the districts are rural and agricultural in nature, the populated centers could support a more intense growth based upon the general plan land use designations assigned by the County of San Bernardino.
- Of concern to LAFCO staff is the current and future viability of the three districts based upon their limited financial resources. Paramount to any agency is its financial health. A review of the financial documents of each district indicates that each is in either poor financial health or does not receive enough incoming revenue each year to adequately support the maintenance and ongoing operations of the district.
- Interest in the board of directors' candidacy of the districts appears to be limited. This is supported by the lack of elections held within the past decade. In general, poor financial health and lack of interest in governance are prime indicators of struggling agencies.
- Each of these districts has their own governing board, management systems, accounting/billing systems, bidding, and purchasing. While the districts grapple with financial issues, each agency has its own staff, facilities, and plans. A single district could achieve economies of scale and potentially reduce costs.

- Consolidation of service providers would also result in one or two agencies coordinating efforts to address the availability of water within the overall community.

Given the concerns and information listed above, it is the staff position that a consolidation is necessary in order to provide an opportunity for the districts to function more efficiently and effectively in the short-run and to secure a revenue stream to support the services to be provided. For this review, staff provides the Commission with four options to consider for the sphere of influence updates of the districts:

1. Consolidate the spheres of all three agencies into a single sphere excluding the community of Harvard: Consolidating the spheres would signal the Commission's intent to consolidate the districts while maintaining their ability to plan for future delivery of services within their territory and present sphere areas. Further, it would open the discussion for eventual consolidation. In addition, the exclusion of the Harvard community would separate a defined community from the sphere of influence since no service delivery planning has taken place since the 1970s when it was included in the Yermo CSD sphere. A sphere of influence designation requires that planning for service delivery take place; while the Harvard community's existing level of fire protection service exceeds that of any of the existing CSDs. Eventual replacement of multiple community services districts with a single district would be, in the staff view, the most effective and efficient delivery mechanism for service delivery. This is the primary recommendation of LAFCO staff.
2. Consolidate the spheres of influence of the Yermo and Daggett CSDs into a single sphere of influence excluding the community of Harvard and affirm the sphere of influence of the Newberry CSD. Consolidating the spheres of Yermo and Daggett would signal the Commission intent that they consolidate since they currently or are anticipated to provide the same range and level of service – park and recreation, streetlighting, fire protection and retail water service. The exclusion of the Harvard community would eliminate the planning for extension of service when the primary health and safety issue, fire protection, is currently provided at higher levels through the San Bernardino County Fire Protection District. Leaving the Newberry CSD as a separate entity would acknowledge the differing levels of service delivery.
3. Designate a zero sphere for each district: If the goal is consolidation of the three districts, then this goal would be better accomplished through a consolidated sphere rather than three zero spheres. Further, this option would eliminate the planning capability for the districts and stronger rather than reduced Governance is desired.
4. Affirm the sphere of each district as currently configured: Affirmation of the existing spheres would allow each district to operate as currently configured and plan for additional service capacity or service within its own sphere. This is the recommendation of the three districts.

Based upon a review of the materials submitted to the Commission during this service review, additional information gathered by LAFCO staff, prior Commission considerations,

the policies for spheres of influence adopted by the Commission, and the Legislature's intent in CSD Law and LAFCO Law for a single multipurpose governmental agency for a community, it is the staff's position that the Commission should take Option #1 or Option #2 for consolidation of the spheres of influence and separating the community of Harvard from the discussion. Staff bases its presentation of options on the financial and service delivery challenges and governance issues outlined in detail above.

On January 14, 2009, LAFCO staff provided each of the CSDs with a draft copy of the staff report for their review, comment and input. In addition, on January 21, 2009, LAFCO staff conducted a community meeting at the Silver Valley High School multi-purpose room to review:

- LAFCO's requirement for conducting municipal service reviews of special districts to include a review of the districts' operations, finances, and governmental structure.
- LAFCO's requirement for conducting sphere of influence updates to include a review of the functions and services that the districts are authorized to perform (i.e. water, fire protection) and an analysis of the potential government options for the area with the community the premise of a municipal service review,

Not surprisingly, the opinion of the districts and most of the residents in attendance at the community meeting is that affirmation of the existing spheres (Option #4) is the appropriate action. In general, the districts state that a future consolidation would fragment the degree of governance currently in place and that the districts operate sufficiently given the limited resources. The individual districts' responses are included as a part of Attachments #3, #4, and #5 to this report. After considering the districts' position, LAFCO staff modified its recommendation to support either Option #1 or Option #2 as identified. Staff does not recommend affirmation of the existing spheres because this would not provide the opportunity for a better response to the governance issues facing these agencies, including, but not limited to the financial and service challenges identified in this report.

Government Code Section 56076 defines a sphere of influence as a "plan for the probable physical boundaries and service area of a local agency, as determined by the commission". Should the Commission choose to move forward with either Option #1 or Option #2, it would not affect any district's current boundary or the services that they actively provide as authorized by the Commission. Rather, it would signal the Commission's position that eventual consolidation should take place. As for future governance of a consolidated district, there are mechanisms to ensure representation by existing board of directors on the new board to assure retention of historic/institutional knowledge of operations as well as protections for current resources impressed with a specific public purpose remain within their current area.

#### **Additional Boundary Issues for Commission Consideration:**

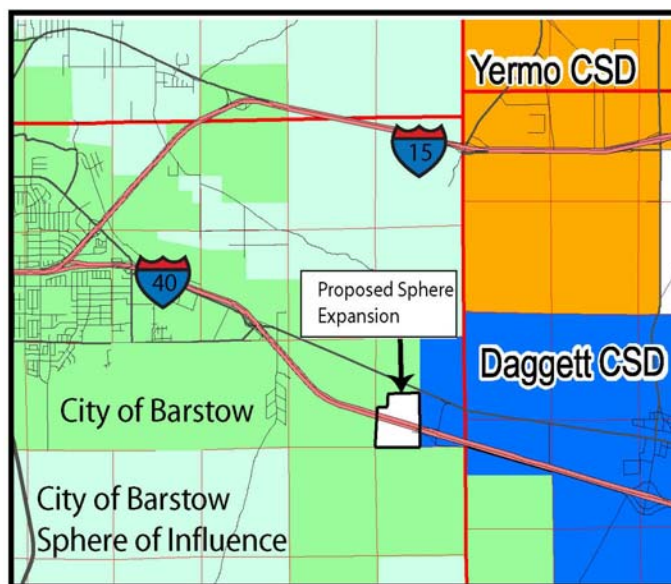
While conducting this review additional sphere issues were identified which will need to be addressed to provide for a clear and definable consolidated sphere boundary under either option. Those issues are identified as:

## 1. Sphere expansion for area west of Daggett CSD

In 1973, the Commission established the sphere of influence of the City of Barstow (LAFCO 1292) which excluded the area identified on the map below. In 1989, Daggett CSD expanded its sphere and annexed 320 acres which included a detachment from Barstow Recreation and Park District in order for the area to receive CSD services (LAFCO 2492 and 2493). The expansion area included the eastern half of Section 13 of T09NR01W. In 2001, the City of Barstow annexed the Marine Corps Logistics Base – Nebo Annex (LAFCO 2880). The expansion included the northwest quarter of Section 13. None of these actions addressed the southwest quarter of Section 13.

As shown on the map below, what remains is the southwest quarter of Section 13 not being within the sphere of influence of the Barstow community or Daggett CSD. The area is bordered by the City of Barstow (Marine Corps Nebo Annex) on the south, west, and north and by the Daggett CSD on the east.

### Proposed Sphere Expansion



Even though the City of Barstow borders this area, the Barstow community would experience challenges in extending the full range of their services to the area. Given the current configuration of the City of Barstow and Daggett CSD and future service delivery, it is the staff's position that Daggett CSD, as currently configured or a future consolidated CSD would be the most appropriate agency for service delivery.

Therefore, staff recommends that the Commission expand the sphere of influence and include this area within the consolidated sphere. Daggett CSD in its response to the draft staff report did not comment on this sphere option. Sphere expansion to

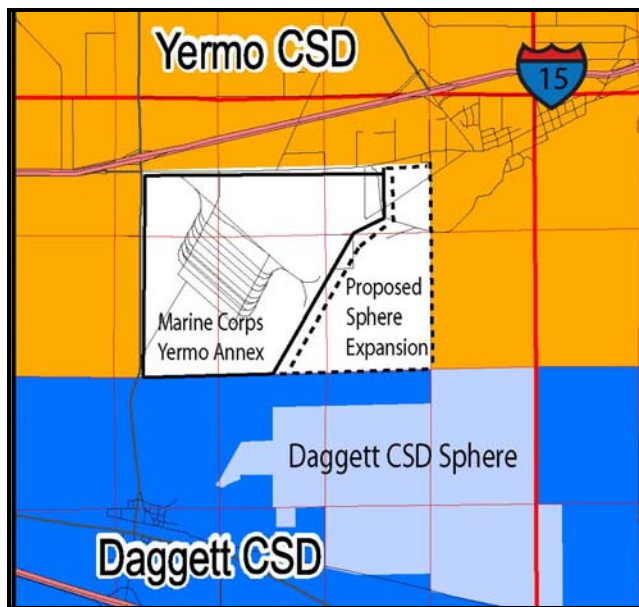
include this area within the consolidated sphere would allow for planning for future service delivery to the area. Should the Commission not move forward with staff's recommendation to consolidate the spheres, staff would nonetheless recommend that the Commission expand Daggett CSD's sphere to include the area.

## 2. Sphere expansion to include the area east of the Marine Corps Yermo Annex

As shown in the map below, the area east of the Marine Corps Logistics Base – Yermo Annex (hereafter identified as Yermo Annex) is not within the sphere of influence of either community services district. The area is bordered by the Yermo Annex and railway on west, Yermo CSD on the north and east, and Daggett CSD on the south.

In past LAFCO considerations, this area has been considered a part of the military facility; therefore, it has been excluded from sphere of influence discussions for the Daggett and Yermo CSDs. Staff has acquired updated mapping for the Yermo Annex which shows that the area shown on the map below is private property, not a part of the Yermo Annex.

### Proposed Sphere Expansion – East of Marine Corps Yermo Annex



Given the current configuration of the Yermo and Daggett CSD spheres of influence and future service delivery, it is staff's position that the Yermo CSD would be the most appropriate agency to provide services. Service delivery to the area is accessible from the Yermo community, north of the Mojave River. Therefore, staff recommends that the Commission expand the sphere to include this area within the consolidated sphere. Yermo CSD in its response to the draft staff report on page 15 indicates its supports for staff's recommendation. Sphere expansion to include this area within the consolidated sphere would allow for planning for future service

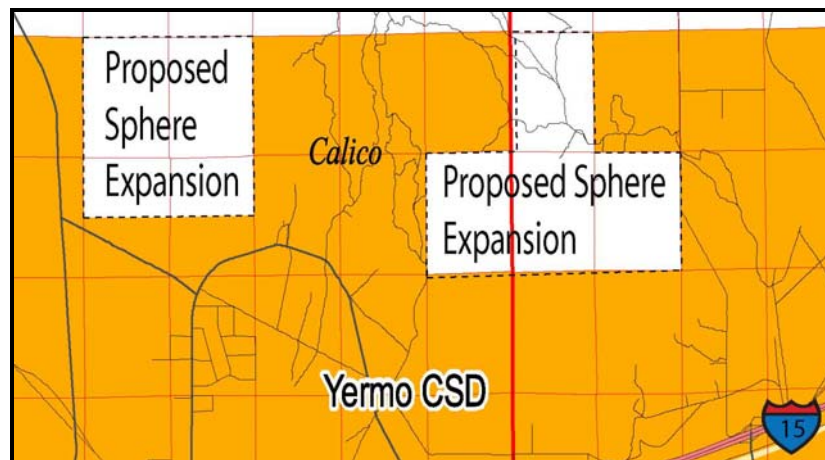


delivery to the area. Should the Commission not move forward with staff's recommendation to consolidate the spheres, staff would nonetheless recommend that the Commission expand the Yermo CSD's sphere to include the area.

### 3. Sphere expansion to include areas in the northern portion of Yermo CSD

As described previously, LAFCO staff recommends a consolidated sphere. In either option for consolidation, staff recommends that the Commission expand the sphere to include the areas identified in the map below to provide a clear and definable consolidated sphere boundary.

#### Proposed Sphere Expansion – Northern Yermo

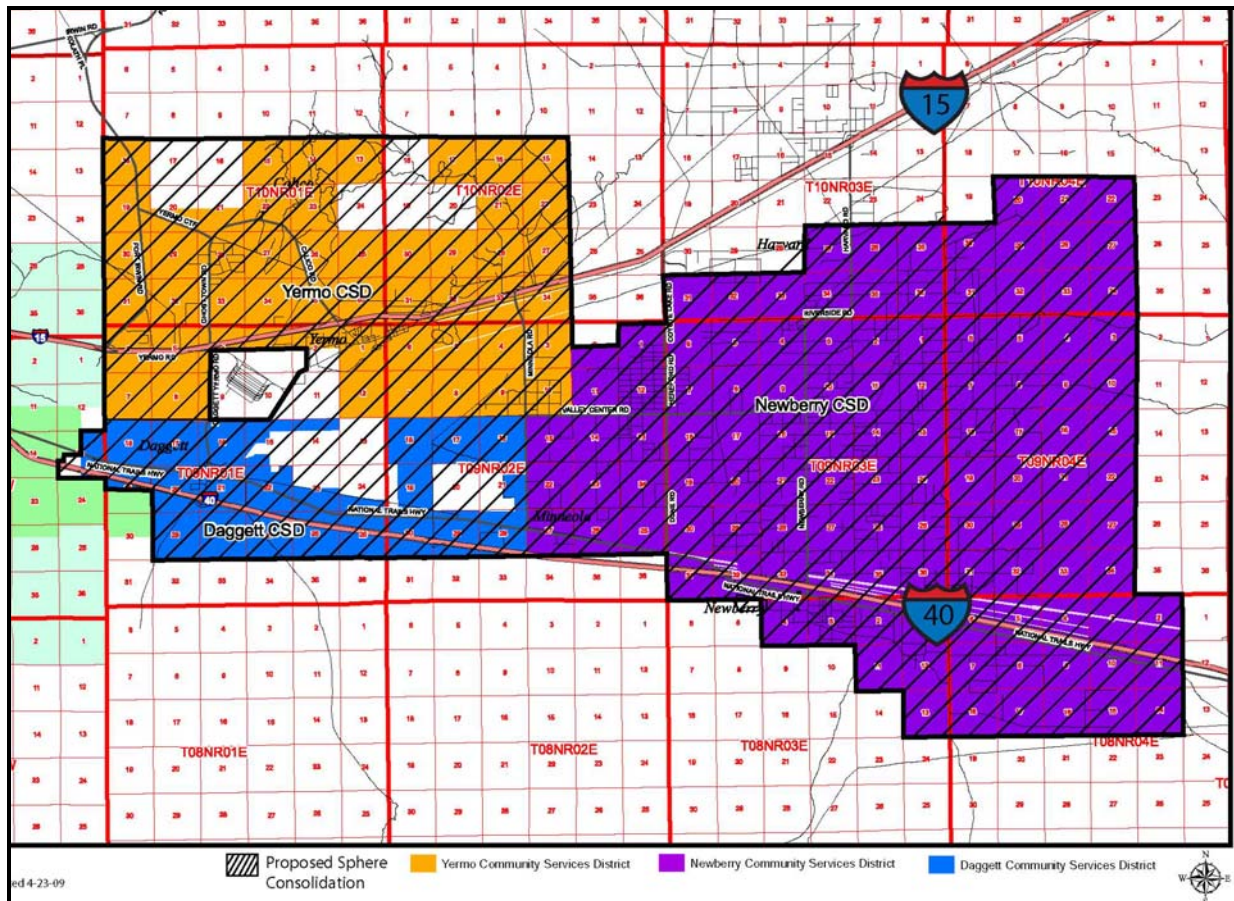


The proposal files related to Yermo CSD do not indicate why these areas were excluded from Yermo CSD's sphere of influence in the 1970s. Currently, the areas are a combination of Government and private lands. The private lands are predominantly owned by mining entities. The western area has County of San Bernardino General Plan land use designations of Resource Conservation and Rural Living, and the eastern area has a designation of Resource Conservation.

Because of the type of activities present in these areas and future service needs, staff believes that Yermo CSD, either individually or as a part of the consolidated sphere, would be the most appropriate agency to provide services since the areas are accessible only through the Yermo community. Therefore, staff recommends that the Commission expand the sphere of influence and include these areas within the consolidated sphere. Yermo CSD in its response to the draft staff report on page 15 outlines its support for staff's recommendation. Sphere expansion to include these areas within the consolidated sphere would allow for planning for future service delivery to the areas. Should the Commission not move forward with staff's recommendation to consolidate the spheres of the three districts, staff would recommend that the Commission continue the discussion of this sphere of influence to the next Commission hearing.

The maps shown below represent LAFCO staff's recommended options for this municipal service review/sphere update as described above.

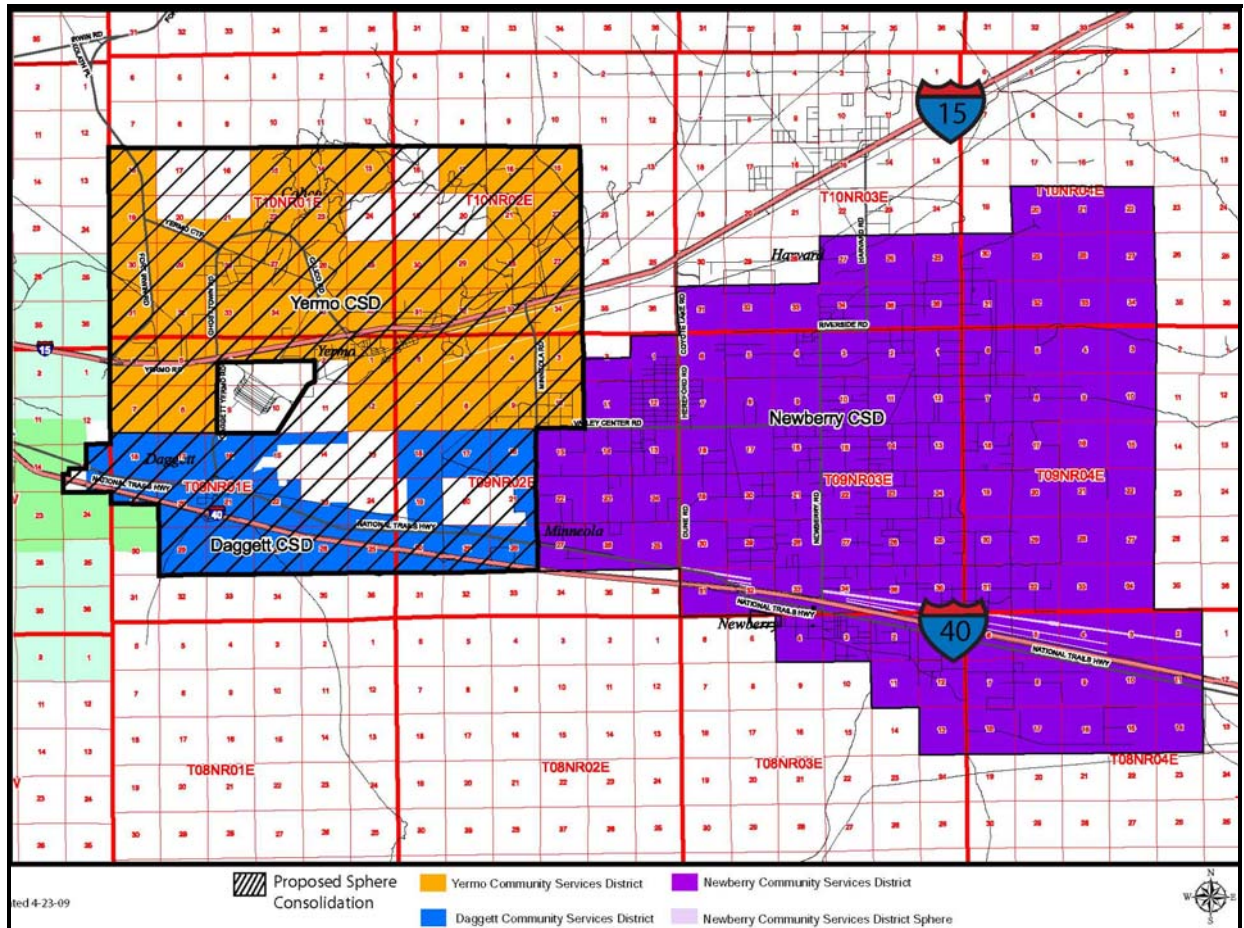
**OPTION #1**  
**Proposed Consolidated Sphere of Influence for all**  
**Three CSDs with Sphere Modifications**



Or



**OPTION #2**  
**Consolidation of Yermo and Daggett CSD Spheres of Influence**  
**And affirmation of Newberry CSD sphere with Sphere Modifications**



The balance of the municipal service review discussion and sphere of influence updates will outline the data provided or acquired upon which the staff's recommendations are based.

## **MUNICIPAL SERVICE REVIEWS AND SPHERE OF INFLUENCE UPDATES**

### **INTRODUCTION:**

Municipal service reviews pursuant to Government Code Section 56430 and sphere of influence updates pursuant to Government Code Section 56425 are being conducted for the Daggett Community Services District (LAFCO 3045), Newberry Community Services District (LAFCO 3046), and Yermo Community Services District (LAFCO 3008). The districts' responses and supporting materials are included as Attachments 3, 4, and 5, respectively, to this report and are summarized in the following information.

**Daggett CSD (hereafter identified as Daggett)** is an independent special district governed by a five member board of directors, elected at-large. Daggett was formed in 1955 with the authorized function to provide water, sewer, refuse, fire, park and recreation, street lighting, mosquito abatement, and police services to the Daggett community. Currently, Daggett is authorized by LAFCO to provide water, street lighting, park and recreation, and fire protection pursuant to the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*.

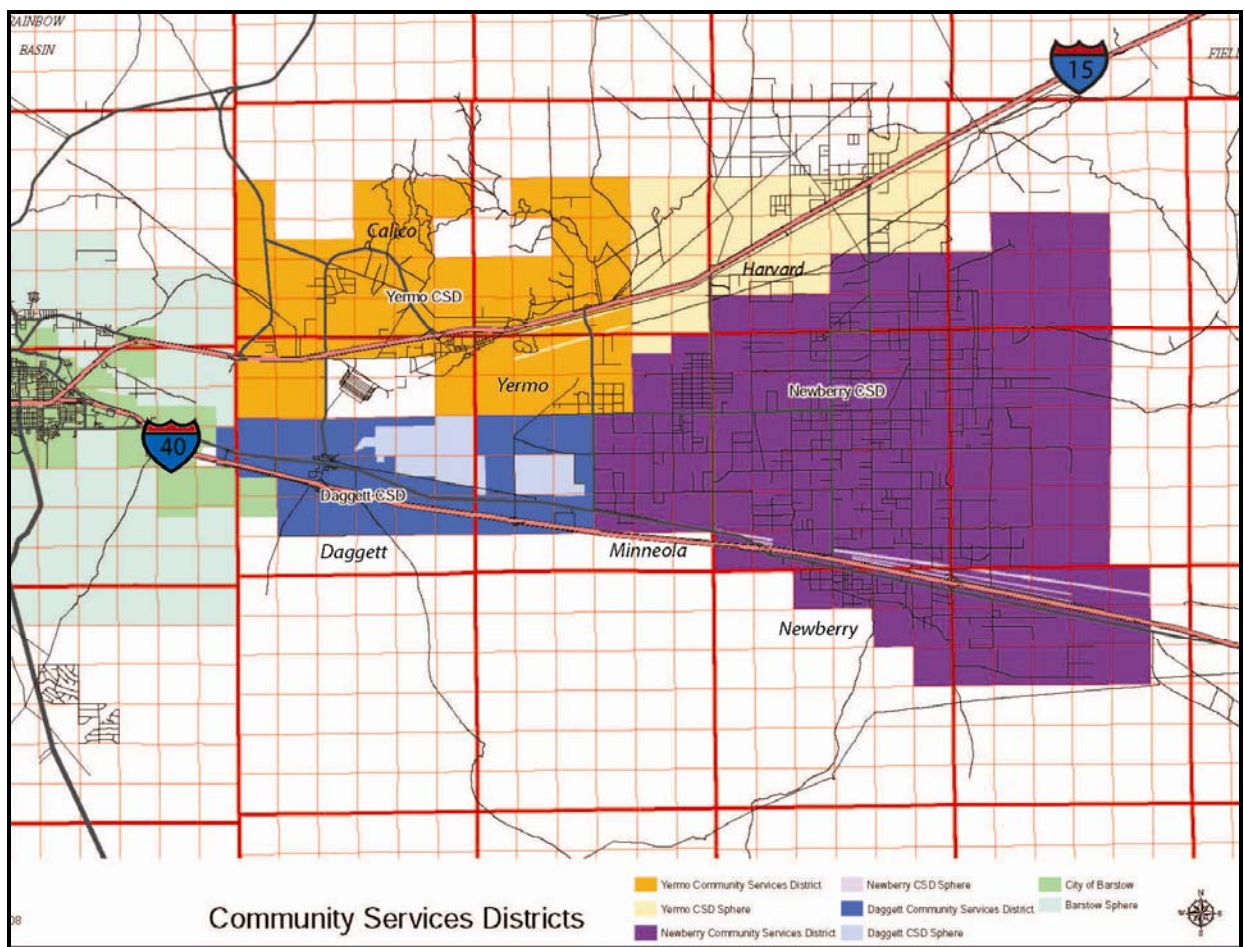
**Newberry CSD (hereafter identified as Newberry)** is an independent special district governed by a five member board of directors, elected at-large. Newberry was formed in 1958 with the authorized function to provide water, sewer, refuse, fire protection, park and recreation, police, and streetlighting to the Newberry Springs community. Currently, Newberry is authorized by LAFCO to provide water, fire protection, streetlighting, park and recreation, and sewer services. Newberry is not a retail water provider; rather it utilizes water from its own wells for its facilities and for fire protection purposes. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to ultimately plan for a sewer collection and treatment system. As discussed later in this report, LAFCO staff recommends modification of the service description of Newberry's sewer powers to more accurately reflect the service provided.

**Yermo CSD (hereafter identified as Yermo)** is an independent special district governed by a five member board of directors, elected at-large. Yermo was formed in 1962 through a reorganization which included dissolution of the Yermo Fire Protection District and succession to its responsibilities. The District was originally approved by the voters with the authorized function to provide water, sewer, refuse, fire protection, park and recreation, streetlighting, mosquito abatement, police protection, library, and road services to the Yermo community. The initial active service functions were fire protection, park and recreation, and streetlighting. Currently, Yermo is authorized by LAFCO to perform fire protection, streetlighting, and park and recreation powers.

**LOCATION AND BOUNDARIES:**

The service reviews and sphere study areas are located in the north desert portion of the County and are generally bordered by a combination of section lines and the City of Barstow boundary and sphere on the west which includes area west of Fort Irwin and Ord Mountain Roads; a combination of section lines and half-section lines on the north; a combination of section lines and Manix Road on the east which includes areas one mile east of Troy Dry Lake; and a combination of the City of Barstow boundaries and section lines on the south which includes area south of Interstate 40 and a small portion of the City of Barstow sphere of influence. A map of the three districts with the City of Barstow to the west is shown below and is included in Attachment #1.

**Map of the Daggett, Newberry Springs, and Yermo Communities**

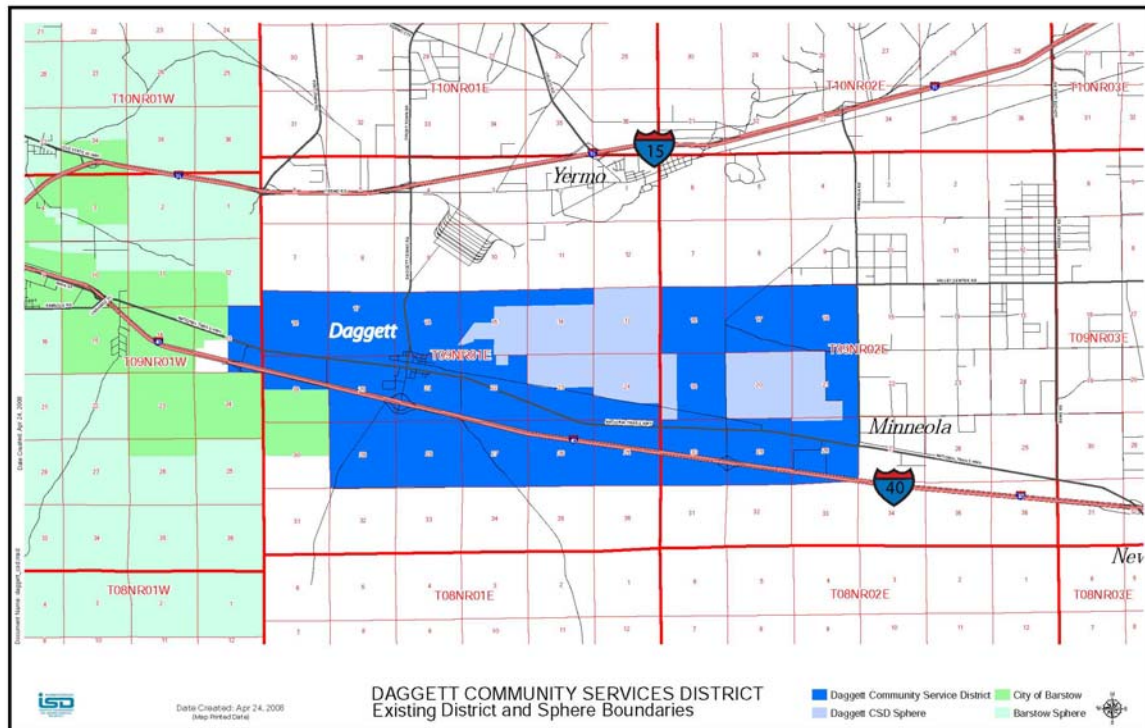
**Daggett CSD**

As shown on the map below and included in Attachment #3, Daggett's boundary and sphere of influence comprise approximately 26 square miles and within the sphere but not



within Daggett's boundaries are the Barstow-Daggett Airport and the utility facilities known as Solar One and Two. Geographical reference points within Daggett or its sphere are Interstate 40, the Barstow-Daggett Airport, and the former Solar One and Two solar energy projects.

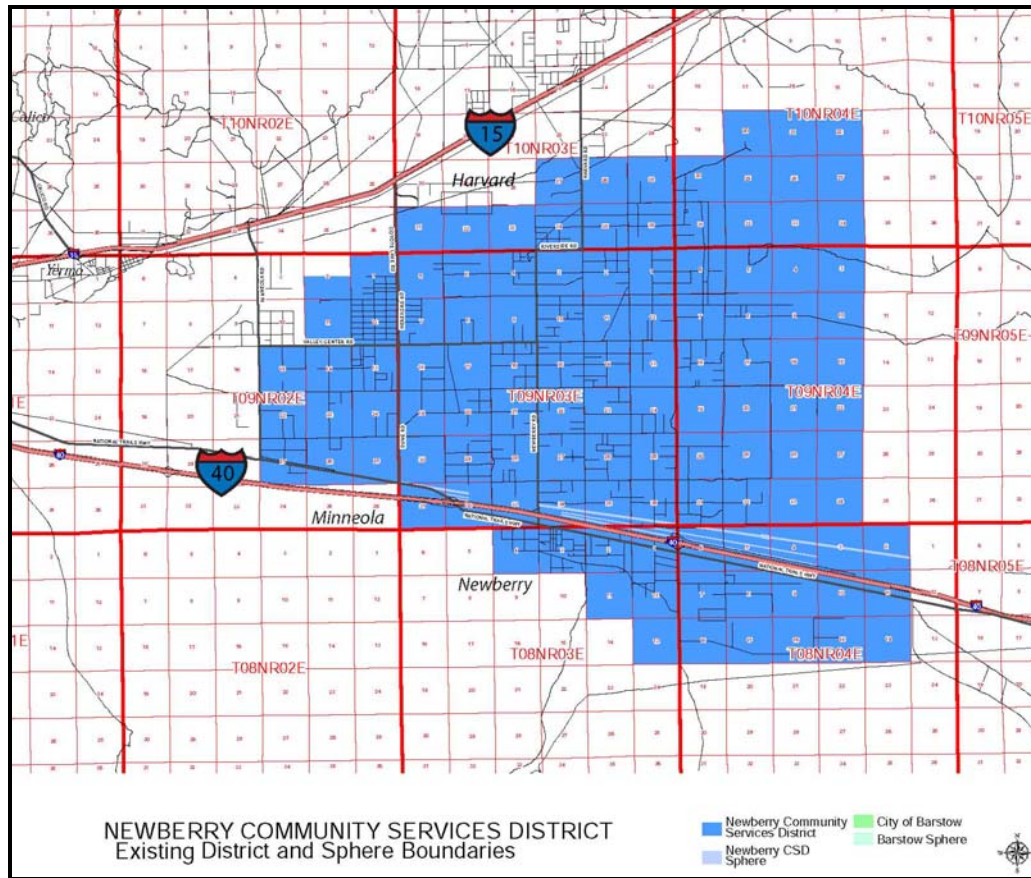
### Daggett Community Services District



### Newberry CSD

Newberry's boundary comprises approximately 117 square miles. Newberry's exterior boundary and sphere of influence boundary line are coterminous, as shown in the map below and included in Attachment #4. Newberry's sphere includes the exclusion areas of portions of pipelines owned by Pacific Gas and Electric Company and portions of the railway lines located in the southern area of the District. Geographical reference points within Newberry Springs are Troy Dry Lake, Interstates 15 and 40, and the Mojave River.

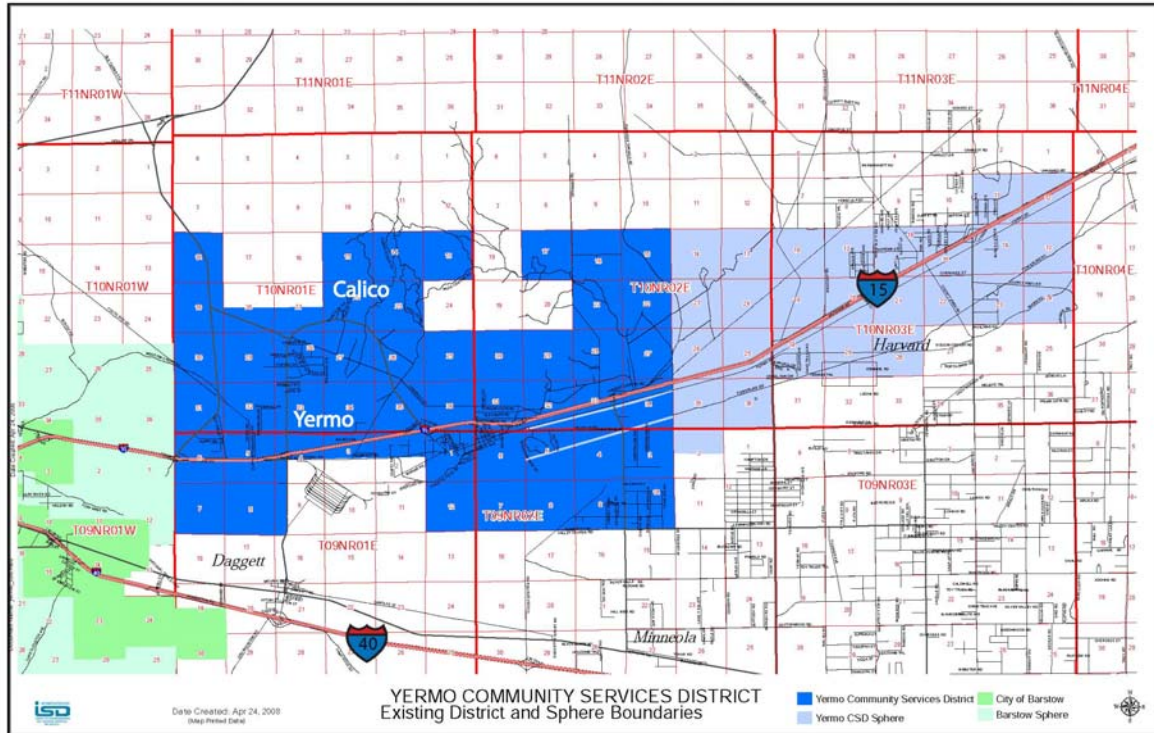
### Newberry Community Services District



### Yermo CSD

Yermo's boundary and sphere of influence comprise approximately 74 square miles. As shown on the map below and included in Attachment #5, the sphere extends easterly of Yermo and includes the community of Harvard. Yermo's sphere includes the exclusion areas of portions of railway lines and portions of electrical lines located in the eastern area of Yermo. Geographical reference points within Yermo are Interstate 15, the Mojave River, Calico Early Man Archaeological Site, and Calico Ghost Town, a County regional park, and the now closed Lake Delores.

### Yermo Community Services District





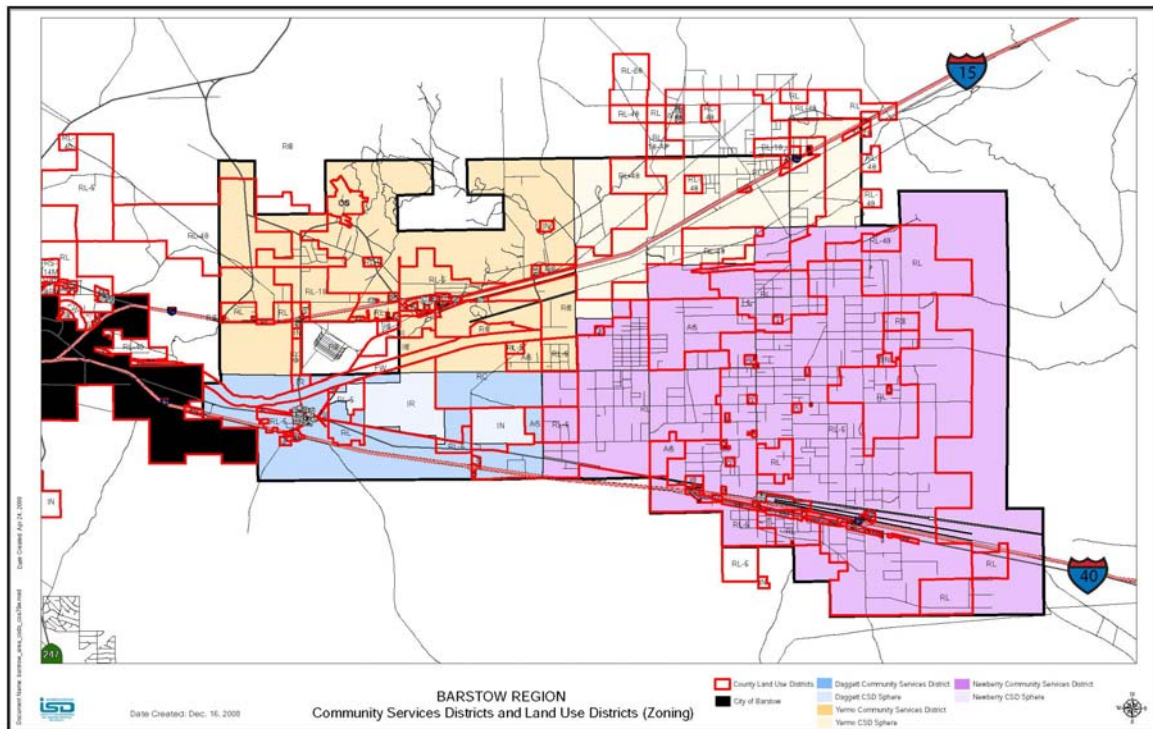
## **MUNICIPAL SERVICE REVIEW SUMMARY**

Newberry and Yermo prepared a service review consistent with LAFCO's policies and procedures and the factors required by Government Code 56430. The districts' response to LAFCO's requests for materials includes, but is not limited to, financial information.

Daggett did not prepare a service review consistent with San Bernardino LAFCO policies and procedures, failing to complete the requested Municipal Service Review form. The District's response to LAFCO's requests for materials includes, but is not limited to, its response to the District Profile Sheet and financial transaction reports. Additional information was obtained from an interview with Daggett personnel on May 27, 2008 at the Daggett CSD facility in Daggett, CA and follow-up phone conversations and e-mail transmittals.

### **I. Growth and Population Projections for the Affected Area.**

While the north desert portion of San Bernardino county, in general, has experienced significant growth, Daggett, Harvard, Newberry, and Yermo can be characterized as a rural and agricultural community that have historically experienced slow growth. This is, in the staff opinion, due to its rural, agricultural, and industrial nature and the lack of a region wide provider for water and sewer services. As shown in the map below, the vast majority of the land use designations assigned by the County of San Bernardino are Resource Conservation (RC) allowing one unit to 40 acres and varying levels of Rural Living (RL). Other land use designations include Agricultural (AG), Institutional (IN), Community Industrial (IC), Highway Commercial (CH), Floodway (FW), Regional Industrial (IR), Residential Single (RS), and Open Space (OS). There are existing Williamson Act contracts within the Harvard area (RS-10-AP) outside the existing sphere which restricts the land uses to agriculture for a minimum period of 10 years.

**Map of County General Plan Land Use Designations****Population**

As of August 14, 2008, Daggett had 195 registered voters, Newberry had 1,001 registered voters, and Yermo had 632 registered voters. Utilizing the growth forecast for transportation analysis zones, as identified in the Southern California Association of Governments (SCAG) 2008 Regional Transportation Growth Forecast, the 2000 Census estimates and the population growth projections are as follows:

District	2000*	2010	2015	2020	2025	2030
Daggett	775	885	1,005	1,102	1,214	1,378
Harvard **	824	941	1,068	1,171	1,290	1,464
Newberry **	2,071	2,366	2,686	2,944	3,242	3,682
Yermo	1,500	1,713	1,945	2,132	2,349	2,667

\* 2000 Census estimate

\*\* The 2000 Census estimate and SCAG forecasts both include Harvard in the Newberry figures. For the purposes of this report, staff extrapolated the 2000 Census block data for the general Harvard area and applied the same growth increase for the population forecasts from 2010 to 2030.

These areas are not anticipated to experience significant growth (including Harvard within the Yermo CSD sphere) within the coming years. This determination is made due to about one-third of the land being publicly owned, the land use designations assigned by the County, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. The land ownership breakdown of each district's boundary is as follows:

**Daggett CSD**

<b>Land Owner</b>	<b>Sq Miles</b>	<b>Percentage</b>
Private	13.2	64.1%
US Bureau of Land Management	6.1	29.4%
County of San Bernardino	0.7	3.8%
United States of America	0.4	1.5%
State of California	0.2	1.2%
<b>Total</b>	<b>20.6</b>	<b>100.0%</b>

**Newberry CSD**

<b>Land Owner</b>	<b>Sq Miles</b>	<b>Percentage</b>
Private	90.2	78.9%
US Bureau of Land Management	23.9	20.9%
State of California	0.1	0.1%
County of San Bernardino	0.1	0.1%
<b>Total</b>	<b>114.3</b>	<b>100.0%</b>

**Yermo CSD**

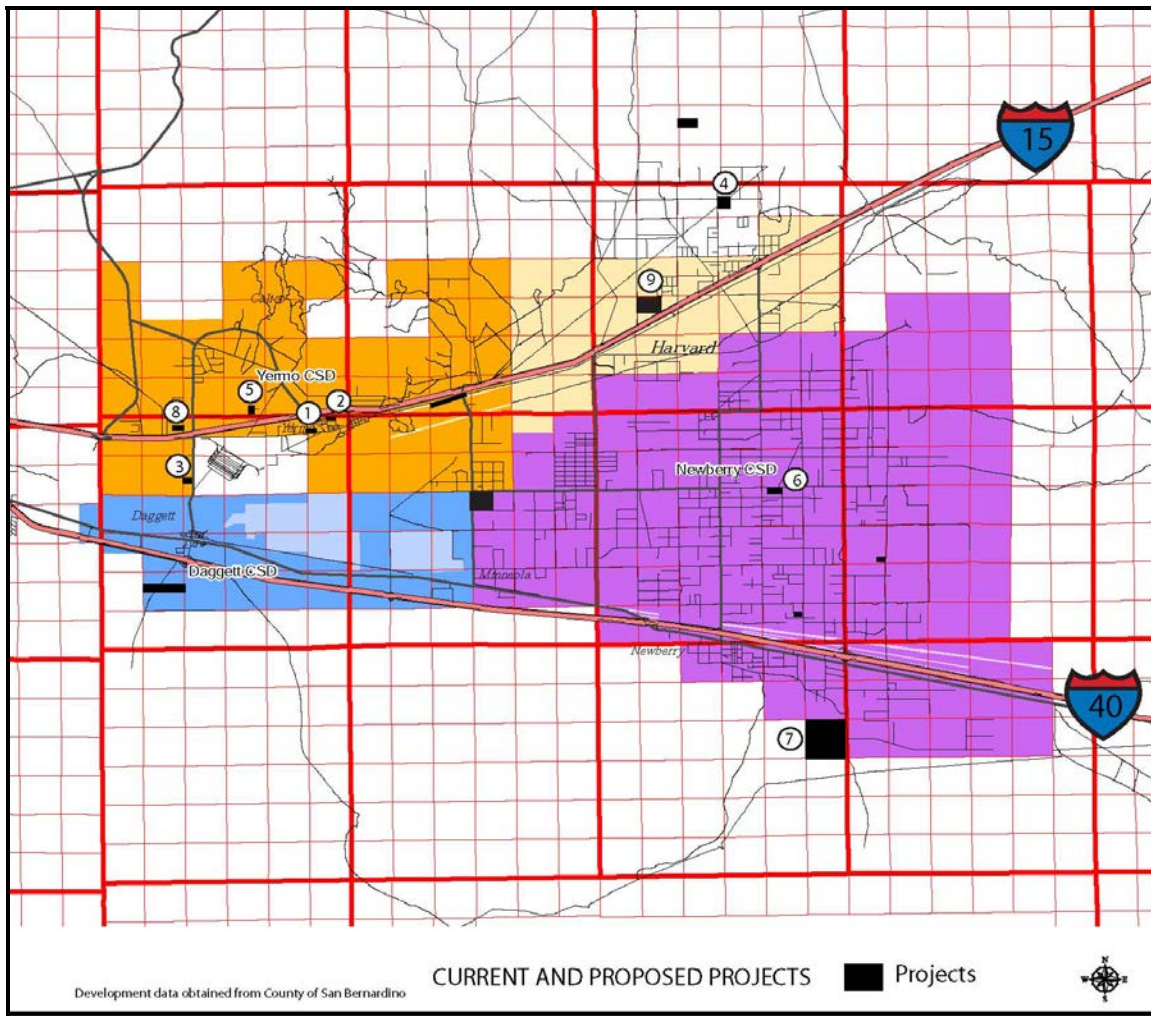
<b>Land Owner</b>	<b>Sq Miles</b>	<b>Percentage</b>
Private	25.7	52.9%
US Bureau of Land Management	20.6	42.3%
County of San Bernardino	1.4	2.8%
State of California	0.9	2.0%
<b>Total</b>	<b>48.6</b>	<b>100.0%</b>

Historical trends indicate low growth in the community in comparison with other urban areas of the North Desert region of the County. However, LAFCO staff has received project notices which anticipate General Plan Amendments, tentative tract developments, and Conditional Use Permits for increased residential and commercial development within the area. The most significant of these projects are anticipated for large commercial and service-oriented uses geared toward the busy Interstate 15 traffic. These future projects will increase the need for public services within the community. However, the single most tangible factor that could limit growth will be the availability of water. These projects are adequately accounted for in the projections listed above. Since 2005, the larger of these projects are included in the following with the respective project identified on the map below.

Map No.	PROJECT NAME	YEAR SUBMITTED	AREA	NUMBER OF RESIDENTIAL UNITS/LOTS PROJECT DESCRIPTION
1	Calico Yermo Partners	2008	Yermo	General Plan amendment from Rural Living and Highway Commercial to Service Commercial on 16 acres; Conditional Use Permit to establish 149,139 sq. ft. of retail space, 23,679 sq. ft. for restaurants, 2,256 sq. ft. for motel, 4,851 sq. ft. theater all in several structures, and a major variance to allow 100' sign height of 25' by 75' on 16 acres; Merge three lots on 16 acres
2	15 & Minneola LLC	2008	Yermo	General Plan amendment from Rural Living to Highway Commercial on 37.76 acres; Tentative Parcel Map 18457 to create seven commercial lots on 48.6 acres; five Conditional Use Permits to establish a travel center that includes a motel/convenience store/gas station/RV park/several restaurants in five phases on 37.76 acres
3	TPM 18932	2008	Yermo	Three commercial lots on 17.4 acres
4	TPM 18722	2008	Harvard	27 residential lots on 138.05 acres
5	P200700175/CF	2007	Yermo	General Plan amendment from Rural Living to Retail Commercial on 5.59 acres; Conditional Use Permit to establish a used car dealership with a caretakers residence and an office on a portion of 5.59 acres
6	P200601271/CF	2007	Newberry	General Plan amendment from RL-5 to Retail Commercial on 40 acres; Conditional Use Permit to establish an outdoor RV storage area with a 1,200 SF Office on 20 acres and a nursery with a 1,200 SF office on 20 acres
7	Kiewit Pacific Company	2006	Newberry	Reclamation Plan for Fort Cady Rd quarry to modify conditions of approval
8	Old Grove Properties	2006	Yermo	Revision to an approved action to add 66 RV site and tent sites to an existing campground on a portion of 37.17 acres
9	KHL Development LLC (Lake Dolores)	2005	Harvard	General Plan amendment from Rural Living to Planned Development; Tentative Tract 17345 to create 1,408 residential lots and 33 lettered lots; Planned development to establish a senior residential community on 262.57 acres

The figure below shows the location of the projects submitted to the County Land Use Services Department since 2005:

### Location of Current and Proposed Projects



## **II. Present and Planned Capacity of Public Facilities and Adequacy of Public Services, including Infrastructure Needs or Deficiencies.**

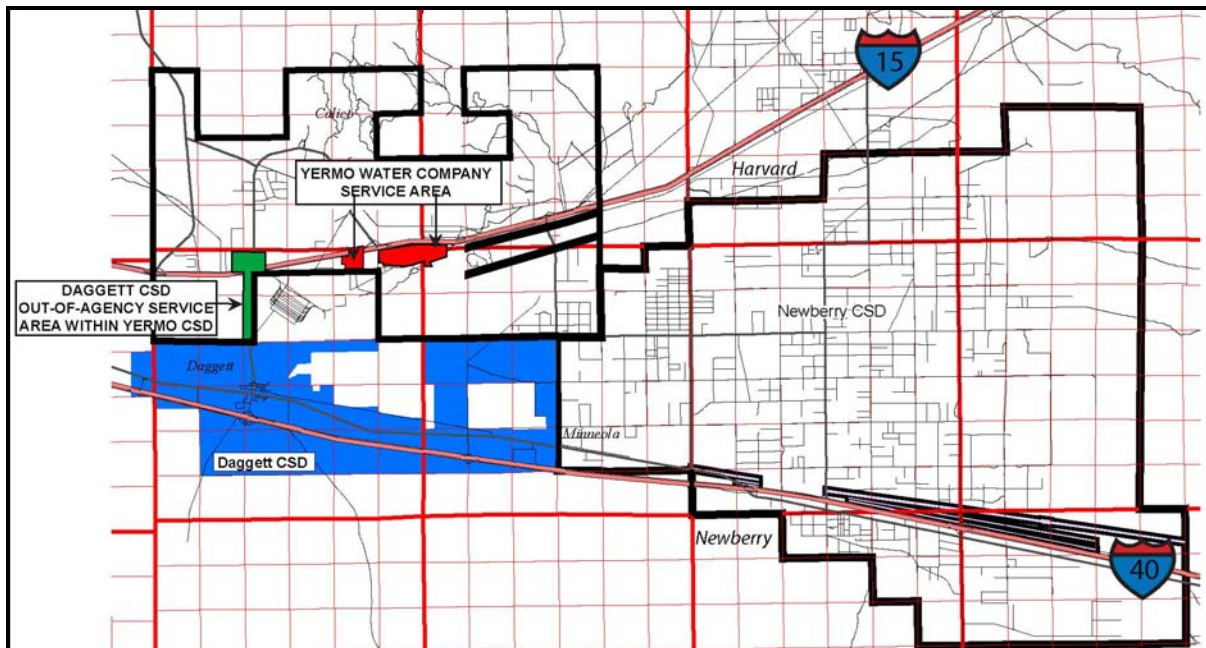
### **A. Water**

Currently, the Daggett CSD and Yermo Water Company are the only domestic water service providers within this region. These service providers are shown on the map below which is included as a part of Attachment #1. Daggett delivers water within its boundaries and to a 1.25 mile area within Yermo CSD territory. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water to a small portion of the Yermo community. The Yermo Water Company has been under investigation by the PUC, culminating in the April 2009 order to place it in mandatory receivership. Final action on this order is



anticipated to be provided by August 2009. In the areas not within a municipal water provider, including Harvard, water service is provided on-site through wells.

**Map of Water Providers within the Region:  
Daggett CSD and Yermo Water Company**



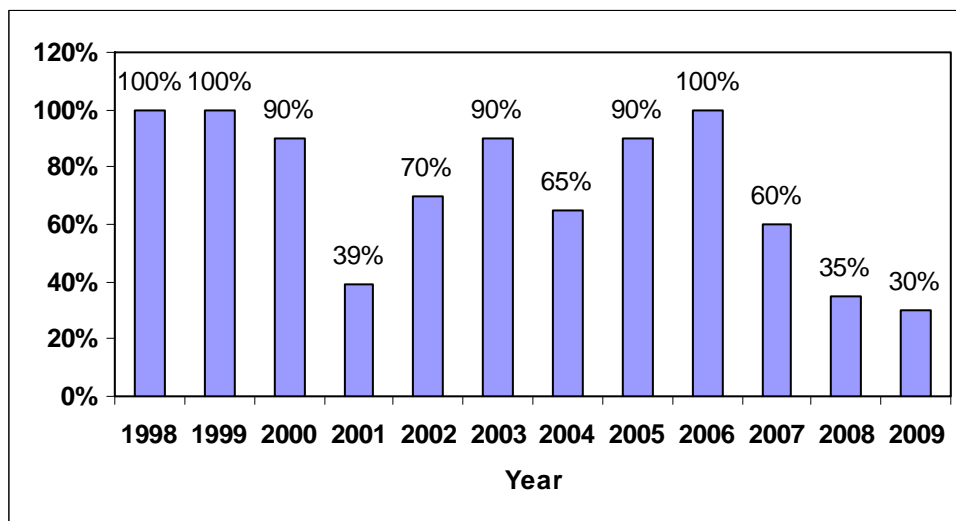
### Regional Water

As LAFCO staff has stated on many occasions, water is the lifeblood for communities located in the desert and those that have access to water thrive, while those without adequate supply will see their service abilities deteriorate. Therefore, the most significant regional issue is present and future water supply. The *2007 State Water Project Delivery Reliability Report* indicates that State Water Project (SWP) deliveries will be impacted by two significant factors. First, climate change is altering hydrologic conditions in the State. Second, a ruling by the Federal Court in December 2007 imposed interim rules to protect delta smelt which significantly affects the SWP. Further, the *Report* shows, "...a continued eroding of SWP delivery reliability under the current method of moving water through the Delta" and that "annual SWP deliveries would decrease virtually every year in the future..." The *Report* assumes no changes in conveyance of water through the Delta or in the interim rules to protect delta smelt.

The figure below shows the allocation percentage that State Water Contractors were allowed to purchase for the past eleven years. For example, Mojave Water Agency (MWA) (the State Water Contractor that overlays the community) is entitled to purchase up to 75,800 acre-feet of imported water per year. For 2009 the allocation percentage is 30%; therefore, MWA can purchase up to 22,740 acre-feet in 2009. In May the final 2009

allocations will be set and if the percentage remains at 30%, it will match the lowest in SWP history, which occurred in 1991<sup>8</sup>. This sharp reduction in supplemental water supply will reduce the amount of water that MWA can place into the groundwater basin from which the community pumps its water.

**Department of Water Resources State Water Project  
Allocation Percentages Statewide (1998-2009)**



source: Department of Water Resources

The water supplied for consumption and/or use within the community is pumped from the local groundwater basin. The high growth rate in the lower North Desert region, coupled with a continued overdraft<sup>9</sup> of the Mojave groundwater basin in its entirety, which is the primary source of supply, is an infrastructure deficiency. The groundwater basin is adjudicated<sup>10</sup> under a stipulated judgment that specifies the amount of groundwater that can be extracted by major groundwater producers (those using over 10 acre-feet per year), the purpose of which is to balance water supply and demand and address the groundwater overdraft. Producers are required to replace any water pumped above their Free Production Allowance by paying the Watermaster to purchase supplemental water or by purchasing unused production rights from another party. Due

<sup>8</sup> "California Remains in Third Year of Drought Despite Slight Increase in State Water Project Allocation", Press Release. 16 April 2009.

<sup>9</sup> Overdraft is defined as "the condition of a groundwater basin in where the amount of water withdrawn exceeds the amount of water replenishing the basin over a period of time". Department of Water Resources, California Water Plan Update - Bulletin 160-98, pg. G-3 (November 1998).

<sup>10</sup> Adjudication is defined in the 2005 California Water Plan as the "Act of judging or deciding by law. In the context of an adjudicated groundwater basin, landowners or other parties have turned to the courts to settle disputes over how much groundwater can be extracted by each party to the decision." Department of Water Resources, California Water Plan Update 2005, Vol 4, Glossary (2005).

to the ongoing over-draft of the basin and challenges associated with the State Water Project, future supplies are limited and demand will exceed supplies unless the Department of Water Resources allocates additional amounts. This prompts water purveyors to scale back consumption annually, to aggressively promote water conservation measures, and to buy more expensive imported water. Finding efficiencies in managing limited supply sources is critical for the future of the communities.

#### Baja Subarea of the Mojave River Basin

The United States Geological Survey estimates that since about 1950, more than 1,000,000 acre-feet has been depleted from storage in the Baja subarea of the Mojave River basin. Further, the most recent Watermaster report states that, "The continued overdraft in Baja will cause continued depletion of water from storage thereby impacting all water users".<sup>11</sup>

Pursuant to the Adjudication Judgment for the Mojave River basin, additional Rampdown in Baja is warranted. Free Production Allowance (FPA) exceeds the Production Safe Yield and current water production and consumptive use exceeds the average net long-term supply in Baja. The Court issued an Order dated December 29, 2005 concerning FPA in Baja. Paragraph (5) of the Order provides that the ten year moratorium on Rampdown and FPA will be re-visited by Watermaster and by the Court if production in Baja materially changes. The purpose of the moratorium was to allow certain Baja producers to continue to pump at the production rate of 2003-04, with restrictions, for ten years and at that time to re-evaluate the FPA in Baja. During the 2006-07 Water Year, water production increased in Baja by 13.48% over 2003-04. The Court found that the increase in production was material and therefore triggered the reevaluation of the moratorium and the recalculation of free production allowance and the necessary rampdown needed to bring the Baja Subarea into balance as required by the Judgment. On September 8, 2008, the Court lifted the moratorium for Baja and returned Baja to the Judgment. Therefore, rampdown in Baja shall continue pursuant to the terms of the Judgment, and FPA was set at 70% of Base Annual Production for 2008-09.

For Water Year 2009-10, pursuant to the Judgment additional rampdown is warranted and FPA has been set at 65%. The Watermaster Report notes that water production in Baja during 2007-08 declined from 2006-07 by 6.7%, but remains higher than the long-term average water supply which further reduces water levels.<sup>12</sup>

In 1996 the Mojave Water Agency began construction on the Mojave River Pipeline in order to offset the depletion of groundwater in the upper reaches of the Mojave River Basin caused by population growth and over pumping from wells. The Pipeline was

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<sup>11</sup> Mojave Basin Area Watermaster, 14<sup>th</sup> Annual Report of the Mojave Basin Watermaster: Water Year 2006-07, (April 1, 2008), Ch. 5.

<sup>12</sup> Mojave Basin Area Watermaster, Draft 15<sup>th</sup> Annual Report of the Mojave Basin Watermaster: Water Year 2007-08, (25 Feb 2009), Ch. 5.



constructed in three phases and was completed in 2006. The Pipeline spans approximately 76 miles. It can supply up to 45,000 acre-feet of water each year to the upper Mojave River Basin where it percolates into groundwater recharge basins in the Centro subarea (Hodge and Lenwood recharge sites), and Baja subarea (Daggett and Newberry Springs recharge sites). It serves the communities of Barstow, Daggett, Hodge, Lenwood, Minneola, Newberry Springs, and Yermo. The recharge sites particular to this report are in the Baja subarea. As shown in the chart below, the first deliveries to the Baja subarea began in 2003 to the Daggett recharge site. Since that time, through October 2008, the Mojave River Pipeline has delivered 12,803 acre-feet of water to the Daggett and Newberry Springs recharge sites.

**State Water Project Deliveries to the Recharge Sites of the Mojave River Pipeline  
Calendar Years 1999 through 2008**

Recharge Site	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008 *	Total
<b>Centro Subarea</b>											
Hodge	994	2,144	0	0	2,680	931	2,234	3,869	564	2	13,418
Lenwood	2,673	1,476	0	0	1,331	1,091	1,519	1,963	422	9	10,484
<b>Total Centro</b>	<b>3,667</b>	<b>3,620</b>	<b>0</b>	<b>0</b>	<b>4,011</b>	<b>2,022</b>	<b>3,753</b>	<b>5,832</b>	<b>986</b>	<b>11</b>	<b>23,902</b>
<b>Baja Subarea</b>											
Daggett	n/a	n/a	n/a	n/a	1,890	1,488	3,114	4,168	483	0	11,143
Newberry	n/a	n/a	n/a	n/a	n/a	n/a	n/a	1,227	433	0	1,660
<b>Total Baja</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>1,890</b>	<b>1,488</b>	<b>3,114</b>	<b>5,395</b>	<b>916</b>	<b>0</b>	<b>12,803</b>
<b>Grand Total</b>	<b>3,667</b>	<b>3,620</b>	<b>0</b>	<b>0</b>	<b>5,901</b>	<b>3,510</b>	<b>6,867</b>	<b>11,227</b>	<b>1,902</b>	<b>11</b>	<b>36,705</b>

\* 2008 through October

source: Mojave Water Agency

As the above chart indicates, continued deliveries to the Baja Subarea are dependent upon deliveries to the Mojave Water Agency through the State Water Project, whose pumping is currently restricted by court order.

**Service by Daggett CSD within Yermo CSD**

Since 1984 Daggett CSD has been providing water service within the western portion of Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. The School District originally requested that Daggett CSD provide the service because no other entity was capable of providing the level of service needed. Between 1984 and 2001, Daggett CSD allowed residents along the water main to connect. However, Assembly Bill 1335 (Gotch), effective 1994, required LAFCO to review, and approve or deny requests for a city or district to provide service outside of its boundaries. In 1993 LAFCO staff requested that agencies respond to a LAFCO survey regarding services provided outside an agency's boundary. Daggett CSD did not respond to LAFCO's request; therefore, it was unaware of the service.

In 2001, the Commission approved an out-of-agency service contract (Service Contract 135) authorizing Daggett CSD to provide domestic water and water for fire protection

purposes within a defined service area within Yermo CSD territory from Daggett's eight-inch pipeline in Daggett-Yermo Road. The application to the Commission was prompted by LAFCO staff's response to a County Planning Department referral on a proposed Conditional Use Permit for a development project which indicated that Daggett CSD would provide water service within the western portion of the Yermo CSD. The service area is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area.

Any request submitted for the expansion of the service area would require that Daggett CSD provide a study showing the capacity for service through lines and storage facilities and a payment schedule that would acknowledge buy-in-costs for the facilities. The LAFCO staff report for SC 135 stated a reservation that the service capacity of an eight-inch water line given the commercial use and fire flow requirements was a concern. The eight-inch water line is still in use and the commercial use and fire flow requirements remains a concern.

#### Daggett CSD

Daggett CSD has water production rights (also known as Base Annual Production) to assure 304 acre-feet (AF) annually. Daggett is within Baja sub-region, and Free Production Allowance (FPA) was at 70% of Base Annual Production for 2008-09, which permitted Daggett 213 AF of FPA. For FY 2009-10, FPA has been set at 65%, which currently permits Daggett 198 AF and will be subject to further rampdowns in the future.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused FPA from another party. As indicated in the table below, the historical trend for Daggett's water production indicates that it does produce more than its FPA. However, until 2003-04 it had purchased water from other agencies to make up the difference along with purchasing additional water for future use. Thus, it has had no replacement obligation to the Watermaster. However, given the trend of water production in excess of its FPA, its carryover from prior year has been lessened each year, with 35 AF carried over into 2007-08 and zero AF carried over into 2008-09. Based on this trend and the additional rampdown, Daggett is currently resuming the purchase of water from other agencies in order to avoid having to pay the higher Watermaster rates for overproduction. This will translate into increased costs for ratepayers. However, Daggett purchased 50 AF of permanent base annual production rights in September 2008 in order to mitigate the higher Watermaster costs.

**Daggett CSD Water Production and Water Obligations**

(units in acre-feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year and Transfers from Other Agencies	Verified Production	Unused FPA <sup>3</sup> or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
<b>2001-02</b>	204	252	259	<b>197</b>	\$0	\$0
<b>2002-03</b>	204	297	262	<b>239</b>	\$0	\$0
<b>2003-04</b>	204	399	255	<b>330</b>	\$0	\$0
<b>2004-05</b>	204	330	248	<b>204</b>	\$0	\$0
<b>2005-06</b>	191	204	258	<b>137</b>	\$0	\$0
<b>2006-07</b>	191	137	293	<b>35</b>	\$0	\$0
<b>2007-08<sup>1</sup></b>	228	35	270	<b>(7)</b>	7 AF at a cost of \$2,359	\$0
<b>2008-09<sup>2</sup></b>	213	0	N/A	N/A	N/A	N/A
<b>2009-10</b>	198	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

<sup>1</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

<sup>2</sup> Draft data (Appendix B) not available until January 2010.

<sup>3</sup> Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

*Daggett Facilities*

Daggett's water facilities are comprised of 185 active connections, four active wells, four tanks, and mostly eight-inch pipes with some four, six, and ten-inch pipes. According to staff at the County Department of Community Development and Housing, the District received a Community Development Block Grant in FY 06-07 for security fencing for the water storage tanks. Below is a listing of the tank capacities:

- Tank 1 – 200,000 gallon steel bolted
- Tank 2 – 150,000 gallon steel welded
- Tank 3 – 3,000 gallon steel welded
- Tank 4 – 135,000 gallon in-ground

Indicated in the chart above, Daggett CSD produced 293 acre-feet in 2006-07. Utilizing this figure, LAFCO staff calculated a maximum daily demand (emergency storage) of 470,833 gallons per day and compared it to the system's 488,000 gallons of tank storage

capacity. Based on these figures (shown in the chart below), the district has enough storage capacity to meet maximum daily demand.

Connections	Average Daily Demand (ADD)		Max Daily Demand (1.8 x ADD) [Emergency Storage]		Operational Storage (gallons)
	AF/Yr	gpd	gpd	gpm	
285	293	261,574	470,833	454	488,000

Daggett CSD has no water management plan or strategic plan to reference in order to provide technical information for this report such as average daily demand, maximum daily demand, operational storage, fire storage, or hydraulic modeling. Further, Daggett has no plans for significant upgrades of its water system.

#### Newberry CSD

The Newberry Springs community has no existing public water system to serve residents and water service is characterized by the acquisition through private wells. This service deficiency limits the development capacity for the Newberry Springs area but also supports the retention of its rural nature. Furthermore, Newberry CSD does not supply water to residents; it only supplies its own facilities and provides water for fire protection purposes (water trucks). Newberry CSD's Strategic Plan indicates that water service is a long range goal and a study would have to be conducted to determine the funding for such an endeavor which would include the need to purchase additional water rights.

Newberry CSD has water production rights (also known as Base Annual Production) to assure 23 acre-feet (AF) annually. Newberry is within Baja sub-region, and Free Production Allowance (FPA) was 70% of Base Annual Production for 2008-09, which permitted the district 17 AF of FPA. For 2009-10, FPA has been set at 65%, which currently permits Newberry 15 AF.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused production rights from another party. The historical trend for Newberry's water production indicates that it does not produce more than its FPA. Thus, it has no replacement obligation to the Watermaster. Additionally, a review of the Watermaster's water transfer records for the past four years indicates that Newberry has neither received nor transferred annual production rights with other entities.

**Newberry CSD Water Production and Water Obligations**  
(units in acre feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year	Verified Production	Unused FPA <sup>3</sup> or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
<b>2002-03</b>	19	19	16	<b>19</b>	\$0	\$0
<b>2003-04</b>	19	19	16	<b>19</b>	\$0	\$0
<b>2004-05</b>	19	19	16	<b>19</b>	\$0	\$0
<b>2005-06</b>	18	19	16	<b>18</b>	\$0	\$0
<b>2006-07</b>	18	18	18	<b>18</b>	\$0	\$0
<b>2007-08</b> <sup>1</sup>	18	18	18	<b>18</b>	\$0	\$0
<b>2008-09</b> <sup>2</sup>	17	18	N/A	N/A	N/A	N/A
<b>2009-10</b>	15	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

<sup>1</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

<sup>2</sup> Draft data (Appendix B) not available until January 2010.

<sup>3</sup> Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

### Yermo CSD

In 1982, the Commission approved the expansion of Yermo CSD's powers to include water (LAFCO 2189). The rationale for this approval was the desire of the Yermo CSD to form an improvement zone surrounding the private water system within its boundaries and to acquire and improve the water system over time. At that time, the water system was deteriorated, under-sized, and without adequate water supply or storage. Costs for the effort were unknown. Following that approval, Yermo did not acquire the private water system. The LAFCO staff report for LAFCO 2189 and the district resolution are included as a part of Attachment #8.

In 2006, as a requirement of the update of Community Service District Law (SB135), LAFCO was to inventory the active services provided by CSDs and to determine that those not actively provided would become latent powers. In December 2005, LAFCO staff requested the submission of data on active services and the Yermo CSD identified that water service was not actively provided. At the January 2006 LAFCO hearing the Commission amended the authorized functions for the District to exclude water service.

*Yermo CSD's Current Request to Activate its Latent Water Function*

Throughout the processing of the service review for Yermo CSD, LAFCO staff and representatives of the district have discussed the potential addition of water powers for Yermo CSD as a part of the service review. Yermo CSD's stated intent was to be considered an option for taking over the Yermo Water Company, either through purchase or as a receiver if the court so determined. It has been the District's opinion that activation of its latent Water function would provide an opportunity for Yermo CSD to be considered an option by the PUC to take over the Water Company. On October 21, 2008, the Yermo CSD Board of Directors approved an action to formally discontinue their pursuits to either acquire the Yermo Water Company or be considered an option should the court determine a receiver for the Yermo Water Company.

However, in response to actions taken by the Public Utilities Commission related to the operations of the Yermo Water Company, Yermo CSD determined to once again pursue activation of their latent water functions. On April 6, 2009 the District submitted its official application for reactivation and LAFCO staff has assigned it the designation of LAFCO 3008A for processing. However, due to a change in LAFCO Law effective January 1, 2009, proposals for the exercise of a new or different function or class of service requires completion of a property tax transfer process as outlined in the Revenue and Taxation Code. Therefore, Commission consideration for LAFCO 3008A could not be undertaken by the Commission at the May 2009 hearing and is anticipated to be presented to the Commission at the June 2009 hearing.

In anticipation of being an option to assume the service responsibilities of the Yermo Water Company, the Yermo CSD in 2008 requested County Board of Supervisors approval for the sale of tax defaulted property<sup>13</sup> to the District for the stated purpose of providing for a future well/storage tank site for local water service (included as a part of Attachment #5). On July 22, 2008 the County Board of Supervisors approved this request. However, Yermo CSD has not been authorized by LAFCO to provide or engage in water service in any manner pursuant to the Government Code and the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. The Board Agenda Item authorizing the sale lists the purchase price of this parcel at \$2,850. LAFCO staff requested from the district the source of the funding for the parcel purchase, specifically from which district fund (fire, park and recreation, etc). To date, LAFCO staff has not received a reply from the District. Staff is of the understanding that completion of this sale has not yet occurred because the mapping requirements of the State Controller have not been satisfied.

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<sup>13</sup> Chapter 8 of the State of California Revenue and Taxation Code (§3771 et seq.) authorizes the Tax Collector to offer properties for sale that have been tax-defaulted for five years or more to taxing agencies or non-profit organizations.

*The Yermo Water Company*

In order to provide a comprehensive analysis of water delivery within the communities, LAFCO staff requested the Yermo Water Company (Water Company) to provide information regarding its services, boundaries, and operations. The Water Company did not respond to LAFCO staff's request. However, staff has gathered information from other sources to provide a description about the Water Company and its operations.

Yermo Water Company has water production rights (also known as Base Annual Production) to assure 453 acre-feet (AF) annually. Yermo Water Company is within the Baja sub-region, and Free Production Allowance (FPA) was set at 70% of Base Annual Production for 2008-09, which permitted Yermo Water Company 318 AF of FPA. For FY 2009-10, FPA has been set at 65%, which currently permits Yermo Water Company 295 AF.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused FPA from another party. As indicated in the table below, the historic trend for Yermo Water Company's water production indicates that it produces less than half of its FPA. Thus, it has had no replacement obligation to the Watermaster. In 2005-06 its unused FPA was 203 AF and in 2006-07 unused FPA was 340. A review of the Watermaster transfers records does not list Yermo Water Company as having transferred or leased its unused FPA to another agency.

**Yermo Water Company Water Production and Water Obligations**  
(units in acre-feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year and Transfers from Other Agencies	Verified Production	Unused FPA <sup>3</sup> or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
<b>2001-02</b>	363	0	363	<b>0</b>	\$0	\$0
<b>2002-03</b>	363	0	122	<b>241</b>	\$0	\$0
<b>2003-04</b>	363	241	137	<b>363</b>	\$0	\$0
<b>2004-05</b>	363	363	137	<b>363</b>	\$0	\$0
<b>2005-06</b>	340	363	137	<b>340</b>	\$0	\$0
<b>2006-07</b>	340	340	137	<b>340</b>	\$0	\$0
<b>2007-08</b> <sup>1</sup>	340	340	137	<b>340</b>	\$0	\$0
<b>2008-09</b> <sup>2</sup>	318	340	N/A	N/A	N/A	N/A
<b>2009-10</b>	295	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

<sup>1</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

<sup>2</sup> Draft data (Appendix B) not available until January 2010

<sup>3</sup> Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

The Water Company is regulated by the California Public Utilities Commission (PUC) and provides water to four tracts within the Yermo community. The number of connections has remained relatively static since 1993 when it had 343 metered connections; currently it has 350 connections with most of the connections to single-family-residences. The service area is divided into two pressure zones with three wells and three storage tanks. The capacity of all three wells is about 450 gallons per minute. The tanks are hydro-pneumatic with one 10,000 gallon tank and the two other tanks have a combined capacity of 15,000 gallons. The Water Company utilizes two to four-inch distribution mains and laterals to serve the customers.

Since 1985 the Yermo Water Company has been of concern to the PUC and the California Department of Public Health (CDPH)<sup>14</sup>. In general, the concerns of the PUC, CDPH, and the residents within the Water Company center on the Water Company's failure to comply with PUC and CDPH directives and with the quality of water and the pressure within the delivery system.

On April 24, 2008 the PUC issued an Order Instituting Investigation (Order) of the Yermo Water Company (included as a part of Attachment #6). According to the Order, the Water Company has a record of deferred or non-existent maintenance, unmet regulatory mandates, and continuing problems with water quality and service. Pursuant to the Order, the Water Company was directed to show cause why the PUC should not penalize the Water Company in addition to not petitioning the San Bernardino County Superior Court for the appointment of a receiver to assume the operation of the Water Company and its water system. A Prehearing Conference convened by an administrative law judge took place on June 11, 2008 to determine if a hearing was necessary. A hearing was deemed necessary and conducted with the Division of Water and Audits of the PUC having served the opening testimony by stating that, "The record amply supports a [PUC] Commission order to place Yermo [Water Company] under a court-appointed receiver." It supports its conclusion by addressing and affirming the eight areas of concern raised by the Order regarding the Yermo Water Company and its owner:

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<sup>14</sup> The California Department of Public Health was formerly known as the California Department of Health Services.



1. Yermo Water Company has not filed an official general rate increase application since 1993.
2. Yermo Water Company fails to respond to and comply with PUC orders, rules, and regulations.
3. Yermo Water Company fails to comply with PUC requirements to file PUC Annual Reports and pay annual fees.
4. The owner has disregarded PUC directions to improve infrastructure; employed inexperienced, untrained, and unlicensed water operators; and appears to have attempted to sell the Yermo Water Company without prior PUC approval.
5. The owner has been unable or unwilling to adequately serve its ratepayers.
6. The owner has failed to fulfill their promises to PUC staff to provide plans for remedying Yermo Water Company's operational problems.
7. The owner has apparently abandoned Yermo Water Company.

**The owner has persistently failed to comply with CDPH orders, rules, and regulations. A series of citations have been issued.**

The Presiding Officer's Decision regarding authorizing Superior Court action for appointment of a receiver for Yermo Water Company was made available on April 6, 2009 (included as a part of Attachment #6). The Decision authorizes and directs the PUC's Legal Division to commence proceedings in Superior Court of San Bernardino County for appointment of a receiver to take possession and operate Yermo Water Company. If no appeal or request for review is filed by August 2009, the Presiding Officer's Decision shall become the decision of the PUC.

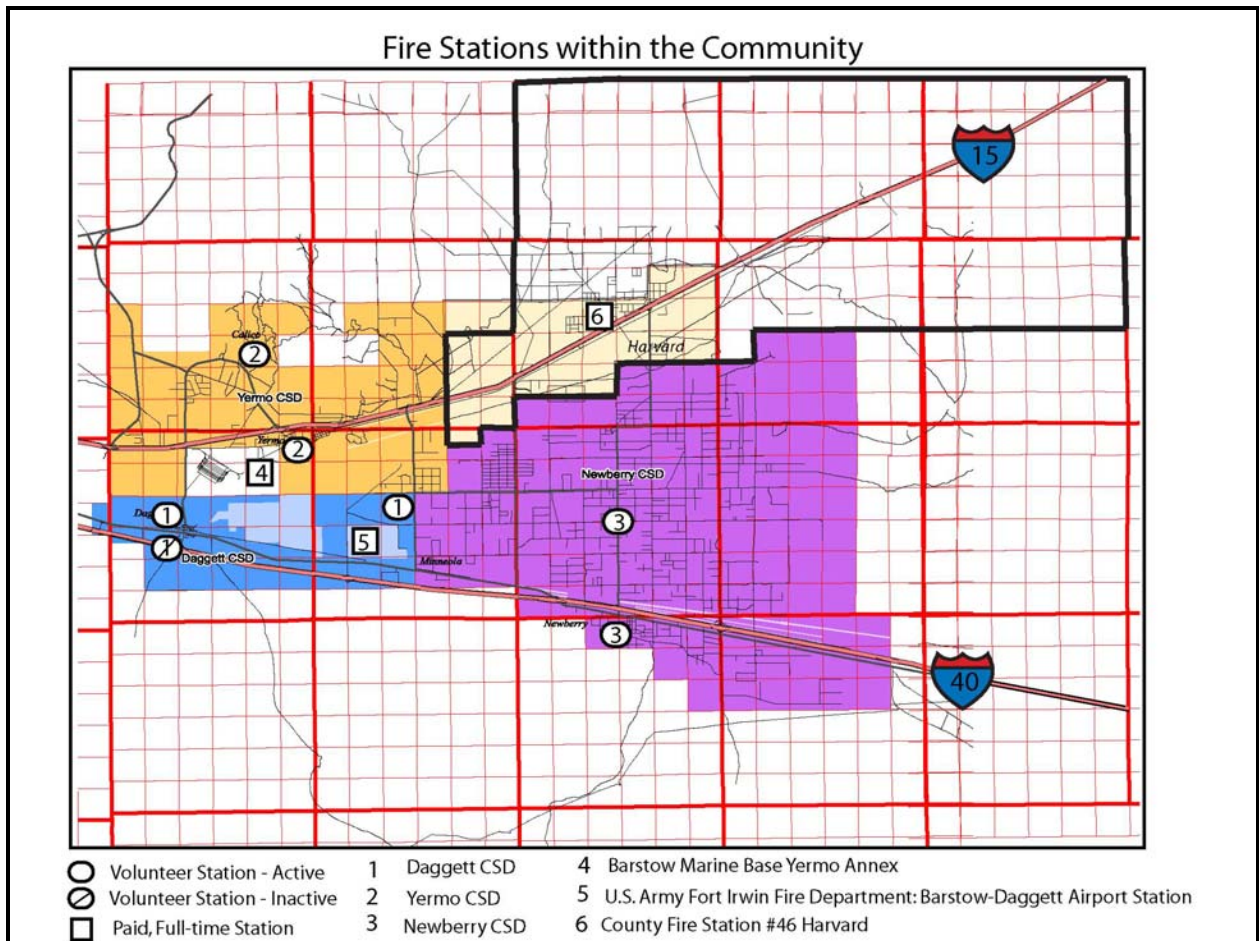
**B. Sewer**

The entirety of the communities utilize on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for installation of sewer improvements. This service deficiency limits the development options for the community. The districts do not currently provide sewer service and there are no other existing entities to provide sewer service.

Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system. Actual provision of sewer service would require an application to LAFCO, along with a plan for services, and Commission approval. Should Newberry desire to provide this service to only the populated segments within the district, it would need to form an improvement district pursuant to CSD Law. This option would require voter or landowner approval due to the need for funding the development of the system and would require LAFCO approval to provide the service.

### C. Fire Protection

Each of the districts is authorized by LAFCO to provide fire protection services. However, each of the districts experiences challenges in providing fire protection services given the limited resources available, and they are reliant upon one another and other fire protection agencies through mutual aid to fulfill this mission. The stations which provide fire service are outlined on the map shown below:



The nearest San Bernardino County Fire Protection District (County) Fire Station is Station #46 in Harvard. Station 46 staffing consists of a full-time captain and two paid firefighter positions on duty 24 hours a day. Paid-call firefighters who live in the area augment the service. Equipment consists of one ICS Type 1 structure engine, one ICS Type 4 brush patrol unit with four wheel drive, and one Type 3 brush fire engine. Currently, Station #46 responds to the Harvard area, the heavily traveled Interstate 15 between Barstow and Baker, portions of Interstate 40, the exclusion areas within

Newberry just north of Interstate 40, and assists the CSDs through mutual aid.<sup>15</sup> Further, Station #46 serves roughly four square miles of Daggett sphere territory that is wholly surrounded by CSD territory. This area is the western sphere area of Daggett and is primarily comprised of industrial uses. The Harvard community receives a higher level of service based upon its low population, proximity to County Fire Station #46, and the funding structure in place due to the reorganization of County Fire (LAFCO 3000). Prior to the reorganization of County Fire, Station #46 received its funding from revenues generated within Harvard. Since the reorganization, Station #46 receives revenues generated from within Harvard and the North Desert Service Zone of the County Fire Protection District. On the basis of this service advantage, LAFCO staff is recommending the exclusion of the Harvard community from either the consolidated spheres of influence or the Yermo sphere of influence.

As discussed for each district below, each faces its own challenges. Daggett and Yermo do not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. Newberry has the largest area to cover and in January 2009 the District re-activated its second fire station. During 2008 it provided fire protection with one operational fire station. There may be a better avenue for fire provision within these areas due to the lack of resources.

In the view of LAFCO staff, removal of the districts' fire protection powers with County Fire as the successor would provide the best mechanism for fire protection and emergency services to the areas along Interstate 15 between Barstow and Baker and along Interstate 40 between Barstow and Needles. While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, there is not sufficient revenue available from the three communities to support such a change. Not surprisingly, none of the three community services districts has indicated support for this option, and County Fire also has not indicated support for this option due to the limited revenue stream for the service.

LAFCO staff would support this option, in the long-run, if revenues would support such a change as it would result in a regional fire agency providing service to the area, as it already does to the sphere of influence areas in these communities, it could potentially result in economies of scale, and would allow residents of the communities to participate on the advisory board for determining levels of service for the North Desert. Without the revenues to support such change, LAFCO staff would recommend the potential for the agencies to use joint powers agreements or other contractual mechanisms to allow for the economies of scale.

### Daggett CSD

Daggett provides fire protection within its boundaries from three fire stations through an all-volunteer department. Currently, staffing includes six fire personnel including a fire

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<sup>15</sup> San Bernardino County Fire Protection District. website. [www.sbcfire.org](http://www.sbcfire.org). Accessed 8 Dec 2008. Last update unknown.

chief and assistant fire chief all on a paid-call basis. Daggett currently owns and operates four vehicles for fire fighting: one water tender with a 1,600 gallon tank, two structural fire trucks, and one brush truck. There is no fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals.

Within the Daggett CSD sphere of influence is the Barstow Daggett Airport, a county-operated airport facility. Fire service is provided at this facility by personnel from Fort Irwin as it houses aircraft at the facility through a contract with the County Airports Department. This fire station is manned during operational hours and provides for mutual aid response.

Daggett has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Newberry Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire.

#### Newberry CSD

Newberry provides fire protection through the Newberry Fire Department. The Fire Department has an ISO rating<sup>16</sup> of 9 and answers on average 400 to 500 calls per year. A sampling of the calls indicates an average response time of 12.5 minutes. The Fire Department provides mutual aid to over 100 calls and receives aid on 60 to 80 calls. Newberry Fire has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Daggett Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire.

The Department currently is staffed with 22 volunteers. Each volunteer participates in an average of 400 hours of training per year. In January 2009 there were 20 volunteers. Of the 20, ten are qualified as Type II wild land firefighters, six are emergency medical technician basic, three are California State Fire Marshall certified Firefighter II, two are hazardous materials technicians, one is a Specialist, two meet FEMA Urban Search and Rescue qualifications, and one is Fire Officer certified by the California State Fire Marshal.

Newberry has two fire stations with the second station being re-activated in January 2009. Due to the addition of personnel, Station #391 was re-activated with the relocation of a water tender and a rescue vehicle. The new fire station, Station #392 – Mid Valley Station, is located on Silver Valley Unified School District property and is leased for \$1 per year. Newberry states that if the lease is not continued, then the community would not have a centrally located station.

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<sup>16</sup> According to ISO's website ([www.isomitigation.com](http://www.isomitigation.com) – Accessed May 16, 2008), Class 1 represents exemplary fire protection, and Class 10 indicates that the area's fire-suppression program does not meet ISO's minimum criteria.

Newberry has plans to build a training room at Fire Station #392. Currently, the firefighters train in facilities that are not temperature controlled and the planned training room would be temperature controlled. Newberry anticipates that the addition of a temperature controlled room would decrease response times since the all-volunteer firefighting force would be more likely to remain at the facility.

There are also plans to build an additional fire station within the district and install 10,000 gallon water tank structures throughout the district. The Department conducted a comprehensive survey to locate and record major water source points for placement of the station and the tanks, but the exact locations are not yet determined. This would improve Newberry's ISO rating and lower insurance premiums.

The Fire Department currently owns and operates the following equipment:

- Type 1 municipal engine, a 1999 Freightliner with a 1,000 gallon tank, a 1,250 gallon per minute (gpm) pump, a 2000 foot hose, and air and hydraulic rescue tools
- Type 2 water tender, 2000 Freightliner with a 2,200 gallon tank and a 500 gpm pump
- Type 2 water tender, 1970 Peterbuilt with a 4,000 gallon tank and a 1,500 gpm pump
- Type 1 ambulance/rescue truck, 2003 E-350, first responder – non transport, equipped to ICEMA standards
- Type 6 brush engine, 2007 Ford 350 4 x 4 with a 300 gallon tank and a 350 gpm pump.
- Trailer equipped to light rescue standards.

In addition to the storage tanks listed above, the Department has also coordinated with Mojave Water Agency to place seven connection points at strategic locations along the Mojave River Pipeline. The connections provide water at the rate of 500 gallons per minute. Additionally, the Fire Department has an agreement with the Santa Fe Railroad for access to the 220,000 gallon railroad water tank located near Elementis Specialties Plant at Pioneer and Mountain View.

According to the District's Fire Operational Plan, the short-term and long-term goals of the Fire Department are:

*Short-term goals (3 to 5 years):*

- Develop a headquarters station, training center, and emergency operations center near the center of the District
- Secure at least five 10,000 to 15,000 gallon portable tanks.
- Reduce ISO Rating to 8 or better.
- Develop a large volume well and tank.
- Replace 1970 Peterbuilt water tender.

*Long term goals (5 to 10 years):*

- Construct headquarters station/training center/emergency operations center
- Relocate Station 391 two miles east, moving off the Newberry fault and out of a radio dead zone
- Assist in promotion of local water district *[while this goal may be part of the Fire Operational Plan, it appears to be for the district overall]*
- Add two Type 3 Fire Engines

Yermo CSD

Yermo provides fire protection within its boundaries from two fire stations through an all-volunteer department consisting of 16 active volunteers. Recently, seven personnel have graduated from the Barstow College Emergency Technician training program. One station is located in the populated center of Yermo and second is located at the San Bernardino County Regional Park at Calico Ghost Town. Yermo has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Newberry Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire. LAFCO staff spoke with the Yermo CSD Fire Chief on December 15, 2008, and the Fire Chief indicates that Yermo CSD currently owns and maintains the following operational vehicles:

- 2008 Ford F350 rescue vehicle (purchased in 2008)
- 1980 GMC 7000 brush engine (donated in 2008 by the County)
- 1998 Dodge RAM Type 6 pumper
- 1987 GMC 2,500 gallon water tender

LAFCO staff has concerns regarding Yermo CSD's ability to adequately provide fire protection services. There is no fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. Yermo has indicated that it experiences challenges in providing adequate fire protection due to the inadequate water pressure within its boundaries.

Additionally, Yermo experiences equipment challenges for fire protection and has historically been dependent upon County Fire for fire vehicles. According to Yermo CSD Board President Bob Smith, in August 2008 the loss of an emergency response vehicle due to an accident left Yermo without a functioning fire fighting vehicle for several weeks. During that time, fire crews at the Yermo Annex responded to calls within Yermo CSD. Upon receiving the insurance payment for the non-operational truck, the Yermo CSD Board authorized the purchase of a new truck (2008 Ford F350). However, information obtained from County Fire identifies that within the past 20 years, County Fire has donated six fire fighting apparatuses to Yermo CSD, shown below. The district has sent those vehicles that it does not use to surplus.

<u>Year donated</u>	<u>Vehicle donated</u>
2008	1980 GMC 7000 Engine (active)
2006	1983 Ford F700 Engine (active)
1997	1979 Ford Engine
1995	1966 American La France
1990	1960 Ford ALF
1990	1972 Chevy Ambulance

The most recent transfer from County Fire was approved on September 16, 2008. Referencing the County Board of Supervisors staff report for the transfer, Yermo operated one fire apparatus, which was not operating efficiently for Yermo's needs. County Fire inspected the fire engine and determined a cost of approximately \$10,000 to repair. Based on the age of the apparatus and the cost of the repairs, it was not cost effective for Yermo to invest funds into repairing this older unit. Further, Yermo did not have the funding available to purchase a replacement fire engine at the time. The Board of Supervisors authorized County Fire to transfer the title of a 1980 GMC 7000 series fire engine that was in fair condition with no value to County Fire.

Given the lack of information available regarding fire services provided by the district, the lack of equipment, the lack of funding, and historical dependency upon the County for donations of fire apparatuses, LAFCO staff expresses concern regarding the adequacy of the fire protection and emergency services provided by Yermo CSD. In the view of LAFCO staff, this service deficiency needs to be addressed as soon as possible. The options available to address the deficiencies identified in the materials are to provide for a joint powers agreement with County Fire or other local fire entities or a functional consolidation through contract with the other CSDs in order to provide the necessary level of service required in the district and along the highly traveled Interstate corridors.

#### **D. Park and Recreation**

Each of the districts actively provides park and recreation services. Due to age of each of the community center buildings, upgrades and improvements are necessary. Further, each district is dependent upon grant funding, such as Community Development Block Grants, to construct and improve the park facilities. Since grant funding is not an assured revenue stream, should CDBG funding not be received in the future, the limited property tax revenues received by the districts would need to be used to pay for facility upgrades.

##### Daggett CSD

Daggett owns and operates two parks located adjacent to the district headquarters and operates a community center that is located on County property. The parks are located in the northern portion of the district and are approximately one-half acre each. In FY 2005-06 Daggett received a \$4,500 Community Development Block Grant for installation of playground equipment.

The Community Center is located on County property at 35277 Afton Street in the southern portion of the District. The five-acre property also includes a basketball court and a storage facility. The community center is used for senior events, community meetings, and recreation. Daggett indicates that the Community Center was funded by a Community Development Block Grant in the early 1980s. Community Development Block Grant funding provided for re-roofing of the Community Center in 1999. According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the facility to be on County property. The term of the lease is for 30 years with two 10 year options to renew. Neither the County Department of Community Development nor Housing, County Real Estate Services nor Daggett CSD staff could provide a copy of the lease to substantiate the terms of the agreement.

Daggett has no park master plan or strategic plan to reference in order to provide information on park improvements or meeting the needs of the residents.

#### Newberry CSD

Newberry owns and operates one park on 9.8 acres that includes a community center, Fire Station #391, the caretaker's home, playground, picnic area, and ball field. The ball field has lights for night play and can be configured as a baseball diamond or soccer field.

The Community Center was built in 1954 and provides a location for food distribution, shelter in case of a disaster, health clinics, veterinary clinics, and community and group events. Maintenance and upkeep of the park and the community center is provided by the live-in caretaker. Newberry states that the building is in above average condition due to ongoing upkeep and maintenance. Due to the age of the facility, Newberry indicates that future remodeling projects need to occur. Plans include remodeling the kitchen and restrooms and installation of energy efficient windows. Revenues have been set aside for major repairs of the park facilities and the caretaker's home.

According to staff from the County Community Development and Housing Department, Newberry applied for and received a Community Development Block Grant in FY 2006-07 to improve the parking lot at the park. The District intends to construct new restrooms at the park but plans or details were not provided. In 2008, the First District of the County Board of Supervisors awarded a \$5,000 grant to Newberry CSD for eight picnic tables for the park.

#### Yermo CSD

Yermo owns and operates one community park and a community center. The community center and community park are on the same parcel on approximately 1.1 acres located on McCormick Street off of Yermo Road. The community center has a gymnasium with facilities for basketball and volleyball. The community park has grass fields with grilling and playground equipment.



Yermo operates a sports park located on a four-acre portion of Silver Valley Unified School District property (9.6 acres) located next to the Yermo Elementary School. The sports park has two soccer fields and a softball field. Yermo CSD owns all the facilities that are located on the land. To facilitate the use of this land for its sports park, Yermo entered into an agreement with the School District for use of each other's property. LAFCO staff inquired into the possibility of a property exchange to secure this property. Yermo states that the intent was to enter into a use agreement in the short run and then exchange properties; however, the exchange of properties has not taken place. Pursuant to the agreement:

- Yermo has granted the School District use of its property on Bedford Drive behind the Silver Valley High School. The school uses the land to park its buses.
- The School District has granted Yermo use of a portion (four acres) of its property (10 acres) on School Road located behind the Yermo Elementary School. Additionally, the School District pays all the utility costs for the park (water and electricity) and pays Yermo \$7,200 annually for Yermo to maintain the park. The Elementary School is also allowed use of the park during school hours.

According to staff from the County Community Development and Housing Department, Yermo applied for and received Community Development Block Grant funding within the past few years. Since 2003, Yermo has received funding for improvements at the sports park and heating and cooling improvements to the community center. On September 9, 2008 the County Board of Supervisors approved a contract with Yermo in the amount of \$16,325 for construction of improvements to the ceiling and walls of the Yermo Community Center. Under the terms of the contract, the County will utilize Community Development Block Grant funds to construct the project. Yermo CSD will continue to maintain and operate the community center facility for not less than 15 years following the completion of the improvements and will pay for all costs necessary for maintenance and operation.

Yermo has no park master plan or strategic plan to reference in order to provide information on park improvements or meeting the demands of the residents.

## **E. Streetlights**

LAFCO staff has verified that within their boundaries, Daggett CSD maintains 24 streetlights, Newberry CSD maintains 39 streetlights, and Yermo CSD maintains 48 streetlights.

Southern California Edison owns the streetlights, and the districts provide for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area (County Service Area 70 which overlays the agencies is authorized streetlighting services, but requires creation of an Improvement Zone to

provide), and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance<sup>17</sup> within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

## **F. Road Maintenance**

Newberry CSD is not currently authorized through LAFCO to provide road services, however the district purchased a grader in August 2006 for roughly \$49,000 with funds from the \$350,000 one-time donation received in 2004 from the Kiewit Pacific Corporation. After Newberry received the donation, it conducted a survey asking its residents how to utilize the windfall. The results of the survey indicated that approximately 85% of the respondents wanted the funds to be used for roads - grading in particular. In turn, Newberry purchased the grader and began grading roads. No documentation has been produced by Newberry as to whether or not the purchase complied with CSD Law by going to bid. However, the District in its response to the draft staff report has indicated that the road grader purchased is used and that a bid process was not utilized nor required for the purchase of used machinery. The District further states that it considered 18 machines and chose a machine that was owned by a municipality and that it considered cost and previous use in making its determination.

According to Newberry, grading does not occur on private or County dedicated roads. Primarily, the grader was purchased in order to keep the non-maintained County roads in acceptable condition for fire protection and EMS services. Rain and other varied weather conditions result in road conditions that make it difficult for emergency vehicles to arrive on the scene. In 2006 and 2007 Newberry graded about 25 miles of road, and road grading continued into 2008. No information has been provided related to the 2009 grading activities anticipated by the District.

LAFCO staff informed District representatives of the potential for incurred liability when an agency performs road services. Newberry stated that its insurance company covers the grader but is not aware that road service, in the form of grading, is actually provided. As for funds to operate and maintain the service, road service is not an enterprise activity. Therefore, the funds to maintain the road grader and pay for the service use portions of the property tax revenues generated from throughout the entirety of the district that are also used to pay for streetlighting, park and recreation, and fire services.

LAFCO staff also informed the District on more than one occasion that in order for Newberry CSD to actively provide road service either within a portion or to the entirety of the district, CSD Law requires the activation of latent powers subject to LAFCO approval (Government Code Section 61106). Newberry has not formally requested or been authorized by LAFCO to perform this function and/or service. As a part of this municipal

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<sup>17</sup> County of San Bernardino, Development Code Chapter 83.07, Adopted Ordinance 4011 (2007).

service review and sphere of influence update, Newberry has indicated that it would like its latent road powers to be activated for providing the limited services described above and then possibly in full capacity in the future if the growth of the community warrants it. Staff has informed Newberry that activation of its latent road powers would require the submission of an application to LAFCO with a plan for service which would include the identification of the financing for the service provision. If Newberry's request was simply to activate Road powers for planning purposes, then its request could be included as a part of the municipal service review and sphere of influence update. However, as noted above, Newberry is actively grading on public roads and such an action requires written consent from the County, as outlined in CSD Law (Section 61100(I)).

Staff provided the District with a copy of the draft staff report in January 2009 which in essence included the narrative above. The District's response to the draft staff report (included as Attachment #4) on pages 16 and 17 states that it was not asking for full road powers and that Government Code Section 61100 (I) of CSD Law permits a CSD to maintain the roads of another public agency if it obtains written permission from that public agency. Newberry provided LAFCO staff with a copy of its resolution dated November 25, 2008 requesting County permission to grade non-maintained County roads (well after the inception of the service in 2006, and continuing through 2008 prior to the resolution adoption). On page 18 of Newberry CSD's comments, the District writes that based upon its legal advice and the statutes it cited, "...we intend to keep the County non maintained roads passable for emergency vehicles as resources allow." The District expands on this comment on page 39 by stating, "...Newberry feels that it is within its jurisdictional powers to provide this intermittent service...."

While a CSD may perform road services on another public agency's roads, if it obtains written permission, two preceding actions are paramount. First, as noted above, Section 61106 (a) requires a CSD to obtain LAFCO approval in order to activate a latent power; regardless if the service is to be provided to a portion or to the entirety of the district. Newberry CSD has not received LAFCO authorization to perform road services.

Second, according to CSD Law and County requirements, Newberry CSD needs to obtain written permission from the County allowing the District to perform road maintenance on public roads. The District has adopted a resolution requesting County permission, but the District has not provided LAFCO with a copy of the written consent from the County. Staffs at the County Public Works, Transportation Division office and the Clerk to the Board of Supervisors have indicated that there is no record of receipt of Newberry's resolution requesting consent. According to County Transportation staff, in order to grade non-maintained roads the District would need to submit an "Application for Encroachment Permit". If the County determines that the roads are in their system and do not object to the grading, then a "Letter of No Objection" would be issued. LAFCO staff has informed Newberry CSD of the County's response and application process.

While the intent and purpose for providing the service are a benefit to the community, the extent of the road grading without authorization and the lack of adherence to CSD Law, LAFCO Law, and County Public Works/Transportation application requirements

described above is a serious concern to LAFCO staff. Further, as quoted above, the District in written correspondence has indicated that it intends to continue providing this service even though it has neither LAFCO authorization nor County permission. It continues to be LAFCO staff's recommendation that Newberry CSD immediately submit the application materials, including a plan for services and the County's Letter of No Objection to LAFCO so that Commission consideration for activation can commence to secure compliance with applicable provisions of law

### **III. Financial Ability of Agencies to Provide Services.**

Each of the districts experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. With the exception of water charges collected by Daggett CSD, the ongoing operations of the districts are entirely funded by property taxes. Fire protection and related activities comprise the largest expense for each of the agencies and its cost increases annually. Moreover, a comprehensive review of the districts' finances could not be completed due to the lack of current audits. Further, the districts do not adhere to the constitutional requirements for the establishment of an appropriations limit and statutes related to finances of a community services district.

#### **A. Requirements of CSD Law**

Community Services District Law (Government Code Section 61000 et seq.) promotes financial accountability by requiring:

- An adopted budget (§61110 et seq.) – CSD Law requires the adoption of an annual budget and requires the general manager to forward a copy of the final budget to the county auditor.
  - Daggett has not adopted an annual budget since FY 1995-96 and has thus operated without a budget for over a decade.
  - Newberry and Yermo adopt annual budgets. However, Yermo's budgets only provide a total revenue figure with no breakdown of receipts, and Newberry's budget provided for FY 2008-09 does not provide any revenue sources. Neither budget provides a figure for the fund balance carried forward.
  - According to staff at the County Auditor-Controller/Recorder, records indicate that the most recent budgets received are FY 2008-09 for Newberry. A submission by Yermo has not been verified by the County Auditor to date. There are no records of receipt for Daggett's budget, particularly since it has not adopted one since 1995-96.

- Adoption of annual appropriations limits under the Gann Initiative<sup>18</sup> (§61113) – Article XIIIB of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit, which is further acknowledged by Government Code 61113. As shown in the chart below, each district falls within the requirements of Article XIIIB of the State Constitution, as each was over the \$0.125 (12 ½ cents) per \$100 of assed value tax rate in 1977-78, and therefore, must have an appropriations limit. A copy of the FY 1977-1978 property tax rates, with each CSD highlighted for reference, is included as Attachment #7.

#### 1977-78 Tax Rates per \$100 of Assessed Value

District	Daggett CSD	Newberry CSD	Yermo CSD
Tax Rate	\$1.2500	\$0.9110	\$1.0883

After meeting with LAFCO staff, the districts are now aware of the requirement for annual appropriations limits. Newberry staff has informed LAFCO staff that it obtained the formula to establish an appropriations limit from the County Auditor and is attempting to contact personnel at the County Auditor Property Tax Division to help establish the appropriations limit. Although Newberry does not have an appropriations limit, the district is making a fair attempt to establish the limit.

As of the time of this writing, LAFCO staff is unaware if either Daggett or Yermo are making an attempt to establish an appropriations limit. Further, the establishment of an appropriation limit would require Daggett to adopt a budget.

- Regular audits and annual financial reports (Sections 26909 and 61118) – Section 26909 of the Government Code requires regular audits of district accounts and records, which is further acknowledged by Government Code 61118. Additionally, CSDs are required to forward their audits to the State Controller and County Auditor.
  - The last audit performed of Daggett's finances was for FY 2002-03. According to records from the County Auditor and State Controller, the last audit received for Daggett CSD was for FY 2002-03.
  - According to records on file at the State Controller and County Auditor, the last audit received for Newberry CSD was for FY 2006-07 received in January 2009.
  - For Yermo CSD, according to records from the State Controller the last audit received was for FY 2007-08 received in February 2009. However, the State Controller has no record receiving an audit for FY 2006-07. According to records at the County Auditor, the two most recent audits

<sup>18</sup> In 1979 the voters amended the California Constitution by passing Proposition 4 (the Gann Initiative), requiring each local Government to set an annual appropriations limit (the Gann Limit).

received were for FY 2006-07 received January 2009 and FY 2007-08 received in February 2009.

## **B. Daggett CSD**

The most recent budget is from FY 1995-96 and the most recent audit submitted for this review is for FY 2002-03. The district provided copies of the mandatory financial transaction reports that were submitted to the State Controller for FY 2005-06 and 2006-07.

According to Daggett staff, the board of directors approved the first water rate increase since the 1980s for customer water use. The current rate is .0075 cents per cubic foot, and the rate took effect July 1, 2008 of 1.5 cents per cubic foot. The revenues to be generated by the rate increase will provide Daggett with needed additional revenue. Further, Daggett charges the same rate for water service to those outside its boundary as those it services within its boundaries. The additional costs to serve outside of the boundaries could be recouped by charging a higher out of boundary rate for water service.

### *Financial Transaction Reports*

Since the district does not have an operating budget and the last audit is for FY 2002-03, a comprehensive review of the district's finances could not be completed by staff. For this report, staff reviewed the financial transaction reports for FY 2004-05, FY 2005-06 and FY 2006-07. LAFCO staff's review of the financial transaction reports indicates that the district experiences financial challenges.

The general fund is comprised of the fire, streetlighting, and park and recreation activities. As indicated below, the activities (non-enterprise) of the general fund do not generate enough revenue to support the current levels of service. However, the district receives enough revenue through water rates to operate the day-to-day activities of the water system (enterprise fund). To compensate for the shortfall for fire services, the district transfers revenues from the water enterprise fund to the general fund. For example, in FY 2005-06 \$22,591 was transferred and in FY 2006-07 \$19,216 was transferred. Essentially, the water enterprise fund subsidizes the non-enterprise activities of the district. The annual transfers deplete needed revenue from the water fund and have the potential to adversely affect the water system's long term viability to adequately fund capital projects and needed major improvements for the water system.

As identified in the FY 2006-07 Financial Transaction Report, \$50,000 is reflected as a one-time receipt of revenue. In the summary charts below, the \$50,000 is a part of the \$165,982 Total Revenues for FY 2006-07, which resulted in a Net Income of \$54,325. LAFCO staff has verified with staff of the auditor that prepared the FY 2006-07 Financial Transaction Report that the \$50,000 was actually an asset and not revenue. The district was awarded \$50,000 in Community Development Block Grant funding by the County for the installation of a security fence around one of the district's water tanks. The grant

funding was paid by the County and the district received the asset. Therefore, the Total Revenue for FY 2006-07 should be \$115,982 and Net Income should be \$4,325.

### Daggett CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Transfer In (Out)	Net Income (Loss)	Total Debt
<b>FY 2006-07</b>					
Fire Protection	\$ 37,717	\$ 37,743	\$ 19,216	\$ 19,190	\$ -
Streetlighting	\$ 3,785	\$ 6,391	\$ -	\$ (2,606)	\$ -
Recreation and Park	\$ 53,536	\$ 59,645	\$ -	\$ (6,109)	\$ 55,000
Water Enterprise	\$ 165,982	\$ 92,441	\$ (19,216)	\$ 54,325	\$ 66,150
<b>Total</b>	<b>\$ 261,020</b>	<b>\$ 196,220</b>	<b>\$ -</b>	<b>\$ 64,800</b>	<b>\$ 121,150</b>
Note: Total Revenues and Net Income should be reduced by \$50,000 for the water enterprise fund and be reclassified as an asset that the district received but did not directly pay for.					
<b>FY 2005-06</b>					
Fire Protection	\$ 27,670	\$ 33,986	\$ 22,591	\$ 16,275	\$ -
Streetlighting	\$ 2,781	\$ 4,457	\$ -	\$ (1,676)	\$ -
Recreation and Park	\$ 45,098	\$ 46,633	\$ -	\$ (1,535)	\$ 58,000
Water Enterprise	\$ 108,413	\$ 90,941	\$ (22,591)	\$ (5,119)	\$ 70,150
<b>Total</b>	<b>\$ 183,962</b>	<b>\$ 176,017</b>	<b>\$ -</b>	<b>\$ 7,945</b>	<b>\$ 128,150</b>
<b>FY 2004-05</b>					
Fire Protection	\$ 28,136	\$ 25,523	\$ 18,972	\$ 21,585	\$ 10,014
Streetlighting	\$ 2,367	\$ 6,863	\$ -	\$ (4,496)	\$ -
Recreation and Park	\$ 38,401	\$ 47,028	\$ -	\$ (8,627)	\$ 61,000
Water Enterprise	\$ 100,050	\$ 94,629	\$ (18,972)	\$ (13,551)	\$ 75,150
<b>Total</b>	<b>\$ 168,954</b>	<b>\$ 174,043</b>	<b>\$ -</b>	<b>\$ (5,089)</b>	<b>\$ 146,164</b>

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

### Long-term Debt

Long-term debt is comprised of two bonds. The first is a general obligation bond for recreation and park services which was authorized in 1979 and matures in 2019. As of June 2007, the un-matured amount of the bond was \$55,000. The second is a revenue bond to upgrade water delivery which was authorized in 1980 and matures in 2020. As of June 2007, the un-matured amount of the bond was \$66,150.

### Capital Improvements

Daggett CSD has not identified any capital improvements.

### **C. Newberry CSD**

The district's most recent audit submitted for this review is for FY 2006-07 and financial transaction reports were submitted for FY 2005-06 and 2006-07. Since the last audit performed was for FY 2006-07, a comprehensive review of the district's finances could not be completed. The materials provided do, however, reveal that nearly all of the district's revenues are from the receipt of the district's share of the one percent ad valorem property tax. Additionally, in FY 2004-05 the Kiewit Pacific Corporation provided a one-time \$350,000 donation to the district to garner support for operation of a rock quarry and asphalt batch plant for approximately two years in the southern portion of the district.

The District states that the lump-sum donation funds were deposited into a dedicated fund. Since the receipt of the funds, capital purchases have been comprised of the purchase of the road grader and a 2007 Ford 350 Type 6 Brush Engine. It cannot be determined from what fund the purchases were from because the district did not have a capital projects fund for those years. When comparing the year-end balance of \$496,906 from the FY 2004-05 audit with the year-end balance of \$320,401 from the FY 2006-07 financial transaction report, the district's funds decreased by \$176,505. In addition it is understood that an annual allocation of funds is made to the community senior center to support their operations.

In addition, the District provides for the maintenance of 39 streetlights, which, as described above, includes the payment of electricity charges for their operation. However, for FY 2005-06 and 2006-07 the District identifies its expenditures for this service as being \$32,377 and \$29,270 respectively. No clarification of this expenditure has been received by LAFCO staff.

The district is dependent on its share of the one-percent general levy and grants and rebates. The information provided indicates that this is not enough to fund capital and needed improvements in the long-run.



**Newberry CSD Financial Transaction Report Summary**

Activity	Total Revenues	Total Expenditures	Net Income (Loss)	Total Debt
<b>FY 2006-07</b>				
Fire Protection	\$ 113,179	\$ 174,866	\$ (61,687)	\$ 49,410
Lighting and Lighting Maintenance	\$ 2,032	\$ 29,270	\$ (27,238)	\$ -
Recreation and Park	\$ 91,550	\$ 143,990	\$ (52,440)	\$ -
<b>Total</b>	<b>\$206,761</b>	<b>\$ 348,126</b>	<b>\$ (141,365)</b>	<b>\$ 49,410</b>
<b>FY 2005-06</b>				
Fire Protection	\$ 121,765	\$ 125,038	\$ (3,273)	\$ 72,292
Lighting and Lighting Maintenance	\$ 1,723	\$ 32,377	\$ (30,654)	\$ -
Recreation and Park	\$ 77,746	\$ 61,574	\$ 16,172	\$ -
<b>Total</b>	<b>\$201,234</b>	<b>\$ 218,989</b>	<b>\$ (17,755)</b>	<b>\$ 72,292</b>
<b>FY 2004-05</b>				
Fire Protection	\$ 91,753	\$ 100,327	\$ (8,574)	\$ 105,401
Lighting and Lighting Maintenance	\$ 1,576	\$ 1,596	\$ (20)	\$ -
Recreation and Park	\$ 422,103	\$ 59,674	\$ 362,429	\$ -
<b>Total</b>	<b>\$515,432</b>	<b>\$ 161,597</b>	<b>\$ 353,835</b>	<b>\$ 105,401</b>
Note: Includes \$350,000 one-time donation from Kiewit Foundation				

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

**Salaries and Stipends**

For FY 2007-08, the district budgeted \$43,270 for salaries and stipends.

Salary/Stipend	FY 2007-08
Administrator Salary	\$ 9,600
Chairperson Stipend	\$ 6,000
Secretary Salary	\$ 7,500
Fire Department Stipend	\$ 16,570
Caretaker Salary	\$ 3,600
<b>Total</b>	<b>\$ 43,270</b>

According to the Fiscal Year 2007-08 budget, the Caretaker's Salary is \$3,600. LAFCO staff is not aware if Newberry CSD rents the caretaker's residence to the caretaker at a reduced rate and if the district identifies it as a paid benefit subject to income tax withholding.

**Fire Department**

Revenues for the Fire Department are comprised of billing for services, monies received by the Newberry CSD, and grants. According the documents provided by the district, residents within the district are not charged for fire and emergency medical services. As

a cost recovery mechanism, non-residents are billed for emergency services. Because Newberry CSD utilizes property tax revenues to fund its operations, the Fire Department relies upon grants to fund its ongoing activities and special projects. According to the budget, grants are a significant source for the acquisition of equipment, are sought to promote public safety, and will be the primary source for disaster planning, mitigation and response projects in the future. The district applied for three grants during FY 07-08:

- Firefighter Assistance Grant – for fire and emergency response equipment, \$52,920. The Department applied for but has not yet been approved for the grant.
- Community Development Block Grant – for medical equipment, \$18,787. The Fire Department applied for and has been approved for this grant.
- Homeland Security Grant – for purchase of a cargo trailer with generator to house and respond with rescue equipment, \$11,500. The district has applied for but has not yet received the grant.

Staff has a concern that grants will be the primary source for disaster planning, mitigation and response projects in the future. Grants are not a steady source of revenue, and the dependence on grants is an indicator of the challenges that the district will encounter in the short and long-run to support ongoing maintenance and operation of fire and safety services.

#### *Newberry CSD activities*

The district's general budget is for the district's activities, excluding fire, and includes the district's payroll and operations and maintenance. As for revenues, the district's budgets do not break-down the sources of revenues. Rather, revenues are simply listed as Deposits, Funds Transferred, and Interest. Further, revenues are not differentiated between the Fire Department and remainder of the district's activities. A more detailed revenue section of the budget is needed in order to adequately review the district's revenue stream and the distribution of revenues among its activities. However, the annual Final Transaction Reports that the district files with the State Controller, also submitted as a part of this review, does break down the District's revenue by source and activity. LAFCO staff recommends that the district incorporate a revenue breakdown in future budgets. In response to the draft staff report, the District has indicated that it is developing a general ledger type of accounting that will provide for better accounting and data presentation.

As described in the previous section of this report, Newberry CSD is not authorized by LAFCO to perform road services, yet has purchased a road grader from one-time donation funds. According to the district's budgets the annual costs for operating and maintaining the road grader are roughly \$5,000 per year. The costs identified for the grader are for supply, repair, wages, fuel, upgrade, and insurance, no identification of salary for operator was included. Funding to support the on-going costs come from revenue sources that also pay for the authorized services (fire protection, park and recreation, and streetlighting).

*Outstanding Debt*

In January 2009 the District made the final payment to Kansas State Bank of Manhattan for the purchase of a fire truck. The District states that it currently does not have any outstanding debt.

**D. Yermo CSD**

A review of the financial documents available indicates that the primary source of revenue is from property taxes and fire protection comprises roughly half of expenditures. The two most recent audits provided are for FY 2005-06 and FY 2006-07. Therefore, a comprehensive review of the district's finances could not be completed.

LAFCO staff's review of the financial transaction reports indicates that Yermo CSD experiences financial challenges in operating the district. As shown in the chart below, the district has operated in the past with revenues in excess of expenditures. However, the excess revenues have not been enough to support long-term maintenance and capital improvements. This is evidenced by its reliance upon County approval for Community Development Blocks Grants for park and recreation improvements and County Fire for the donation of fire apparatus.

**Yermo CSD Financial Transaction Report Summary**

Activity	Total Revenues	Total Expenditures	Net Income (Loss)	Total Debt
<b>FY 2006-07</b>				
Fire Protection	\$ 48,943	\$ 77,296	\$ (28,353)	\$ -
Lighting and Lighting Maintenance	\$ 9,504	\$ 7,914	\$ 1,590	\$ -
Recreation and Park	\$ 43,950	\$ 41,718	\$ 2,232	\$ -
<b>Total</b>	<b>\$ 102,397</b>	<b>\$ 126,928</b>	<b>\$ (24,531)</b>	<b>\$ -</b>
<b>FY 2005-06</b>				
Fire Protection	\$ 137,607	\$ 135,575	\$ 2,032	\$ -
Lighting and Lighting Maintenance	\$ 8,138	\$ 7,550	\$ 588	\$ -
Recreation and Park	\$ 45,502	\$ 33,971	\$ 11,531	\$ -
<b>Total</b>	<b>\$ 191,247</b>	<b>\$ 177,096</b>	<b>\$ 14,151</b>	<b>\$ -</b>
<b>FY 2004-05</b>				
Fire Protection	\$ 39,491	\$ 31,816	\$ 7,675	\$ -
Lighting and Lighting Maintenance	\$ 7,480	\$ 13,737	\$ (6,257)	\$ -
Recreation and Park	\$ 40,284	\$ 31,816	\$ 8,468	\$ -
<b>Total</b>	<b>\$ 87,255</b>	<b>\$ 77,369</b>	<b>\$ 9,886</b>	<b>\$ -</b>

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

The district's budgets identify Regular Salary and Employee Benefits but do not breakdown or include the Director stipends, if any. For example, the FY 2007-08 budget indicates a budgeted amount of \$15,000 for Regular Salary and \$4,000 for Employee Benefits. If the Directors receive a stipend, it should be included a separate line item. Should the Directors forgo a stipend, then such documentation has not been provided to LAFCO. Additionally, a review of the budgets available do not compare budgeted and actual amounts and identify tax receipts as the sole source of revenue when the audits identify investments and charges for services. LAFCO staff recommends that Yermo CSD include these items in its budget to promote transparency.

#### *Capital Improvements*

Yermo CSD has not identified any capital improvements.

#### *Outstanding Debt*

The financial documents do not indicate that the district has outstanding debt.

### **IV. Status of, and Opportunities for, Shared Facilities.**

Newberry CSD does not currently share facilities with other agencies.

Daggett CSD has its community center facility on County land. It is understood that a lease agreement exists between the County's Department of Community Development and Housing and the District; however, neither the County nor the District has been able to produce the document.

Yermo CSD has an arrangement with the Silver Valley Unified School District for use of the community park. Yermo CSD pays for all maintenance costs for the park and allows the School District use of the park. In turn, the School District pays all the water and electricity costs for the park.

### **V. Accountability for Community Service Needs, including Governmental Structure and Operational Efficiencies.**

#### **A. Local Government Structure and Community Service Needs**

CSD Law requires the appointment of a general manager to implement the policies of the board of directors. However, the Daggett CSD staff members in conjunction with the Board of Directors implement policy. Government Code Sections 61050 and 61051 distinguish the roles of directors and general managers.

- Section 61050 requires the board of directors to appoint a general manager. The legislative intent for this section is to increase the professionalism of CSD's operations by making it clear that the person who holds the general manager's

title is responsible for implementing the board's policies and supervising the CSD activities.

- Section 61051 lists the general manager's duties:
  - implementation of board policies for operation of the district
  - appoint, supervise, discipline, and dismiss employees
  - supervise facilities and services
  - supervise finances

### Daggett CSD

Daggett is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted on by the electorate or are appointed by the County Board of Supervisors to four-year staggered terms. A review of the County Registrar of Voters records indicates that within the past ten years, the district has had elections in 2003 and 2007. As of August 14, 2008, the district had 195 registered voters. The lack of elections can be attributed to the size of the district, the number of residents and registered voters, and the need to eliminate the cost of conducting elections. Below is the composition of the board, their positions, and terms of office as of November 1, 2008:

Board Member	Title	Term
Mentie B. Hazelett	Director	2009
Joseph Morris, Jr. (Appointed 12-14-2005)	Director	2009
Lawrence Alf	President	2011
Irene L. Koch	Director	2011
Ramon A. Rodriguez	Director	2011

Board hearings are held on the second Wednesday of each month at 6:00 p.m. at the district office. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. As described in the Financial Section for Daggett, it does not operate with an annual balanced budget or an appropriations limit. As for staff, the district employs a general manager/treasurer and fire staffing includes the following volunteers: six fire personnel including an appointed fire chief and assistant fire chief.

### Newberry CSD

Newberry is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted by the electorate or are appointed by the County Board of Supervisors. A review of the County Registrar of Voters records indicates that within the past ten years, the district has had elections in 2001, 2003, and 2007. As of August 14, 2008, the district had 1,001 registered voters. Below is the composition of the board, their positions, and terms of office as of November 1, 2008:

Board Member	Title	Term
Sandra Wise Brittian	Chair (President)	2009
Diana Williams	Finance Officer	2009
Wesley S. Sperry	Director	2009
Debbie Farrington	Vice Chair (Vice President)	2011
Robert Royalty	Director	2011

Newberry contracts with an administrative consultant to function as the general manager. The contracted person also is an elected official and full-time employee for another local government agency. Office hours for the district are Tuesday, Wednesday, and Thursday from 9:30 am – 2:30 pm. LAFCO staff has a concern regarding the office hours of the district in relation to the contracted general manager being an elected official and employee for another local Government agency. This situation does not allow for the supervision of the District office staff during office hours and could conflict with their other position. This, in the staff position, does not lend to available and responsive governance of an agency.

Also employed by Newberry are a caretaker that handles facility upkeep and minor repairs and a secretary. On March 10, 2009 the Newberry CSD board included the duties of the Treasurer with the position of the secretary. This position is bonded through the Special Districts Risk Management Authority. The board appoints a volunteer Fire Chief to run the Fire Department.

Board hearings are held on the fourth Tuesday of each month at 6:00 p.m. at the Newberry Community Center. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. Newberry has a website to inform the residents of activities, events, and district services. Residents can also use the website to submit comments and concerns.

Newberry operates with an annual balanced budget. The budget is adopted at a public hearing and the public is invited to attend the budget workshops. The board is provided with a monthly finance report, and a quarterly finance report is available to the public and available at the general manager's office. An independent bookkeeper accounts for Newberry's finances. The general manager processes payroll and payments with the Finance Director overseeing the process.

### Yermo CSD

Yermo CSD is an independent district and is governed by a five-member board of directors. Representation of the board of directors is at-large and members are voted by the electorate or are appointed by the County Board of Supervisors to four-year staggered terms. A review of the County Registrar of Voters records indicates that within the past ten years, the District has had elections in 2003, 2007, and 2008. As of August 14, 2008, the District had 632 registered voters. Below is the composition of the board, their positions, and terms of office as of January 1, 2009:

Board Member	Title	Term
Geoffrey L. Berner	Clerk	2010
Scott Walker	Commissioner (Director)	2010
Orlando Chavez	Fire Commissioner (Fire Director)	2010
Bob Smith	President	2012
Loney Weems	Maintenance Director	2012

Board hearings are held on the third Tuesday of each month at 6:00 p.m. at the Yermo Community Center. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. As for staff, the district employs a general manager/treasurer and has ranged between eight and eleven volunteer fire fighters within the past year. The position of the general manager assumed the duties of the district treasurer through board of directors' action on February 18, 2009. The position is bonded through the California Special Districts Risk Management Authority.

## **B. Operational Efficiency**

The three districts participate in the Special Districts Risk Management Authority, a joint-powers authority, for either general insurance or workers compensation. The districts also participate in the Electronic Clean-up Program for the Daggett, Yermo, and Newberry communities. The communities rotate the drop-off location in order to assist residents.

Daggett and Newberry participate in the disaster council made up of volunteer citizens of the communities and meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan. FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.

## **C. Governmental 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:

Since 1984 Daggett CSD has been providing water service within a portion of Yermo CSD territory due to the need for service to the Silver Valley High School. In 2001, the Commission approved an out-of-agency service contract authorizing Daggett CSD to provide domestic water and water for fire protection purposes within a defined service area within Yermo CSD territory from Daggett's eight-inch pipeline in Daggett-Yermo Road. The service area is approximately 1.25 square miles and

comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, Silver Valley Unified School District offices, and 10 commercial parcels within the area.

#### Other Government Structure Options:

The districts, in preparing the municipal service review, did not indicate that there were consolidations or other structure options available. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- Dissolution of the districts. The communities have a present and probable need for municipal services, and dissolution of any of the three districts is not desirable, let alone feasible at this time. Rather, more effective and responsive Government is needed for the communities in addition to the growing activities and traffic along Interstates 15 and 40.
- Removal of the districts' fire protection powers with County Fire as the successor. One theoretical possibility would be to remove the individual districts' fire protection powers, expand the sphere of influence of the San Bernardino County Fire Protection District, and concurrently annex the territory to County Fire and its North Desert Service Zone. The Board of Supervisors would be the ex-officio board of directors, and County Fire would then succeed to the property tax revenues attributable to fire protection of the three community services districts.

While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, none of the three community services districts nor has County Fire indicated support for this option due to the limited financial resources available. LAFCO staff would support this option in the long-run if the revenues were available to support the service as it would result in a regional fire agency providing service to the area, as it already does to the sphere of influence areas in these communities, could potentially result in economies of scale, and would allow residents of the communities to participate on the advisory board for determining levels of service for the North Desert. Without the revenues, LAFCO staff would suggest the potential for joint powers contracts to achieve economies of scale or functional consolidations of service.

- Consolidation of the three community services districts. Consolidation would allow for economies of scale and provide the opportunity for streamlined governance and compliance with CSD Law. LAFCO staff supports this option in the long-run based on the same reasoning as for the sphere consolidation option for the three CSDs as proposed in this report.



In order to express the Commission's long-term position related to these districts, a consolidation of the spheres of influence of Daggett CSD, Newberry CSD, and Yermo CSD is being proposed. Staff recommends this option because more effective and efficient governance could be achieved in the long-run through consolidation with the adjacent community services districts rather than through dissolution or maintenance of the status quo. These districts essentially provide the same services, operate under the same law (Community Services District Law), experience financial challenges, have adjacent territories, identify themselves as communities along the interstate corridors, have a historic divide from the Barstow community, and are dependent upon each other for service delivery, such as fire protection.

Consolidating the spheres would signal the Commission's intent to consolidate the districts while maintaining their ability to plan for future delivery of services within their territory and present sphere areas. Further, it would open the discussion for eventual consolidation. Eventual replacement of multiple community services districts with a single district would be, in the staff view, the most effective and efficient delivery mechanism for service delivery.

- Consolidation of the Yermo and Daggett CSD. Much like the consolidation of all three districts, the staff would recommend this option because more effective and efficient governance could be achieved in the long-run through consolidation with the adjacent community services district rather than through dissolution or maintenance of the status quo. These two districts currently provide, or are proposed to provide, the same type and range of services, operate under the same law (Community Services District Law), experience financial challenges, have adjacent territories, identify themselves as communities along the interstate corridors, have a historic divide from the Barstow community, and are dependent upon each other for service delivery, such as fire protection and water service.
- Maintain the districts in their current status. In this option, there are no changes to the districts and it is the option supported by the three districts as identified in responses received during the review of the draft report and conveyed during the January 21, 2009 community meeting. The districts state that there are no recommendations as to government structure options.

As discussed in the *Community Discussion* section of this staff report, LAFCO staff recommends either the consolidation of the spheres of influence of the three districts or the consolidation of the Yermo and Daggett spheres of influence, with the exclusion of the Harvard community in either option. Staff bases its recommendation on the financial and service delivery challenges and governance issues outlined in detail in the *Community Discussion*.

## **SPHERE OF INFLUENCE UPDATES**

### **A. Sphere of Influence**

The three districts have indicated they do not support any consolidation or restructuring options. Detailed in the Community Discussion section and described throughout this report, more effective and efficient governance could be achieved through eventual consolidation. LAFCO staff recommends that the Commission take one of two options:

- **Option #1** -- Consolidate the spheres of influence for Daggett CSD, Newberry CSD, and Yermo CSD thereby signaling the Commission's position that the three CSDs should be consolidated into a single community services district and include four separate areas within the consolidated sphere of influence to provide for a clear and definable consolidated sphere boundary.
- **Option #2** -- Consolidate the spheres of influence of Daggett CSD and Yermo CSD thereby signaling the Commission's position that they should be consolidated into a single community services district, affirm the Newberry CSD sphere of influence and include four separate areas within the consolidated sphere of influence to provide for a clear and definable consolidated sphere boundary.

Additionally, in its response to the draft staff report, Newberry CSD requests that its sphere of influence be extended to Interstate 15 to include the Ironwood Academy residential area that exists for the operation of the Ironwood Christian Academy (page 25 of Newberry response included in Attachment #4). However, the District's request does not include justification for such a request nor a map of the area mentioned. Further, the request was received after issuance of the draft staff report does not provide a clear delineation of the area proposed for consideration, and there is not enough information provided to evaluate the request. Should the District desire to consider the inclusion of this area within its sphere of influence, it will need to submit an application to LAFCO for Commission consideration.

### **B. Functions or classes of services**

When updating a sphere of influence for a special district, the Commission is required to establish the nature, location, and extent of any functions or classes of services provided by the district (Government Code §56425(i)). Although LAFCO staff's recommendation is that three CSDs should be consolidated into a single agency, an evaluation of the current services provided by each district and an update of their service provision is required by State law.

#### Daggett CSD

Daggett CSD did not propose amendment of its authorized services. However, LAFCO staff recommends that the Commission modify the service description for the Park and

Recreation function to more accurately reflect the service provided by Daggett CSD as follows (changes identified in bold italic):

<b>FUNCTIONS</b>	<b>SERVICES</b>
Water	Retail, wholesale, domestic, industrial, irrigation, fire protection, sanitation
Streetlighting	Streetlighting
Park and Recreation	Local park development, <b><i>operation, maintenance</i></b>
Fire Protection	Structural, watershed, suppression, prevention

#### Newberry CSD

Newberry CSD in its responses to the MSR has not proposed amendment of its authorized services. However, LAFCO staff proposes clarification of Newberry's authorized services.

- The sewer function is currently listed as Collection, Treatment, and Disposal of sewage waste and storm water. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system. Modification of the service description to be "Planning and engineering" will better reflect the extent of the district's Sewer powers and will allow the district to plan for sewer delivery, as outlined below.
- The district engages in fire suppression and prevention services as a part of its Fire Protection function. Modification of the service description for the Fire Protection function would be consistent with the service descriptions of the other districts.

LAFCO staff recommends that the Commission modify the service descriptions for the Sewer and Fire Protection functions to more accurately reflect the services provided by Newberry CSD as follows (changes identified in bold italic):

<b>FUNCTIONS</b>	<b>SERVICES</b>
Water	Management, domestic use, irrigation, sanitation, industrial, fire protection, recreation
Fire Protection	Structural, watershed, <b><i>suppression, prevention</i></b>
Streetlighting	Streetlighting

Park and Recreation	Local park development, operation, maintenance
<b>Sewer</b>	<b><i>Planning and engineering, <del>Collection, treatment, disposal of sewage waste and storm water</del></i></b>

Throughout the staff's presentation of materials for this Municipal Service Review the provision of road grading services by Newberry has been outlined. LAFCO staff reiterates its position that the District submit the materials to LAFCO requesting the authorization of this service. LAFCO staff is committed to assisting the District in bringing its operations into compliance with LAFCO and CSD law.

#### Yermo CSD

Neither LAFCO staff nor Yermo CSD proposes amendment of Yermo CSD's basic authorized services. LAFCO staff recommends that the Commission affirm the function and services provided by the Yermo CSD as follows:

<b>FUNCTIONS</b>	<b>SERVICES</b>
Fire Protection	Structural, watershed, suppression, prevention
Streetlighting	Streetlighting
Park and Recreation	Local park development, operation, maintenance

However, the Yermo CSD has submitted a request for activation of its latent water functions and services, identified as LAFCO 3008A for processing. A separate consideration for request needs to be undertaken, rather than within this sphere update, due to changes in LAFCO law and the provisions of the Revenue and Taxation Code.

### **C. Factors of Consideration**

The districts were requested to provide information regarding their sphere of influence updates as required by State law. Newberry CSD and Yermo CSD responded in full to LAFCO's requests for information regarding their respective spheres of influence. Daggett CSD provided a response to LAFCO's request for information but did not provide a response to the mandatory Factors of Consideration. LAFCO staff interviewed District personnel on May 27, 2008 at the Daggett CSD facility in Daggett, CA. Staff responses to the mandatory factors of consideration for a sphere of influence review for the three districts (as required by Government Code Section 56425), including the Harvard community, are identified as follows:

#### Present and Planned Uses

It is the staff's position that the three districts are a single community because each identifies themselves as interstate corridor communities and they share similar General

Plan land use designations assigned by the County of San Bernardino Board of Supervisors. The vast majority of the land use designations assigned is Resource Conservation (allowing one unit to 40 acres) and varying levels of Rural Living. Other land use designations include Agricultural, Institutional, Commercial (Industrial and Highway), Freeway, Regional Industrial, Residential Single, and Open Space. There are existing Williamson Act contracts within the Harvard area, outside the existing Yermo CSD sphere of influence, which restricts the land uses to agriculture for a minimum period of 10 years.

These communities (including Harvard within the current Yermo CSD sphere) are not anticipated to experience significant growth within the coming years due to about one-third of the land being publicly owned, the land use designations assigned by the County, the historically low growth rate, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. The landownership breakdown of each district's boundary is as follows:

#### **Daggett CSD**

<b>Land Owner</b>	<b>Sq Miles</b>	<b>Percentage</b>
Private	13.2	64.1%
US Bureau of Land Management	6.1	29.4%
County of San Bernardino	0.7	3.8%
United States of America	0.4	1.5%
State of California	0.2	1.2%
<b>Total</b>	<b>20.6</b>	<b>100.0%</b>

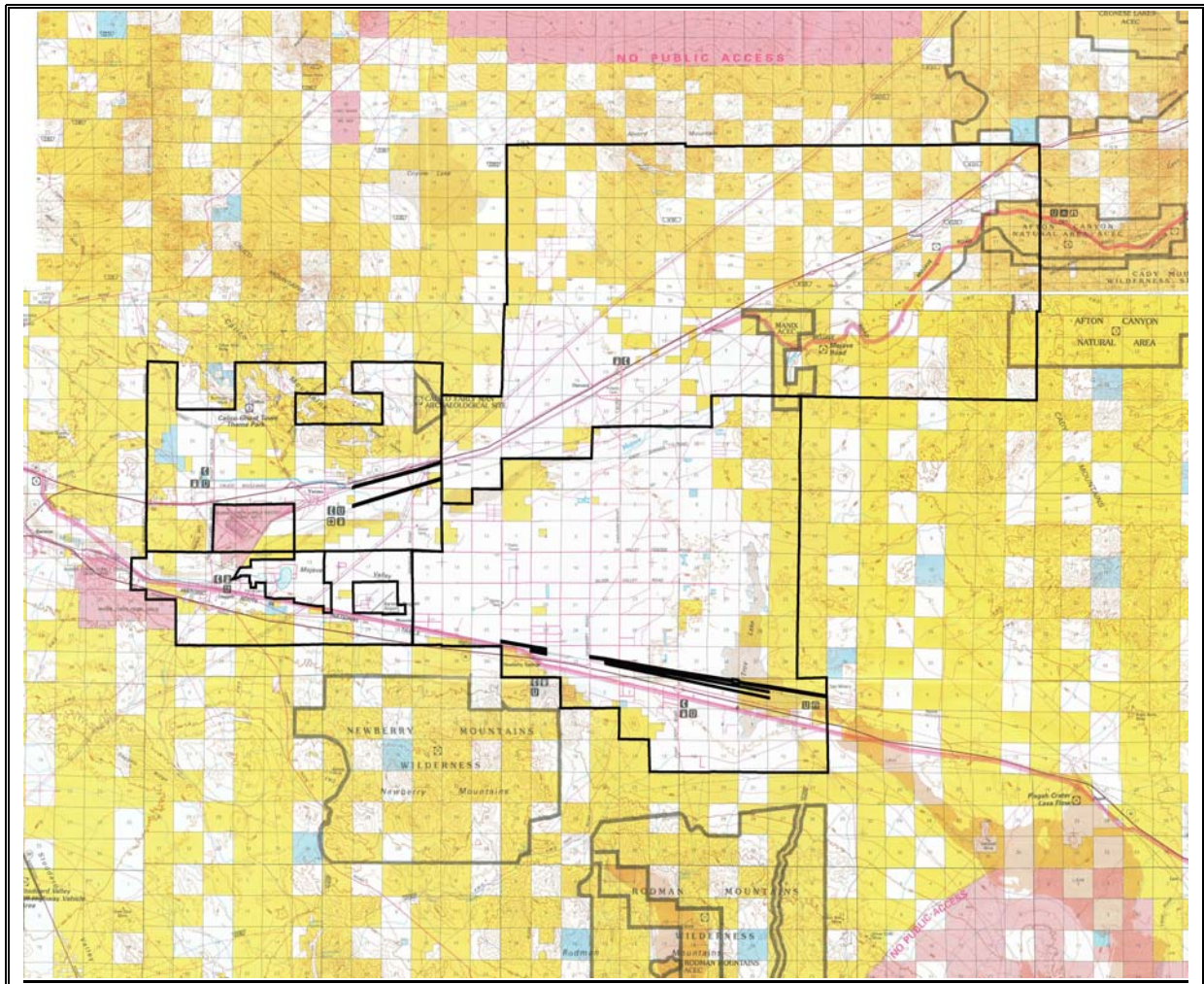
#### **Newberry CSD**

<b>Land Owner</b>	<b>Sq Miles</b>	<b>Percentage</b>
Private	90.2	78.9%
US Bureau of Land Management	23.9	20.9%
State of California	0.1	0.1%
County of San Bernardino	0.1	0.1%
<b>Total</b>	<b>114.3</b>	<b>100.0%</b>

#### **Yermo CSD**

<b>Land Owner</b>	<b>Sq Miles</b>	<b>Percentage</b>
Private	25.7	52.9%
US Bureau of Land Management	20.6	42.3%
County of San Bernardino	1.4	2.8%
State of California	0.9	2.0%
<b>Total</b>	<b>48.6</b>	<b>100.0%</b>

This is illustrated on the following map with shaded areas identified as public lands, wilderness areas or areas of critical environmental concern by the Bureau of Land Management:



Source: United States Department of the Interior, Bureau of Land Management.  
Desert District. "Surface Management States Desert Access Guide"  
Newberry Springs and Soda Mountains maps. 1998. (overlay of the three districts  
defined by LAFCO staff)

### Present and Probable Need for Public Facilities and Services

Lack of municipal level water and sewer service throughout the region hinders the growth of the communities and the needed revenue associated with growth to maintain municipal services. Although the districts are rural and agricultural in nature, the populated centers are anticipated to support growth based upon the general plan land use designations assigned by the County of San Bernardino. A municipal water service provider to serve all of the populated centers of the communities would provide a reliable and safe source of water for domestic, industrial, commercial, and fire protection uses. This need will exist until such a provider is available in each community either through individual district or a consolidated agency.

The entirety of the community utilizes on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for sewer improvements. This service deficiency limits the development capacity for the community. The districts do not currently provide sewer service and there are no other existing entities available to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system.

The districts experience challenges related to fire protection services given the limited resources available, and each is reliant upon one another and other fire protection agencies for mutual aid to fulfill this mission. The need for fire services is also anticipated to remain constant within the districts but the needs of the transient traffic along Interstates 15 and 40 and the railroads traveling through the area will increase as traffic is anticipated to increase.

The need for park and recreation is anticipated to generally remain constant as the population is not anticipated to increase significantly.

The need for streetlighting is also anticipated to remain generally constant. Southern California Edison owns the streetlights, and the districts provide for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area even though County Service Area 70 overlays the entirety of the community and is authorized streetlighting services, and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance<sup>19</sup> within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

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

Daggett CSD generally meets the water needs of the community by the level of service provided. However, no water plans or studies were provided, therefore the quality of the facilities could not be determined. The provision of water service within the Yermo area has been outlined as presenting capacity and facility questions as well as questions regarding its maintenance and operation. These questions are currently under review of the California Public Utilities Commission for the potential request for receivership. The Yermo CSD has requested consideration of the activation of its water powers to be able to participate in the determinations for water service for its citizens.

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<sup>19</sup> County of San Bernardino, Development Code Chapter 83.07, Adopted Ordinance 4011 (2007).



The park and recreation services are adequately met by the districts but they are generally dependent upon grants for improvements and construction.

Each of districts is authorized by LAFCO to provide fire protection services. However, each of the districts experiences challenges in providing fire protection services given the limited resources available, and each is reliant upon one another and other fire protection agencies for mutual aid to fulfill this mission. Daggett and Yermo do not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. Newberry has the largest area to cover and as of January 2009 has two operational fire stations, and provides for a fire master plan identifying its operations and future considerations. The continual transfer of funds for Daggett CSD from the other funds, including the enterprise activity of the District, to the fire activities could result in decrease in the level of service of both the other services and fire protection services. There may be a better avenue for fire provision within these areas due to the lack of resources.

Each of the districts experiences financial challenges stemming from lack of revenue in comparison to expenditures. With the exception of water charges collected by Daggett CSD, the operations of the districts are funded by the ad valorem property taxes. Fire protection and related activities comprise the largest expense and increase annually. Moreover, a comprehensive review of the districts' finances could not be completed due to the lack of current audits. Further, to varying degrees, each of the districts does not adhere to the statutes related to finances of a community services district. Of concern to LAFCO staff is the current and future viability of the three districts. Paramount to any agency is its financial health. A review of the financial documents of each district indicates that each is experiencing financial challenges or does not receive enough incoming revenue to adequately support the ongoing operations of the district. The interest in governance of the district appears to be limited. In general, poor financial health and lack of interest in governance are prime indicators of struggling agencies.

#### Social and Economic Communities of Interest

The social community of interest is the individual community services districts and their residents. There is an intra-relational structure in place between the three community services districts and they can be considered a single community of interest. This is due to their adjacent territories, their common service provision, identifying themselves as communities along the interstate corridors, having a historic divide from the Barstow community, and dependency upon each other for service delivery, such as fire protection.

Economic communities of interest are the Interstate 15 and 40 corridors, Barstow-Daggett Airport, agriculture, mining industries, the Marine Corps Yermo Annex, and the Silver Valley Unified School District, San Bernardino County Regional Park at Calico Ghost Town and the Union Pacific Rail Yard.



## **ADDITIONAL DETERMINATIONS**

- The Commission's Environmental Consultant, Tom Dodson and Associates, has determined the options/changes outlined in this report for the various agencies are statutorily exempt from environmental review. Mr. Dodson's response for each of the reviews is included in their respective attachments to this report.
- Legal advertisement of the Commission's consideration has been provided through publication in The Desert Dispatch through a publication of an 1/8<sup>th</sup> page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8<sup>th</sup> page legal ad was provided in lieu of individual notice because the service reviews for the communities, in aggregate, would have exceeded 1,000 notices.
- As required by State law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency will need to be reviewed and considered by the Commission in making its determinations.

## **RECOMMENDATIONS**

Staff recommends that the Commission take the following actions:

1. For environmental review certify that the options outlined in the staff report for this consideration are statutorily exempt from environmental review and direct the Clerk to file the Notices of Exemption within five (5) days.
2. Receive and file the municipal service reviews for the Daggett Community Services District, Newberry Community Services District, and Yermo Community Services District and make the findings related to the service reviews required by Government Code 56430 as outlined in the staff report.
3. Take the actions outlined in the staff report to either:
  - a. Consolidate the spheres of influence for Daggett CSD, Newberry CSD, and Yermo CSD and remove the Harvard community from the sphere of influence; or,
  - b. Consolidate the spheres of influence for Daggett CSD and Yermo CSD, remove the Harvard community from the sphere of influence, and affirm the existing sphere of influence of the Newberry CSD.

And,

- c. Include four separate areas within the consolidated sphere of influence to provide for a clear and definable consolidated sphere boundary.

- d. Modify the service descriptions for the authorized functions of Daggett CSD and Newberry CSD as identified in the staff report.
4. Continue the adoption of the appropriate resolutions reflecting the Commission's determinations for adoption on the consent calendar of the June 17 hearing.

KRM/MT

## **ATTACHMENTS**

1. Maps
  - a. [Regional](#)
  - b. [Water Providers within the Communities](#)
2. [Maps of LAFCO Staff Proposed Options for Sphere Updates](#)
3. Daggett Community Services District
  - a. [Map of District and its Existing Sphere of Influence](#)
  - b. [Municipal Service Review Information and Fiscal Year 2006-07 Financial Transactions Report Submitted to the State Controller](#)
  - c. [Information Related to Water Service Provision Within Yermo CSD](#)
  - d. [Correspondence from District dated March 13, 2009 on Response to Draft Staff Report of January 13, 2009](#)
  - e. [Response from Tom Dodson and Associates](#)
4. Newberry Community Services District
  - a. [Map of District and its Existing Sphere of Influence](#)
  - b. [Municipal Service Review Information including Fire Operational Plan and Strategic Plan, Fiscal Year 2006-07 Audit and Budget Resolution No. 2008-29 for Fiscal Year 08-09.](#)
  - c. [Correspondence from LAFCO Staff dated May 16, 2008 with the District's Response dated June 13, 2008 and Email Correspondence Dated September 18 and 19, 2008](#)
  - d. [Correspondence from District dated March 23, 2009, Received on April 14, 2009, Response to Draft Staff Report of January 13, 2009 including Exhibits F-1, F-2, and H](#)
  - e. [Response from Tom Dodson and Associates](#)
5. Yermo Community Services District
  - a. [Map of District and its Existing Sphere of Influence](#)
  - b. [Municipal Service Review Information, Fiscal Year 2006-07 Audit and Budgets for Fiscal Year 2006-07, 2007-08, and 2008-09](#)
  - c. [Board of Supervisors Agenda Item 38 from July 22, 2008 Regarding Sale of Property to Yermo CSD](#)

- d. [Minutes of January 20, 2009 Board of Directors Regular Meeting Action to Apply for Acquisition of Yermo Water Company and Water Powers through LAFCO](#)
  - e. [Correspondence from District dated March 9, 2009, Regarding Response to Draft Staff Report of January 13, 2009](#)
  - f. [Response from Tom Dodson and Associates](#)
- 6. [Maps of Yermo Water Company, Order Extending Statutory Deadline, Presiding Officer's Decision Authorizing Superior Court Action for Appointment of a Receiver for Yermo Water Company, Order Instituting Investigation of the Yermo Water Company Issued by the California Public Utilities Commission](#)
  - 7. [Fiscal Year 1977-78 Tax Rates for Appropriation Limit Requirement](#)
  - 8. [Response to LAFCO Staff's 2006 Request to List Services Actively Provided as required by CSD law for Daggett, Newberry and Yermo CSDs](#) including background on function/service definition within LAFCO Rules and Regulations Affecting Functions and Services of Special Districts

- 2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities**
  - b. Resolutions Reflecting Commission Determinations**
    - i. Resolution No. 3062 for Yermo CSD**

**Attachment 2b.i**

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

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**PROPOSAL NO.: LAFCO 3008**

**HEARING DATE: JULY 15, 2009**

**RESOLUTION NO. 3062**

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3008 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE YERMO COMMUNITY SERVICES DISTRICT (sphere of influence expansion to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies; expansion to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W; expansion to include area east of the Barstow Marine Corps Base – Yermo Annex; and expansion to include areas north of Yermo Community Services District).**

**On motion of Commissioner McCallon, duly seconded by Commissioner Derry, and carried, the Local Agency Formation Commission adopts the following resolution:**

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

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

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

**WHEREAS**, a public hearing by this Commission was called for May 20, 2009 and continued to June 17, 2009 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

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

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**WHEREAS**, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on June 17, 2009. The Clerk was directed to file a Notice of Exemption within five working days of its adoption;

**WHEREAS**, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the following sphere of influence determinations shall be made for the Yermo Community Services District (hereafter shown as the District):

- (1) Expand the sphere of influence to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies;
- (2) Expand the sphere of influence to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W;
- (3) Expand the sphere of influence to include the privately owned properties area east of the Barstow Marine Corps Base – Yermo Annex; and
- (4) Expand the sphere of influence to include areas north of Yermo Community Services District which are peninsulas within the existing district

as more specifically depicted on the maps attached hereto as Exhibit "A", "A-1", "A-2", "A-3", and;

**WHEREAS**, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated April 24, 2009 and received and filed by the Commission on June 17, 2009, 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:

While the north desert portion of San Bernardino County, in general, has experienced significant growth the Yermo community can be characterized as a rural and agricultural community that has historically experienced slow growth.

As of August 14, 2008, the District had 632 registered voters. Utilizing the growth forecast for transportation analysis zones, as identified in the Southern California Association of Governments (SCAG) 2008 Regional Transportation Growth Forecast and the 2000 Census estimates, the population growth projections for Yermo are as follows:

District	2000*	2010	2015	2020	2025	2030
Yermo	1,500	1,713	1,945	2,132	2,349	2,667

\* 2000 Census estimate

This area is not anticipated to experience significant growth within the coming years. This determination is made due to about three quarters of the land being publicly owned, the rural and low density residential land use designations assigned by the County, the historical divide from the

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Barstow community to the west, and the surrounding geographic barriers. The land ownership breakdown of the District's boundary is as follows:

### Yermo CSD

Land Owner	Sq Miles	Percentage
Private	25.7	52.9%
US Bureau of Land Management	20.6	42.3%
County of San Bernardino	1.4	2.8%
State of California	0.9	2.0%
<b>Total</b>	<b>48.6</b>	<b>100.0%</b>

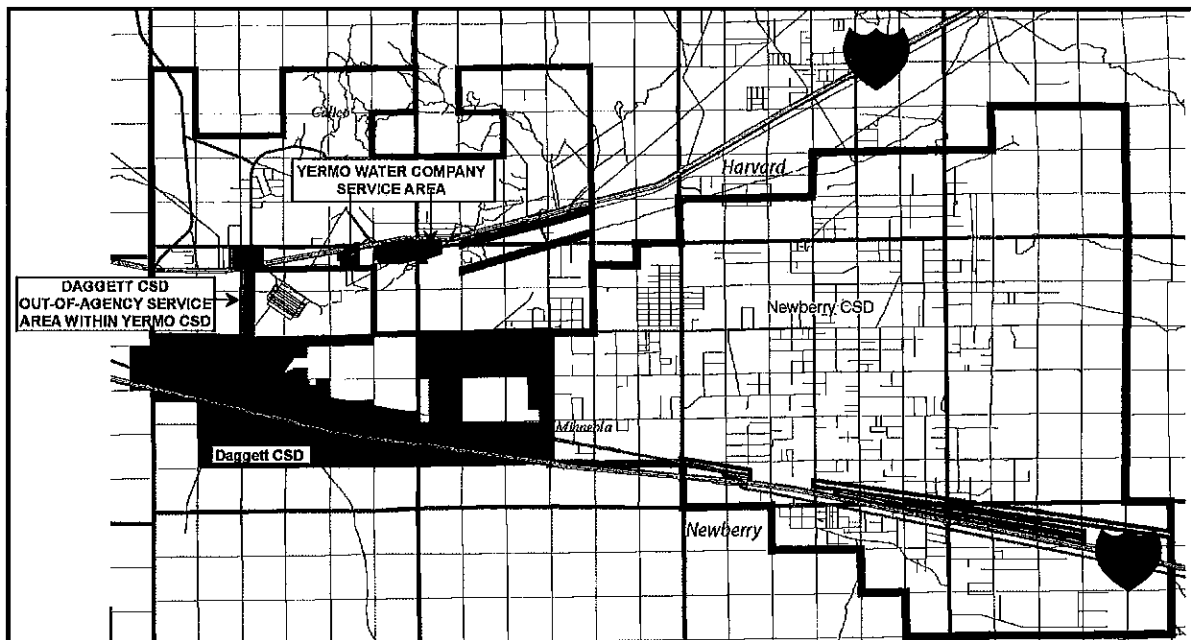
Historical trends indicate low growth in the community in comparison with other urban areas of the North Desert region of the County. However, there are future projects which will increase the need for public services within the community. The single most tangible factor that could limit growth will be the availability of water.

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

### Water

Currently, Daggett Community Services District and Yermo Water Company provide domestic water to portions within the Yermo CSD, as shown on the map below. In the areas not within a municipal water provider, including Harvard, water service is provided on-site through wells.

### Water Service Providers



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Daggett delivers water to a 1.25 mile area within Yermo CSD territory. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water to two separate and small portions of the Yermo community. The LAFCO staff report for SC 135 stated a reservation that the service capacity of an eight-inch water line given the commercial use and fire flow requirements was a concern. The eight-inch water line is still in use and the commercial use and fire flow requirements remains a concern of the Commission.

The provision of water service within the Yermo area through the Yermo Water Company has been outlined as presenting capacity and facility questions as well as questions regarding its maintenance and operation. The Yermo Water Company has been under investigation by the PUC, culminating in the April 2009 order to place it in mandatory receivership. Final action on this order is anticipated to be provided by August 2009.

In anticipation of being an option to assume the service responsibilities of the Yermo Water Company, the Yermo CSD in 2008 requested County Board of Supervisors approval for the sale of tax defaulted property to the District for the stated purpose of providing for a future well/storage tank site for local water service. On July 22, 2008 the County Board of Supervisors approved this request. However, Yermo CSD has not been authorized by LAFCO to provide or engage in water service in any manner pursuant to the Government Code and the *Rules and Regulations of the Local Agency Formation Commission of San Bernardino County Affecting Functions and Services of Special Districts*. The Board Agenda Item authorizing the sale lists the purchase price of this parcel at \$2,850. LAFCO requested from the District the source of the funding for the parcel purchase, specifically from which District fund (fire, park and recreation, etc). To date, LAFCO has not received a reply from the District. LAFCO is of the understanding that completion of this sale has not yet occurred because the mapping requirements of the State Controller have not been satisfied.

### Sewer

The community utilizes on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for installation of sewer improvements. This service deficiency limits the development options for the community. The District does not currently provide, nor is it authorized to provide, sewer service and there are no other existing entities to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

### Fire Protection

Yermo provides fire protection within its boundaries from two fire stations through an all-volunteer department consisting of 16 active volunteers. In 2009, seven personnel have graduated from the Barstow College Emergency Technician training program. One station is located in the populated center of Yermo and second is located at the San Bernardino County Regional Park at Calico Ghost Town. Yermo has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Newberry Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire. The Fire Chief indicates that Yermo CSD currently owns and maintains the following operational vehicles:

- 2008 Ford F350 rescue vehicle (purchased in 2008)
- 1980 GMC 7000 brush engine (donated in 2008 by the County)
- 1998 Dodge RAM Type 6 pumper
- 1987 GMC 2,500 gallon water tender



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The Commission has concerns regarding Yermo CSD's ability to adequately provide fire protection services. There is no fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. Yermo has indicated that it experiences challenges in providing adequate fire protection due to the inadequate water pressure within its boundaries.

Additionally, Yermo experiences equipment challenges for fire protection and has historically been dependent upon County Fire for fire vehicles. In August 2008 the loss of an emergency response vehicle due to an accident left Yermo without a functioning fire fighting vehicle for several weeks. During that time, fire crews at the Yermo Annex responded to calls within Yermo CSD. Upon receiving the insurance payment for the non-operational truck, the Yermo CSD Board authorized the purchase of a new truck (2008 Ford F350). However, information obtained from County Fire identifies that within the past 20 years, County Fire has donated six fire fighting apparatuses to Yermo CSD, shown below. The District has sent those vehicles that it does not use to surplus.

<u>Year donated</u>	<u>Vehicle donated</u>
2008	1980 GMC 7000 Engine (active)
2006	1983 Ford F700 Engine (active)
1997	1979 Ford Engine
1995	1966 American La France
1990	1960 Ford ALF
1990	1972 Chevy Ambulance

The most recent transfer from County Fire was approved on September 16, 2008. Referencing the County Board of Supervisors staff report for the transfer, Yermo operated one fire apparatus, which was not operating efficiently for Yermo's needs. County Fire inspected the fire engine and determined a cost of approximately \$10,000 to repair. Based on the age of the apparatus and the cost of the repairs, it was not cost effective for Yermo to invest funds into repairing this older unit. Further, Yermo did not have the funding available to purchase a replacement fire engine at the time. The Board of Supervisors authorized County Fire to transfer the title of a 1980 GMC 7000 series fire engine that was in fair condition with no value to County Fire.

Given the lack of information available regarding fire services provided by the District, the lack of equipment, the lack of funding, and historical dependency upon the County for donations of fire apparatuses, the Commission expresses concern regarding the adequacy of the fire protection and emergency services provided by Yermo CSD. This service deficiency needs to be addressed as soon as possible.

### Park and Recreation

Yermo owns and operates one community park and a community center. The community center and community park are on the same parcel on approximately 1.1 acres located on McCormick Street off of Yermo Road. The community center has a gymnasium with facilities for basketball and volleyball. The community park has grass fields with grilling and playground equipment.

Yermo operates a sports park located on a four-acre portion of Silver Valley Unified School District property (9.6 acres) located next to the Yermo Elementary School. The sports park has two soccer fields and a softball field. Yermo CSD owns all the facilities that are located on the land. To facilitate

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the use of this land for its sports park, Yermo entered into an agreement with the School District for use of each other's property. LAFCO inquired into the possibility of a property exchange to secure this property. Yermo states that the intent was to enter into a use agreement in the short run and then exchange properties; however, the exchange of properties has not taken place. Pursuant to the agreement:

- Yermo has granted the School District use of its property on Bedford Drive behind the Silver Valley High School. The school uses the land to park its buses.
- The School District has granted Yermo use of a portion (four acres) of its property (10 acres) on School Road located behind the Yermo Elementary School. Additionally, the School District pays all the utility costs for the park (water and electricity) and pays Yermo \$7,200 annually for Yermo to maintain the park. The Elementary School is also allowed use of the park during school hours.

According to staff from the County Community Development and Housing Department, Yermo applied for and received Community Development Block Grant funding within the past few years. Since 2003, Yermo has received funding for improvements at the sports park and heating and cooling improvements to the community center. On September 9, 2008 the County Board of Supervisors approved a contract with Yermo in the amount of \$16,325 for construction of improvements to the ceiling and walls of the Yermo Community Center. Under the terms of the contract, the County will utilize Community Development Block Grant funds to construct the project. Yermo CSD will continue to maintain and operate the community center facility for not less than 15 years following the completion of the improvements and will pay for all costs necessary for maintenance and operation.

Yermo has no park master plan or strategic plan to reference in order to provide information on park improvements or meeting the demands of the residents.

### Streetlights

Yermo CSD maintains 48 streetlights. Southern California Edison owns the streetlights, and the District provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area (County Service Area 70 which overlays the agencies is authorized streetlighting services, but requires creation of an Improvement Zone to provide), and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

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

The District experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. The ongoing operations of the District are funded solely by its share of the one percent ad valorem general levy. Fire protection and related activities comprise the largest expense and its cost increases annually. The District does not adhere to the constitutional

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requirements for the establishment of an appropriations limit and statutes related to managing the finances of a community services district.

Community Services District Law (Government Code Section 61000 et seq.) promotes financial accountability by requiring:

- An adopted budget (§61110 et seq.) – CSD Law requires the adoption of an annual budget and requires the general manager to forward a copy of the final budget to the county auditor. A submission by Yermo CSD for FY 2008-09 could not be verified by the County Auditor.
- Adoption of annual appropriations limits under the Gann Initiative (§61113) – Article XIIB of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit, which is further acknowledged by Government Code 61113. In 1977-78 the tax rate of the District was \$1.0883 per \$100 of assessed value. The District falls within the requirements of Article XIIB of the State Constitution, as it was over the \$0.125 (12 ½ cents) per \$100 of assed value tax rate in 1977-78, and therefore, must have an appropriations limit.

After meeting with LAFCO, the District is now aware of the requirement for annual appropriations limits. The Commission has not received information indicating if Yermo is making an attempt to establish an appropriations limit.

- Regular audits and annual financial reports (Sections 26909 and 61118) – Section 26909 of the Government Code requires regular audits of district accounts and records, which is further acknowledged by Government Code 61118. Additionally, CSDs are required to forward their audits to the State Controller and County Auditor. According to records from the State Controller the last audit received was for FY 2007-08 received in February 2009. However, the State Controller has no record of receiving an audit for FY 2006-07. According to records at the County Auditor, the two most recent audits received were for FY 2006-07 received January 2009 and FY 2007-08 received in February 2009.

A review of the financial documents available indicates that the primary source of revenue is from property taxes and fire protection comprises roughly half of expenditures. The two most recent audits provided are for FY 2005-06 and FY 2006-07. Therefore, a comprehensive review of the district's finances could not be completed.

The financial transaction reports indicate that Yermo CSD experiences financial challenges in operating the district. As shown in the chart below, the District has operated in the past with revenues in excess of expenditures. However, the excess revenues have not been enough to support long-term maintenance and capital improvements. This is evidenced by its reliance upon County approval for Community Development Blocks Grants for park and recreation improvements and County Fire for the donation of fire apparatus.

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## Yermo CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Net Income (Loss)	Total Debt
<b>FY 2006-07</b>				
Fire Protection	\$ 48,943	\$ 77,296	\$ (28,353)	\$ -
Lighting and Lighting Maintenance	\$ 9,504	\$ 7,914	\$ 1,590	\$ -
Recreation and Park	\$ 43,950	\$ 41,718	\$ 2,232	\$ -
<b>Total</b>	<b>\$ 102,397</b>	<b>\$ 126,928</b>	<b>\$ (24,531)</b>	<b>\$ -</b>
<b>FY 2005-06</b>				
Fire Protection	\$ 137,607	\$ 135,575	\$ 2,032	\$ -
Lighting and Lighting Maintenance	\$ 8,138	\$ 7,550	\$ 588	\$ -
Recreation and Park	\$ 45,502	\$ 33,971	\$ 11,531	\$ -
<b>Total</b>	<b>\$ 191,247</b>	<b>\$ 177,096</b>	<b>\$ 14,151</b>	<b>\$ -</b>
<b>FY 2004-05</b>				
Fire Protection	\$ 39,491	\$ 31,816	\$ 7,675	\$ -
Lighting and Lighting Maintenance	\$ 7,480	\$ 13,737	\$ (6,257)	\$ -
Recreation and Park	\$ 40,284	\$ 31,816	\$ 8,468	\$ -
<b>Total</b>	<b>\$ 87,255</b>	<b>\$ 77,369</b>	<b>\$ 9,886</b>	<b>\$ -</b>

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

A review of the budgets available do not compare budgeted and actual amounts and identify tax receipts as the sole source of revenue when the audits identify investments and charges for services. The Commission recommends that Yermo CSD include these items in its budget to promote transparency.

### *Capital Improvements*

Yermo CSD has not identified any capital improvements.

### *Outstanding Debt*

The financial documents do not indicate that the district has outstanding debt.

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

Yermo CSD has an arrangement with the Silver Valley Unified School District for use of the community park. Yermo CSD pays for all maintenance costs for the park and allows the School District use of the park. In turn, the School District pays all the water and electricity costs for the park.

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

#### Local Government Structure and Community Service Needs

Yermo CSD is an independent district and is governed by a five-member board of directors. Representation of the board of directors is at-large and members are voted by the electorate or are appointed by the County Board of Supervisors to four-year staggered terms. A review of the County Registrar of Voters records indicates that within the past ten years, the District has had elections in 2003, 2007, and 2008. As of August 14, 2008, the District had 632 registered voters. Below is the composition of the board, their positions, and terms of office as of January 1, 2009:

<b>Board Member</b>	<b>Title</b>	<b>Term</b>
Geoffrey L. Berner	Clerk	2010
Scott Walker	Commissioner (Director)	2010
Orlando Chavez	Fire Commissioner (Fire Director)	2010
Bob Smith	President	2012
Loney Weems	Maintenance Director	2012

Board hearings are held on the third Tuesday of each month at 6:00 p.m. at the Yermo Community Center. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. As for staff, the district employs a general manager/treasurer and has ranged between eight and eleven volunteer fire fighters within the past year. The position of the general manager assumed the duties of the district treasurer through board of directors' action on February 18, 2009. The position is bonded through the California Special Districts Risk Management Authority.

#### Operational Efficiency

The District participates in the Special Districts Risk Management Authority, a joint-powers authority, for general insurance and workers compensation. The District also participates in the Electronic Clean-up Program for the Daggett, Yermo, and Newberry communities. The communities rotate the drop-off location in order to assist residents.

Yermo participates in a disaster council made up of volunteer citizens of the Daggett, Yermo, and Newberry communities and meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan. FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.

#### 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.

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### Out-of-Agency Service Agreements:

Since 1984 Daggett CSD has been providing water service within a portion of Yermo CSD territory due to the need for service to the Silver Valley High School. In 2001, the Commission approved an out-of-agency service contract authorizing Daggett CSD to provide domestic water and water for fire protection purposes within a defined service area within Yermo CSD territory from Daggett's eight-inch pipeline in Daggett-Yermo Road. The service area is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, Silver Valley Unified School District offices, and 10 commercial parcels within the area.

### Government Structure Options:

The District, in preparing the municipal service review, did not indicate that there were consolidations or other structure options available. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- Dissolution of the district. The community has a present and probable need for municipal services, and dissolution of the district is not desirable, let alone feasible at this time. Rather, more effective and responsive Government is needed for the community in addition to the growing activities and traffic along Interstate 15.
- Removal of the district's fire protection powers with County Fire as the successor. One theoretical possibility would be to remove the district's fire protection powers, expand the sphere of influence of the San Bernardino County Fire Protection District, and concurrently annex the territory to County Fire and its North Desert Service Zone. The Board of Supervisors would be the ex-officio board of directors, and County Fire would then succeed to the property tax revenues attributable to fire protection of the District.

While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, neither the District nor County Fire has indicated support for this option due to the limited financial resources available. Without the revenues, the Commission suggests that the potential for joint powers contracts to achieve economies of scale or functional consolidations of service for the area should be evaluated by the existing agencies.

- Consolidation of the Daggett, Newberry, and Yermo CSDs. Consolidation would allow for economies of scale and provide the opportunity for streamlined governance and compliance with CSD Law.
- Consolidation of the Yermo and Daggett CSDs. More effective and efficient governance could be achieved in the long-run through consolidation with the adjacent community services district rather than through dissolution or maintenance of the status quo. These two districts currently provide, or are proposed to provide, the same type and range of services, operate under the same law (Community Services District Law), experience financial challenges, have adjacent territories, identify themselves as communities along the interstate corridors, have a

## RESOLUTION NO. 3062

historic divide from the Barstow community, and are dependent upon each other for service delivery, such as fire protection and water service.

- Maintain the district in its current status. In this option, there are no changes to the District and it is the option supported by the District as identified in responses received during the review of the draft report and conveyed during the January 21, 2009 community meeting.

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

### **1. Present and Planned Uses:**

The vast majority of the lands within the District are assigned designations of Resource Conservation (allowing one unit to 40 acres) and varying levels of Rural Living by the County General Plan. Other land use designations include Agricultural, Institutional, Commercial (Industrial and Highway), Freeway, Regional Industrial, Residential Single, and Open Space. This community is not anticipated to experience significant growth within the coming years due to about three-quarters of the land being publicly owned, the low-density land use designations assigned by the County, the historically low growth rate, the lack of a municipal-type water provider, and the surrounding geographic barriers.

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

Currently, Daggett Community Services District and Yermo Water Company provide domestic water to portions within the Yermo CSD. Since 1984 Daggett CSD has been providing water service to a 1.25 mile area within the western portion of Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area. The Yermo Water Company, a private water company regulated by the California Public Utilities Commission (PUC), provides water to two separate and small portions of the Yermo community. The Yermo Water Company has been under investigation by the PUC, culminating in the April 2009 order to place it in mandatory receivership. Final action on this order is anticipated to be provided by August 2009. In the areas not within a municipal water provider, including Harvard, water service is provided on-site through wells.

The entirety of the community utilizes on-site wastewater disposal through septic tanks or leach field systems. This service deficiency limits the development capacity for the community. The District does not currently provide sewer service and there are no other existing entities available to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

The District experiences challenge related to fire protection services given the limited resources available, and is reliant upon other fire protection agencies for mutual aid to fulfill this mission. The need for fire services is also anticipated to remain constant within the district but the needs of the transient traffic along Interstate 15 and the railroads traveling through the area will increase as traffic is anticipated to increase.

The need for park and recreation is anticipated to generally remain constant as the population is not anticipated to increase significantly.

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The need for streetlighting is also anticipated to remain generally constant. Southern California Edison owns the streetlights, and the district provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area even though County Service Area 70 overlays the entirety of the community and is authorized streetlighting services, and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

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

The provision of water service within the Yermo area through the Yermo Water Company has been outlined as presenting capacity and facility questions as well as questions regarding its maintenance and operation. The Yermo CSD has requested consideration of the activation of its water powers to be able to participate in the determinations for water service for its citizens.

The park and recreation services are adequately met by the District but they are generally dependent upon grants for improvements and construction.

The District is authorized by LAFCO to provide fire protection services. Yermo does not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals.

The District experiences financial challenges stemming from lack of revenue in comparison to expenditures. Operations are funded by its share of the ad valorem property taxes. Fire protection and related activities comprise the largest expense and increase annually. Moreover, a comprehensive review of the District's finances could not be completed due to the lack of current audits provided. Further the District does not adhere to certain statutes related to finances of a community services district. Of concern to the Commission is the current and future viability of the District. A review of the financial documents currently available indicates that the District does not receive enough incoming revenue to adequately support ongoing operations.

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

The social community of interest is the District and its residents. There is an intra-relational structure in place between the Yermo and Daggett Community Services Districts. This is due to their adjacent territories, their common service provision, identifying themselves as communities along the interstate corridors, having a historic divide from the Barstow community, and dependency upon each other for service delivery, such as fire protection and Daggett CSD's water service extension into Yermo CSD.

Economic communities of interest are the Interstate 15, the Marine Corps Yermo Annex, Silver Valley Unified School District, San Bernardino County Regional Park at Calico Ghost Town and the Union Pacific Rail Yard.



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### 5. Additional Determinations

- Legal advertisement of the Commission's consideration has been provided through publication in *The Desert Dispatch* through a publication of an 1/8<sup>th</sup> page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8<sup>th</sup> page legal ad was provided in lieu of individual notice because the service review for the community, in aggregate, would have exceeded 1,000 notices.
- As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency were reviewed and considered by the Commission in making its determinations.

**WHEREAS**, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Yermo Community Services District shall be limited to the following:

Yermo Community Services District	<b>FUNCTIONS</b>	<b>SERVICES</b>
	Fire Protection	Structural, watershed, suppression, prevention
	Streetlighting	Streetlighting
	Park and Recreation	Local park development, operation, maintenance

**WHEREAS**, in response to actions taken by the Public Utilities Commission related to the operations of the Yermo Water Company, Yermo CSD has determined to pursue activation of their latent water functions. On April 6, 2009 the District submitted its official application for reactivation and LAFCO has assigned it the designation of LAFCO 3008A for processing. All further determinations for the activation of the District's latent water function are contained in LAFCO 3008A.

**WHEREAS**, having reviewed and considered the findings as outlined above, the Commission determines to expand the sphere of influence to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies; expand the sphere of influence to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W; expand the sphere of influence to include area east of the Barstow Marine Corps Base – Yermo Annex; and expand the sphere of influence to include areas north of Yermo Community Services District, as outlined on the attached exhibits to this resolution.

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

**RESOLUTION NO. 3062**

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

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

**AYES:** **COMMISSIONERS:** Cox, Curatalo, Derry, McCallon, Mitzelfelt, Nuaimi, Pearson

**NOES:** **COMMISSIONERS:** None

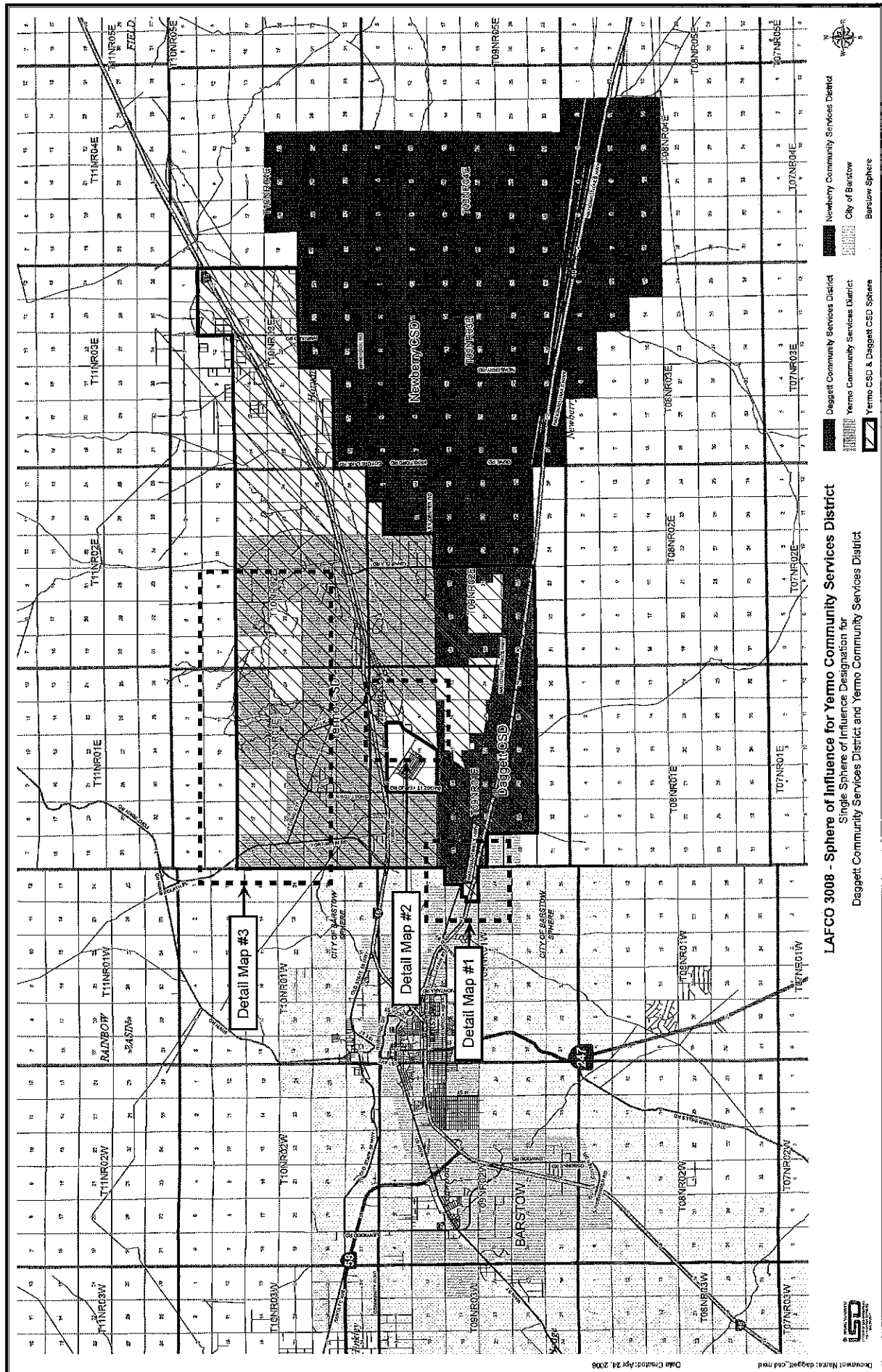
**ABSENT:** **COMMISSIONERS:** Biane (Commissioner Derry voting in his stead)

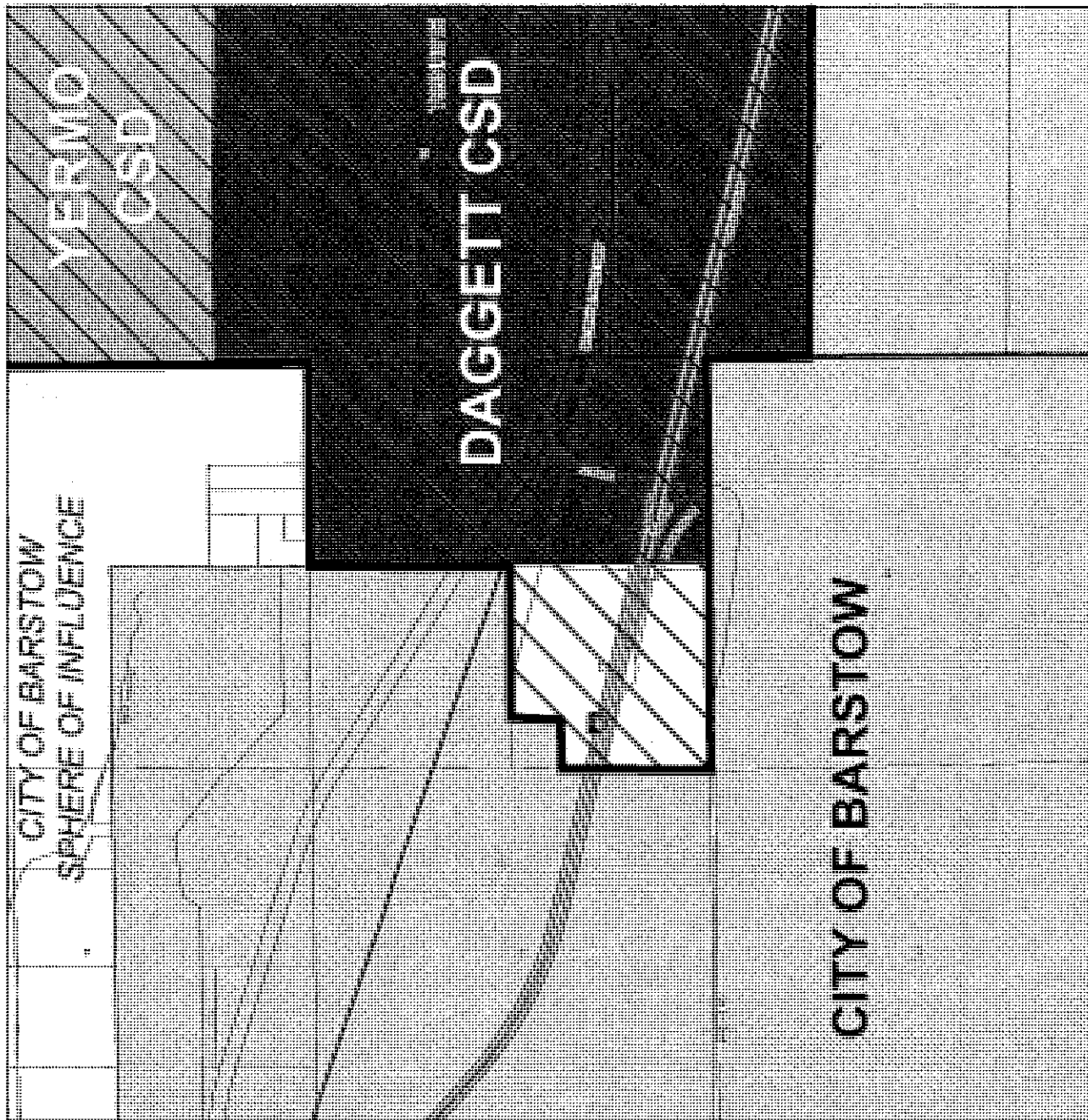
STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SAN BERNARDINO )

I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of July 15, 2009.





**DATED: July 16, 2009**

  
KATHLEEN ROLLINGS-McDONALD  
Executive Officer

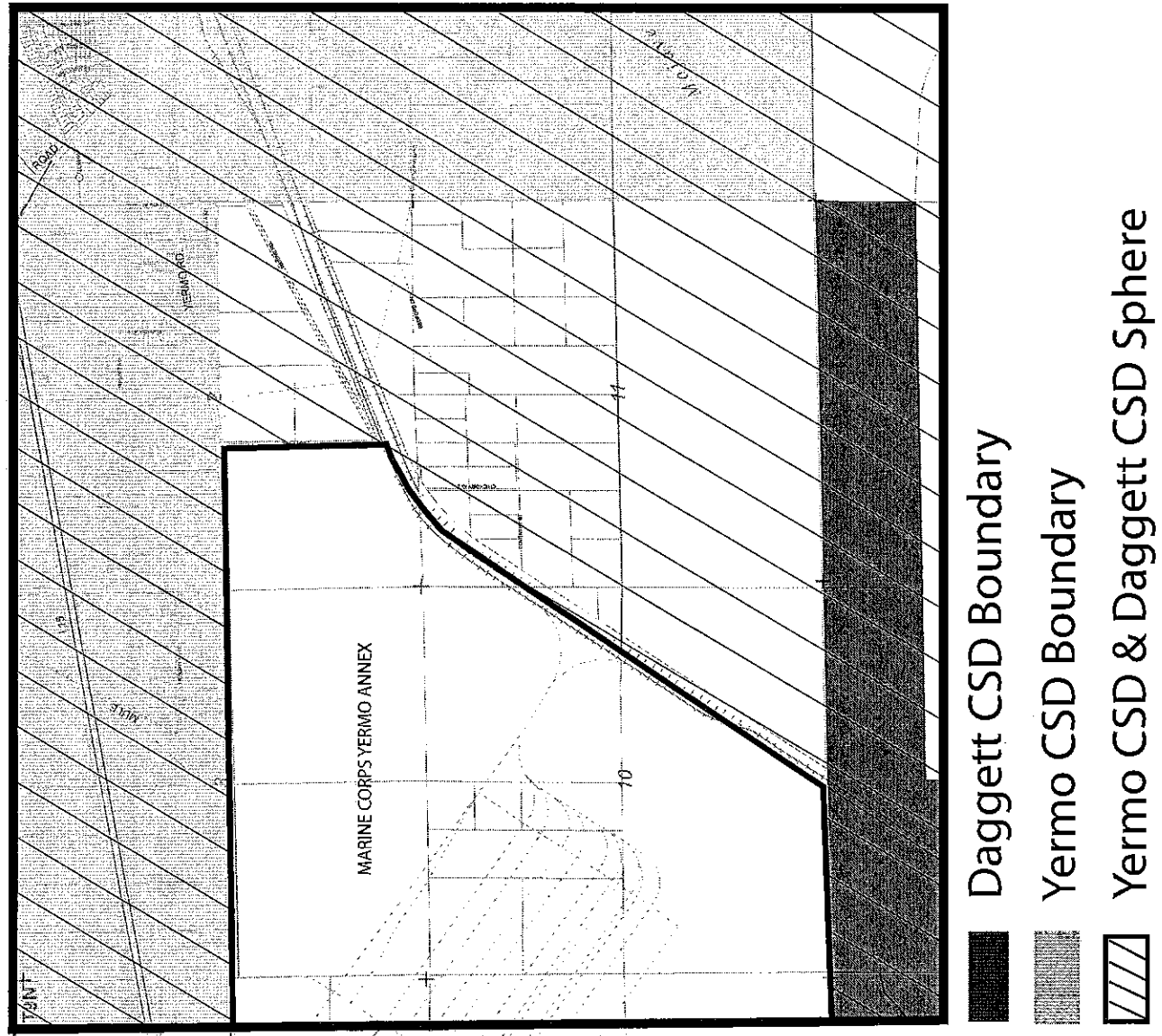




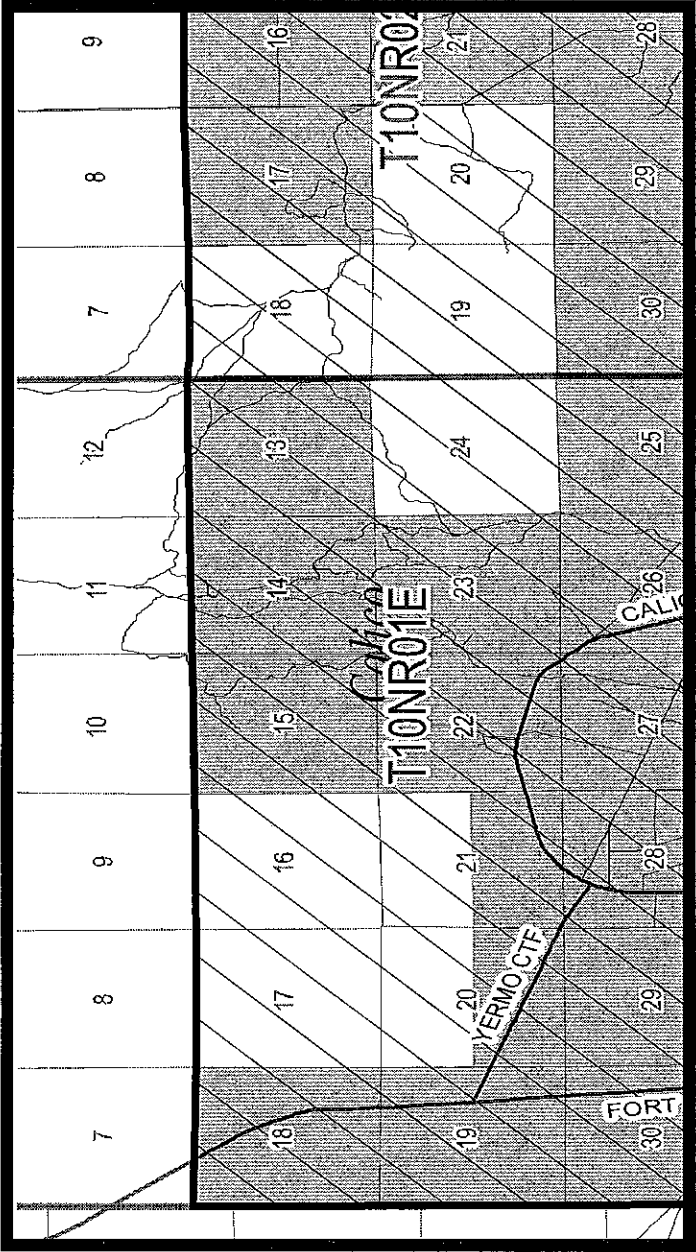
LAFCO 3008 - SPHERE OF INFLUENCE FOR  
YERMO COMMUNITY SERVICES DISTRICT  
**DETAIL MAP # 1**

-  Yermo CSD
-  Daggett CSD
-  City of Barstow
-  Yermo CSD and Daggett CSD Sphere
-  Barstow Sphere

LAFCO 3008 - Sphere of Influence for  
Yermo Community Services District - Detail Map #2



LAFCO 3008 - Sphere of Influence for  
Yermo Community Services District - Detail Map #3



-  Yermo CSD Boundary
-  Yermo CSD & Daggett CSD Sphere

- 2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities**
  - b. Resolutions Reflecting Commission Determinations**
    - ii. Resolution No. 3063 for Daggett CSD**

**Attachment 2b.2**

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

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**PROPOSAL NO.: LAFCO 3045**

**HEARING DATE: JULY 15, 2009**

**RESOLUTION NO. 3063**

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3045 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE DAGGETT COMMUNITY SERVICES DISTRICT (sphere of influence expansion to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies; expansion to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W; expansion to include area east of the Barstow Marine Corps Base – Yermo Annex; and expansion to include areas north of Yermo Community Services District).**

**On motion of Commissioner McCallon, duly seconded by Commissioner Derry, and carried, the Local Agency Formation Commission adopts the following resolution:**

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

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

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

**WHEREAS**, a public hearing by this Commission was called for May 20, 2009 and continued to June 17, 2009 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

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



## RESOLUTION NO. 3063

**WHEREAS**, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are statutorily exempt from CEQA and such exemption was adopted by this Commission on June 17, 2009. The Clerk was directed to file a Notice of Exemption within five working days of its adoption;

**WHEREAS**, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the following sphere of influence determinations shall be made for the Daggett Community Services District (hereafter shown as the District):

- (1) Expand the sphere of influence to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies;
- (2) Expand the sphere of influence to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W;
- (3) Expand the sphere of influence to include the privately owned properties area east of the Barstow Marine Corps Base – Yermo Annex; and
- (4) Expand the sphere of influence to include areas north of Yermo Community Services District which are peninsulas within the existing district

as more specifically depicted on the maps attached hereto as Exhibit "A", "A-1", "A-2", "A-3", and;

**WHEREAS**, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated April 24, 2009 and received and filed by the Commission on June 17, 2009, 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:

While the north desert portion of San Bernardino County, in general, has experienced significant growth the Daggett community can be characterized as a rural and agricultural community that has historically experienced slow growth.

As of August 14, 2008, the District had 195 registered voters. Utilizing the growth forecast for transportation analysis zones, as identified in the Southern California Association of Governments (SCAG) 2008 Regional Transportation Growth Forecast and the 2000 Census estimates, the population growth projections for Daggett are as follows:

District	2000*	2010	2015	2020	2025	2030
Daggett	775	885	1,005	1,102	1,214	1,378

\* 2000 Census estimate

This area is not anticipated to experience significant growth within the coming years. This determination is made due to about one-third of the land being publicly owned, the rural and low density residential land use designations assigned by the County, the historical divide from the

## RESOLUTION NO. 3063

Barstow community to the west, and the surrounding geographic barriers. The land ownership breakdown of the District's boundary is as follows:

### Daggett CSD

Land Owner	Sq Miles	Percentage
Private	13.2	64.1%
US Bureau of Land Management	6.1	29.4%
County of San Bernardino	0.7	3.8%
United States of America	0.4	1.5%
State of California	0.2	1.2%
<b>Total</b>	<b>20.6</b>	<b>100.0%</b>

Historical trends indicate low growth in the community in comparison with other urban areas of the North Desert region of the County. However, there are future projects which will increase the need for public services within the community. The single most tangible factor that could limit growth will be the availability of water.

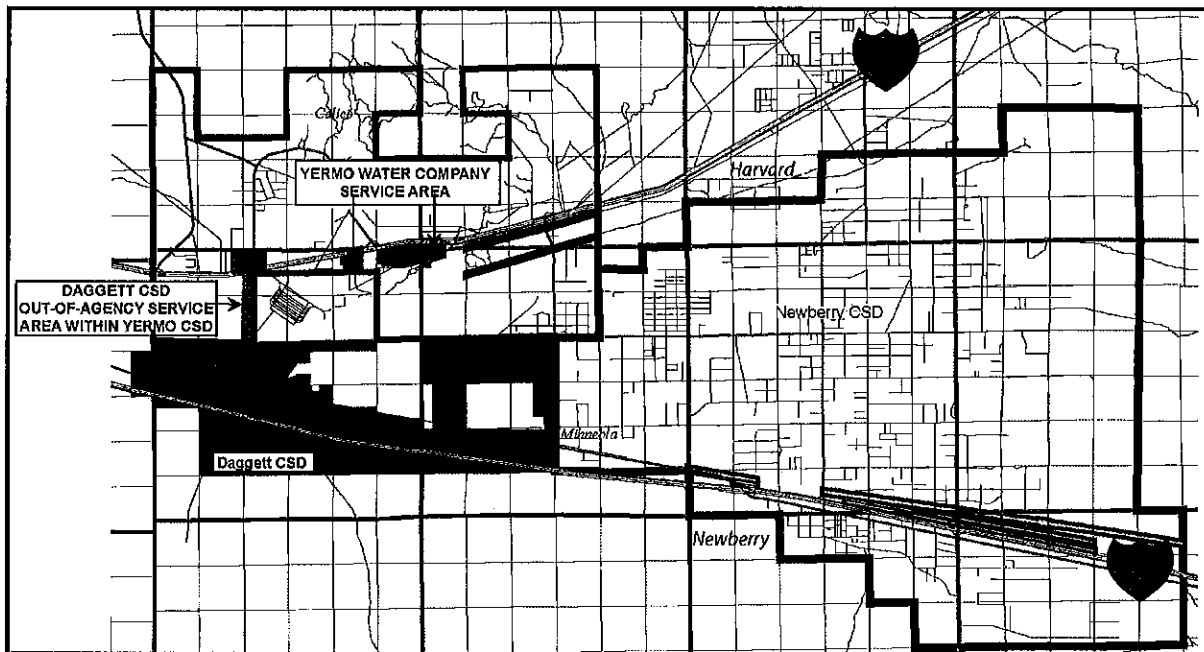
## 2. Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies:

### Water

Since 1984 Daggett CSD has been providing water service within the western portion of Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area. Any request submitted for the expansion of the service area would require that Daggett CSD provide a study showing the capacity for service through lines and storage facilities and a payment schedule that would acknowledge buy-in-costs for the facilities. The LAFCO staff report for SC 135 stated a reservation that the service capacity of an eight-inch water line given the commercial use and fire flow requirements was a concern. The eight-inch water line is still in use and the commercial use and fire flow requirements remains a concern of the Commission.

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### Water Service Providers



Daggett CSD has water production rights (also known as Base Annual Production) to assure 304 acre-feet (AF) annually as determined by the adjudication of the Mojave Water Basin. Daggett is within the Baja sub-region, and Free Production Allowance (FPA) was at 70% of Base Annual Production for 2008-09, which permitted Daggett 213 AF of FPA. For FY 2009-10, FPA has been set at 65%, which currently permits 198 AF and will be subject to further rampdowns in the future.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused FPA from another party. The historical trend for Daggett's water production indicates that it does produce more than its FPA. However, until 2003-04 it had purchased water from other agencies to make up the difference along with purchasing additional water for future use. Thus, it has had no replacement obligation to the Watermaster. However, given the trend of water production in excess of its FPA, its carryover from prior year has been lessened each year, with 35 AF carried over into 2007-08 and zero AF carried over into 2008-09. Based on this trend and the additional rampdown, Daggett is currently resuming the purchase of water from other agencies in order to avoid having to pay the higher Watermaster rates for overproduction. This will translate into increased costs for ratepayers. However, Daggett purchased 50 AF of permanent base annual production rights in September 2008 in order to mitigate the higher Watermaster costs.

#### Daggett CSD Water Production and Water Obligations (units in acre-feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year and Transfers from Other Agencies	Verified Production	Unused FPA <sup>3</sup> or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
2001-02	204	252	259	197	\$0	\$0
2002-03	204	297	262	239	\$0	\$0

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<b>2003-04</b>	204	399	255	<b>330</b>	\$0	\$0
<b>2004-05</b>	204	330	248	<b>204</b>	\$0	\$0
<b>2005-06</b>	191	204	258	<b>137</b>	\$0	\$0
<b>2006-07</b>	191	137	293	<b>35</b>	\$0	\$0
<b>2007-08<sup>1</sup></b>	228	35	270	<b>(7)</b>	7 AF at a cost of \$2,359	\$0
<b>2008-09<sup>2</sup></b>	213	0	N/A	N/A	N/A	N/A
<b>2009-10</b>	198	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

<sup>1</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

<sup>2</sup> Draft data (Appendix B) not available until January 2010.

<sup>3</sup> Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

Daggett's water facilities are comprised of 185 active connections, four active wells, four tanks, and mostly eight-inch pipes with some four, six, and ten-inch pipes. According to staff at the County Department of Community Development and Housing, the District received a Community Development Block Grant in FY 06-07 for security fencing for the water storage tanks. Below is a listing of the tank capacities:

- Tank 1 – 200,000 gallon steel bolted
- Tank 2 – 150,000 gallon steel welded
- Tank 3 – 3,000 gallon steel welded
- Tank 4 – 135,000 gallon in-ground

Indicated in the chart above, Daggett CSD produced 293 acre-feet in 2006-07. Utilizing this figure calculates to a maximum daily demand (emergency storage) of 470,833 gallons per day and compared it to the system's 488,000 gallons of tank storage capacity. Based on these figures (shown in the chart below), the District has enough storage capacity to meet maximum daily demand.

<b>Connections</b>	<b>Average Daily Demand (ADD)</b>		<b>Max Daily Demand (1.8 x ADD) [Emergency Storage]</b>		<b>Operational Storage (gallons)</b>
	<b>AF/Yr</b>	<b>gpd</b>	<b>gpd</b>	<b>gpm</b>	
285	293	261,574	470,833	454	488,000

Daggett CSD has no water management plan or strategic plan to reference in order to provide technical information for this report such as average daily demand, maximum daily demand, operational storage, fire storage, or hydraulic modeling. Further, Daggett has no plans for significant upgrades of its water system.

## RESOLUTION NO. 3063

### Sewer

The community utilizes on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for installation of sewer improvements. This service deficiency limits the development options for the community. The District does not currently provide, nor is it authorized to provide, sewer service and there are no other existing entities to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

### Fire Protection

Daggett provides fire protection within its boundaries from three fire stations through an all-volunteer department. Currently, staffing includes six fire personnel including a fire chief and assistant fire chief all on a paid-call basis. Daggett currently owns and operates four vehicles for fire fighting: one water tender with a 1,600 gallon tank, two structural fire trucks, and one brush truck. There is no fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals.

Within the Daggett CSD sphere of influence is the Barstow Daggett Airport, a county-operated airport facility. Fire service is provided at this facility by personnel from Fort Irwin as it houses aircraft at the facility through a contract with the County Airports Department. This fire station is manned during operational hours and provides for mutual aid response.

Daggett has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Newberry Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire.

### Park and Recreation

Daggett owns and operates two parks located adjacent to the district headquarters and operates a community center that is located on County property. The parks are located in the northern portion of the district and are approximately one-half acre each. In FY 2005-06 Daggett received a \$4,500 Community Development Block Grant for installation of playground equipment.

The Community Center is located on County property at 35277 Afton Street in the southern portion of the District. The five-acre property also includes a basketball court and a storage facility. The community center is used for senior events, community meetings, and recreation. Daggett indicates that the Community Center was funded by a Community Development Block Grant in the early 1980s. Community Development Block Grant funding provided for re-roofing of the Community Center in 1999. According to staff at the County Department of Community Development and Housing, there is a lease agreement from 1982 between the County and Daggett CSD for the facility to be on County property. The term of the lease is for 30 years with two 10 year options to renew. Neither the County Department of Community Development nor Housing, County Real Estate Services nor Daggett CSD staff could provide a copy of the lease to substantiate the terms of the agreement.

Daggett has no park master plan or strategic plan to reference in order to provide information on park improvements or meeting the needs of the residents.

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### Streetlights

Daggett CSD maintains 24 streetlights. Southern California Edison owns the streetlights, and the District provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area (County Service Area 70 which overlays the agencies is authorized streetlighting services, but requires creation of an Improvement Zone to provide), and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

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

The District experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. The ongoing operations of the District are funded by property taxes and water charges. Fire protection and related activities comprise the largest expense and its cost increases annually. The District does not adhere to the constitutional requirements for the establishment of an appropriations limit and statutes related to managing the finances of a community services district.

Community Services District Law (Government Code Section 61000 et seq.) promotes financial accountability by requiring:

- An adopted budget (§61110 et seq.) – CSD Law requires the adoption of an annual budget and requires the general manager to forward a copy of the final budget to the county auditor. Daggett has not adopted an annual budget since FY 1995-96 and has thus operated without a budget for over a decade.
- Adoption of annual appropriations limits under the Gann Initiative (§61113) – Article XIIIB of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit, which is further acknowledged by Government Code 61113. In 1977-78 the tax rate of the District was \$1.2500 per \$100 of assessed value. The District falls within the requirements of Article XIIIB of the State Constitution, as it was over the \$0.125 (12 ½ cents) per \$100 of assed value tax rate in 1977-78, and therefore, must have an appropriations limit.

After meeting with LAFCO, the District is now aware of the requirement for annual appropriations limits. The Commission has not received information indicating if Daggett is making an attempt to establish an appropriations limit. Further, the establishment of an appropriation limit would require Daggett to adopt a budget.

- Regular audits and annual financial reports (Sections 26909 and 61118) – Section 26909 of the Government Code requires regular audits of district accounts and records, which is further acknowledged by Government Code 61118. Additionally, CSDs are required to forward their audits to the State Controller and County Auditor. The last audit performed of Daggett's finances was for FY 2002-03. According to records from the County Auditor and State Controller, the last audit received for Daggett CSD was for FY 2002-03.

## RESOLUTION NO. 3063

The District provided copies of the mandatory financial transaction reports that were submitted to the State Controller for FY 2005-06 and 2006-07.

According to Daggett staff, the board of directors approved the first water rate increase since the 1980s for customer water use. The current rate is .0075 cents per cubic foot, and the rate took effect July 1, 2008 of 1.5 cents per cubic foot. The revenues to be generated by the rate increase will provide Daggett with needed additional revenue. Further, Daggett charges the same rate for water service to those outside its boundary as those it services within its boundaries. The additional costs to serve outside of the boundaries could be recouped by charging a higher out of boundary rate for water service.

### *Financial Transaction Reports*

Since the District does not have an operating budget and the last audit is for FY 2002-03, a comprehensive review of the District's finances could not be completed. For this report, staff reviewed the financial transaction reports for FY 2004-05, FY 2005-06 and FY 2006-07. Review of the financial transaction reports indicates that the District is experiencing financial challenges.

The general fund is comprised of the fire, streetlighting, and park and recreation activities. As indicated below, the activities (non-enterprise) of the general fund do not generate enough revenue to support the current levels of service. However, the District receives enough revenue through water rates to operate the day-to-day activities of the water system (enterprise fund). To compensate for the shortfall for fire services, the District transfers revenues from the water enterprise fund to the general fund. For example, in FY 2005-06 \$22,591 was transferred and in FY 2006-07 \$19,216 was transferred. Essentially, the water enterprise fund subsidizes the non-enterprise activities of the district. The annual transfers deplete needed revenue from the water fund and have the potential to adversely affect the water system's long term viability to adequately fund capital projects and needed major improvements for the water system.

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## Daggett CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Transfer In (Out)	Net Income (Loss)	Total Debt
<b>FY 2006-07 *</b>					
Fire Protection	\$ 37,717	\$ 37,743	\$ 19,216	\$ 19,190	\$ -
Streetlighting	\$ 3,785	\$ 6,391	\$ -	\$ (2,606)	\$ -
Recreation and Park	\$ 53,536	\$ 59,645	\$ -	\$ (6,109)	\$ 55,000
Water Enterprise	\$ 165,982	\$ 92,441	\$ (19,216)	\$ 54,325	\$ 66,150
<b>Total</b>	<b>\$ 261,020</b>	<b>\$ 196,220</b>	<b>\$ -</b>	<b>\$ 64,800</b>	<b>\$ 121,150</b>
Note: Total Revenues and Net Income should be reduced by \$50,000 for the water enterprise fund and be reclassified as an asset that the district received but did not directly pay for.					
<b>FY 2005-06</b>					
Fire Protection	\$ 27,670	\$ 33,986	\$ 22,591	\$ 16,275	\$ -
Streetlighting	\$ 2,781	\$ 4,457	\$ -	\$ (1,676)	\$ -
Recreation and Park	\$ 45,098	\$ 46,633	\$ -	\$ (1,535)	\$ 58,000
Water Enterprise	\$ 108,413	\$ 90,941	\$ (22,591)	\$ (5,119)	\$ 70,150
<b>Total</b>	<b>\$ 183,962</b>	<b>\$ 176,017</b>	<b>\$ -</b>	<b>\$ 7,945</b>	<b>\$ 128,150</b>
<b>FY 2004-05</b>					
Fire Protection	\$ 28,136	\$ 25,523	\$ 18,972	\$ 21,585	\$ 10,014
Streetlighting	\$ 2,367	\$ 6,863	\$ -	\$ (4,496)	\$ -
Recreation and Park	\$ 38,401	\$ 47,028	\$ -	\$ (8,627)	\$ 61,000
Water Enterprise	\$ 100,050	\$ 94,629	\$ (18,972)	\$ (13,551)	\$ 75,150
<b>Total</b>	<b>\$ 168,954</b>	<b>\$ 174,043</b>	<b>\$ -</b>	<b>\$ (5,089)</b>	<b>\$ 146,164</b>

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

\* As identified in the FY 2006-07 Financial Transaction Report, \$50,000 is reflected as a one-time receipt of revenue. In the summary charts below, the \$50,000 is a part of the \$165,982 Total Revenues for FY 2006-07, which resulted in a Net Income of \$54,325. LAFCO has verified with staff of the auditor that prepared the FY 2006-07 Financial Transaction Report that the \$50,000 was actually an asset and not revenue. The District was awarded \$50,000 in Community Development Block Grant funding by the County for the installation of a security fence around one of the District's water tanks. The grant funding was paid by the County and the District received the asset. Therefore, the Total Revenue for FY 2006-07 should be \$115,982 and Net Income should be \$4,325.

### Long-term Debt

Long-term debt is comprised of two bonds. The first is a general obligation bond for recreation and park services which was authorized in 1979 and matures in 2019. As of June 2007, the un-matured amount of the bond was \$55,000. The second is a revenue bond to upgrade water delivery which was authorized in 1980 and matures in 2020. As of June 2007, the un-matured amount of the bond was \$66,150.

### Capital Improvements

Daggett CSD has not identified any capital improvements.



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

Daggett CSD has its community center facility on County land. It is understood that a lease agreement exists between the County's Department of Community Development and Housing and the District; however, neither the County nor the District has been able to produce the document.

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

#### Local Government Structure and Community Service Needs

Daggett is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted on by the electorate or are appointed by the County Board of Supervisors to four-year staggered terms. A review of the County Registrar of Voters records indicates that within the past ten years, the District has had elections in 2003 and 2007. As of August 14, 2008, the District had 195 registered voters. The lack of elections can be attributed to the size of the district, the number of residents and registered voters, and the need to eliminate the cost of conducting elections. Below is the composition of the board, their positions, and terms of office as of November 1, 2008:

Board Member	Title	Term
Mentie B. Hazelett	Director	2009
Joseph Morris, Jr. (Appointed 12-14-2005)	Director	2009
Lawrence Alf	President	2011
Irene L. Koch	Director	2011
Ramon A. Rodriguez	Director	2011

Board hearings are held on the second Wednesday of each month at 6:00 p.m. at the District office. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. As described in the Financial Section for Daggett, it does not operate with an annual balanced budget or an appropriations limit. As for staff, the District employs a general manager/treasurer, water operator, and fire staffing includes the following volunteers: six fire personnel including an appointed fire chief and assistant fire chief.

#### Operational Efficiency

The District participates in the Special Districts Risk Management Authority, a joint-powers authority, for general insurance and workers compensation. The District also participates in the Electronic Clean-up Program for the Daggett, Yermo, and Newberry communities. The communities rotate the drop-off location in order to assist residents.

Daggett participates in a disaster council made up of volunteer citizens of the Daggett, Yermo, and Newberry communities and meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan. FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.

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### 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:

Since 1984 Daggett CSD has been providing water service within a portion of Yermo CSD territory due to the need for service to the Silver Valley High School. In 2001, the Commission approved an out-of-agency service contract authorizing Daggett CSD to provide domestic water and water for fire protection purposes within a defined service area within Yermo CSD territory from Daggett's eight-inch pipeline in Daggett-Yermo Road. The service area is approximately 1.25 square miles and comprised 66 parcels in 2001, surrounding the intersection of Interstate 15 and Calico Ghost Town Road and extending southerly along Daggett-Yermo Road to the Daggett CSD boundary. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, Silver Valley Unified School District offices, and 10 commercial parcels within the area.

#### Government Structure Options:

The District, in preparing the municipal service review, did not indicate that there were consolidations or other structure options available. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- Dissolution of the district. The community has a present and probable need for municipal services, and dissolution of the district is not desirable, let alone feasible at this time. Rather, more effective and responsive Government is needed for the community in addition to the growing activities and traffic along Interstates 15 and 40.
- Removal of the district's fire protection powers with County Fire as the successor. One theoretical possibility would be to remove the district's fire protection powers, expand the sphere of influence of the San Bernardino County Fire Protection District, and concurrently annex the territory to County Fire and its North Desert Service Zone. The Board of Supervisors would be the ex-officio board of directors, and County Fire would then succeed to the property tax revenues attributable to fire protection of the District.

While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, neither the District nor County Fire has indicated support for this option due to the limited financial resources available. Without the revenues, the Commission suggests that the potential for joint powers contracts to achieve economies of scale or functional consolidations of service for the area should be evaluated by the existing agencies.

- Consolidation of the Daggett, Newberry, and Yermo CSDs. Consolidation would allow for economies of scale and provide the opportunity for streamlined governance and compliance with CSD Law.

## RESOLUTION NO. 3063

- Consolidation of the Yermo and Daggett CSDs. More effective and efficient governance could be achieved in the long-run through consolidation with the adjacent community services district rather than through dissolution or maintenance of the status quo. These two districts currently provide, or are proposed to provide, the same type and range of services, operate under the same law (Community Services District Law), experience financial challenges, have adjacent territories, identify themselves as communities along the interstate corridors, have a historic divide from the Barstow community, and are dependent upon each other for service delivery, such as fire protection and water service.
- Maintain the district in its current status. In this option, there are no changes to the District and it is the option supported by the District as identified in responses received during the review of the draft report and conveyed during the January 21, 2009 community meeting.

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

### **1. Present and Planned Uses:**

The vast majority of the lands within the District are assigned designations of Resource Conservation (allowing one unit to 40 acres) and varying levels of Rural Living by the County General Plan. Other land use designations include Agricultural, Commercial (Industrial and Highway), Freeway, Regional Industrial, Residential Single, and Open Space. This community is not anticipated to experience significant growth within the coming years due to about one-third of the land being publicly owned, the low-density land use designations assigned by the County, the historically low growth rate, the lack of a municipal-type water provider, and the surrounding geographic barriers.

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

Daggett CSD provides water to the populated center within its boundaries. Since 1984 Daggett CSD has been providing water service within the western portion of Yermo CSD territory due to the need for service to the Silver Valley High School and Silver Valley Unified School District offices. Currently, Daggett CSD serves water to 13 residential parcels, the Silver Valley High School, the Silver Valley Unified School District's offices, and 10 commercial parcels within the area.

The entirety of the community utilizes on-site wastewater disposal through septic tanks or leach field systems. This service deficiency limits the development capacity for the community. The District does not currently provide sewer service and there are no other existing entities available to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

The District experiences challenge related to fire protection services given the limited resources available, and is reliant upon other fire protection agencies for mutual aid to fulfill this mission. The need for fire services is also anticipated to remain constant within the district but the needs of the transient traffic along Interstates 15 and 40 and the railroads traveling through the area will increase as traffic is anticipated to increase.

The need for park and recreation is anticipated to generally remain constant as the population is not anticipated to increase significantly.

## **RESOLUTION NO. 3063**

The need for streetlighting is also anticipated to remain generally constant. Southern California Edison owns the streetlights, and the district provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area even though County Service Area 70 overlays the entirety of the community and is authorized streetlighting services, and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

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

Daggett CSD generally meets the water needs of the community by the level of service provided. However, no water plans or studies were provided, therefore the quality of the facilities could not be determined.

The park and recreation services are adequately met by the District but they are generally dependent upon grants for improvements and construction.

The District is authorized by LAFCO to provide fire protection services. Daggett does not have a fire master plan or operational plan to reference in order to provide information on ISO ratings, average response times, personnel training and certifications, station additions or upgrades, and short and long-term goals. The continual transfer of funds for Daggett CSD from the other funds, including the enterprise activity of the District, to the fire activities could result in decrease in the level of service of both the other services and fire protection services.

The District experiences financial challenges stemming from lack of revenue in comparison to expenditures. Operations are funded by its share of the ad valorem property taxes and water charges. Fire protection and related activities comprise the largest expense and increase annually. Moreover, a comprehensive review of the District's finances could not be completed due to the lack of current audits and budgets. Further the District does not adhere to certain statutes related to finances of a community services district. Of concern to the Commission is the current and future viability of the District. A review of the financial documents indicates that the District does not receive enough incoming revenue to adequately support ongoing operations.

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

The social community of interest is the District and its residents. There is an intra-relational structure in place between the Yermo and Daggett Community Services Districts. This is due to their adjacent territories, their common service provision, identifying themselves as communities along the interstate corridors, having a historic divide from the Barstow community, and dependency upon each other for service delivery, such as fire protection and Daggett CSD's water service extension into Yermo CSD.

Economic communities of interest are the Interstate 15 and 40 corridors, Barstow-Daggett Airport, agriculture, power industries, the Marine Corps Yermo Annex, and the Silver Valley Unified School District.

## RESOLUTION NO. 3063

### 5. Additional Determinations

- Legal advertisement of the Commission's consideration has been provided through publication in *The Desert Dispatch* through a publication of an 1/8<sup>th</sup> page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8<sup>th</sup> page legal ad was provided in lieu of individual notice because the service review for the community, in aggregate, would have exceeded 1,000 notices.
- As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency were reviewed and considered by the Commission in making its determinations.

**WHEREAS**, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Daggett Community Services District shall be limited to the following:

Daggett Community Services District	<b>FUNCTIONS</b>	<b>SERVICES</b>
	Water	Retail, wholesale, domestic, industrial, irrigation, fire protection, sanitation
	Fire Protection	Structural, watershed, suppression, prevention
	Streetlighting	Streetlighting
	Park and Recreation	Local park development, operation, maintenance

**WHEREAS**, having reviewed and considered the findings as outlined above, the Commission determines to expand the sphere of influence to encompass the combined existing spheres of influence of the Daggett and Yermo Community Services Districts creating a single sphere for the two agencies; expand the sphere of influence to include area west of Daggett Community Services District in the southwest quarter of Section 13 of T09N,R01W; expand the sphere of influence to include area east of the Barstow Marine Corps Base – Yermo Annex; and expand the sphere of influence to include areas north of Yermo Community Services District, as outlined on the attached exhibits to this resolution.

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

**RESOLUTION NO. 3063**

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

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

**AYES:** **COMMISSIONERS:** Cox, Curatalo, Derry, McCallon, Mitzelfelt, Nuaimi, Pearson


**NOES:** **COMMISSIONERS:** None

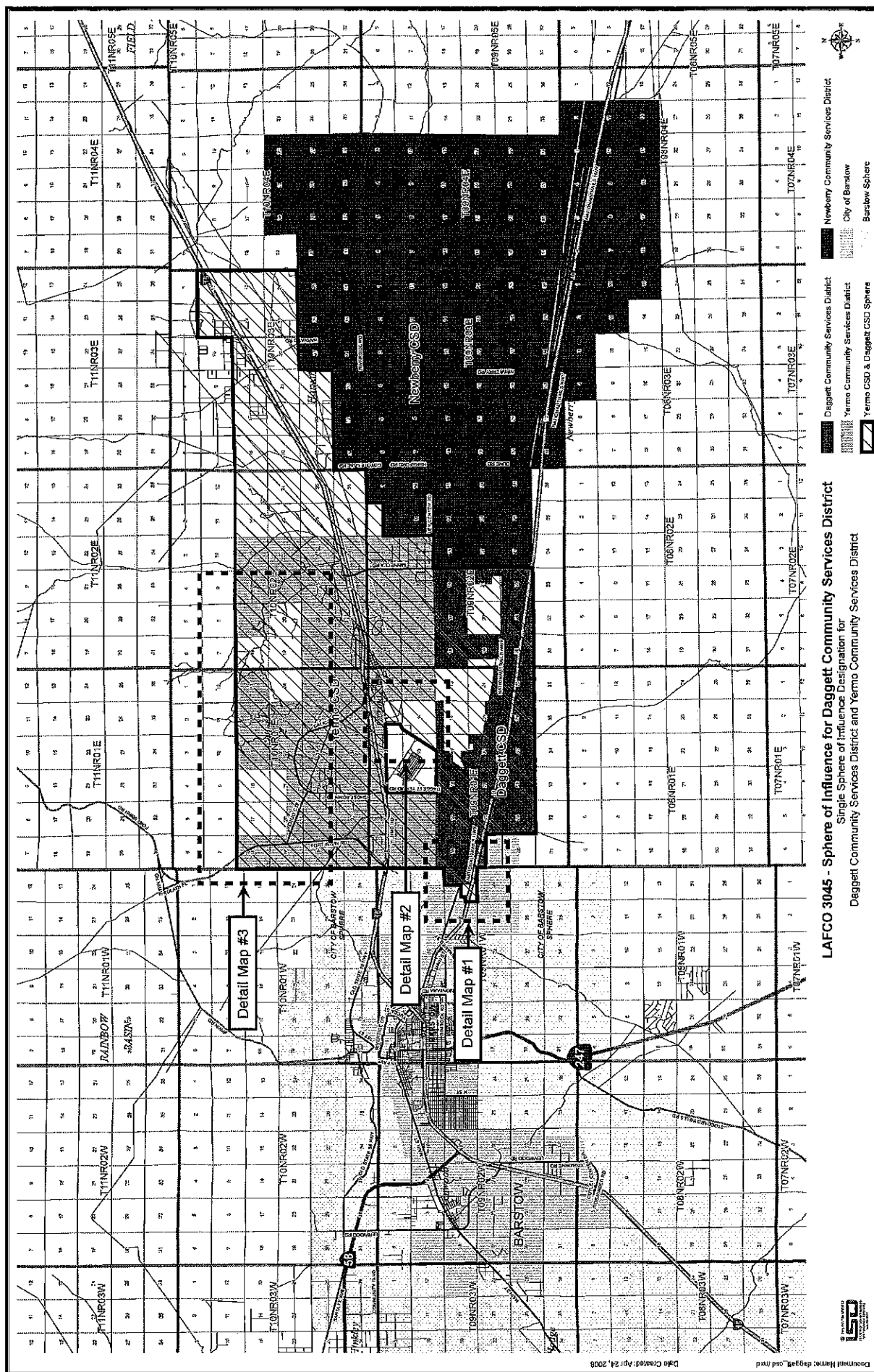
**ABSENT:** **COMMISSIONERS:** Biane (Commissioner Derry voting in his stead)

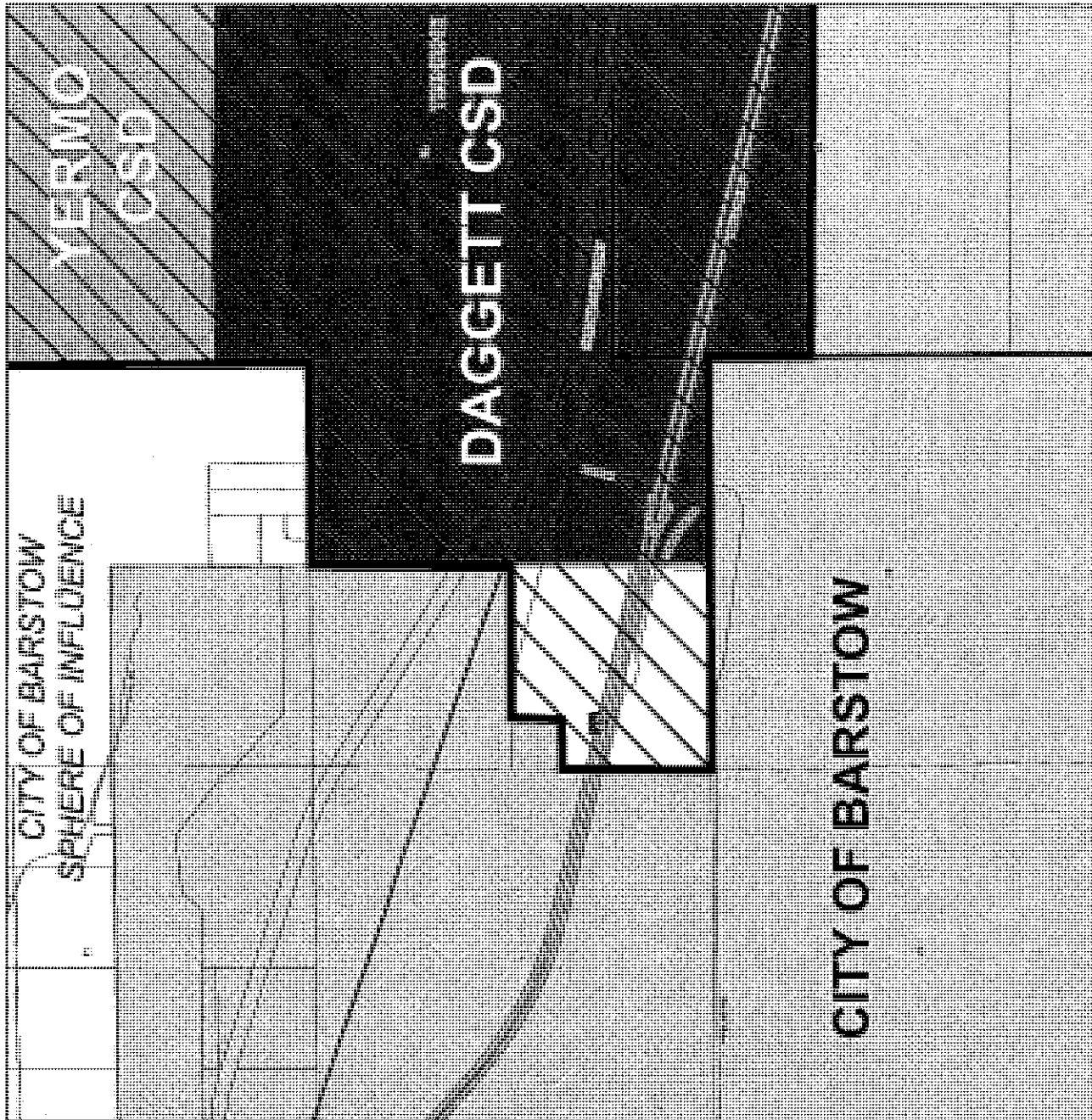
STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SAN BERNARDINO )

**I, KATHLEEN ROLLINGS-McDONALD, Executive Officer of the Local Agency Formation Commission of the County of San Bernardino, California, do hereby certify this record to be a full, true, and correct copy of the action taken by said Commission, by vote of the members present, as the same appears in the Official Minutes of said Commission at its meeting of July 15, 2009.**

**DATED: July 16, 2009**






  
KATHLEEN ROLLINGS-McDONALD  
Executive Officer





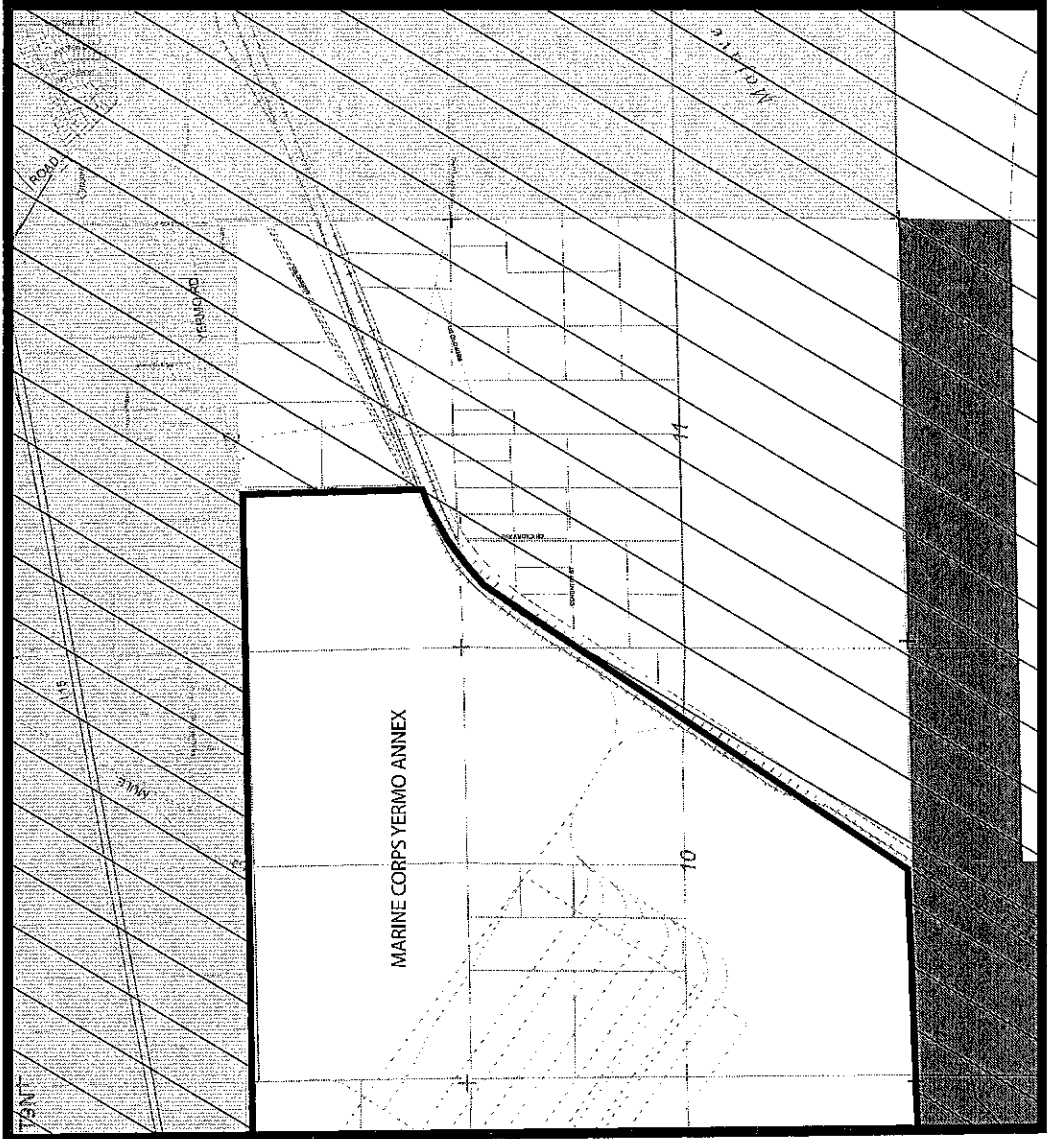
LAFCO 3045 - SPHERE OF INFLUENCE FOR  
DAGGETT COMMUNITY SERVICES DISTRICT

**DETAIL MAP # 1**

-  City of Barstow
-  Daggett CSD
-  Yermo CSD
-  Yermo CSD and Daggett CSD Sphere
-  Barstow Sphere

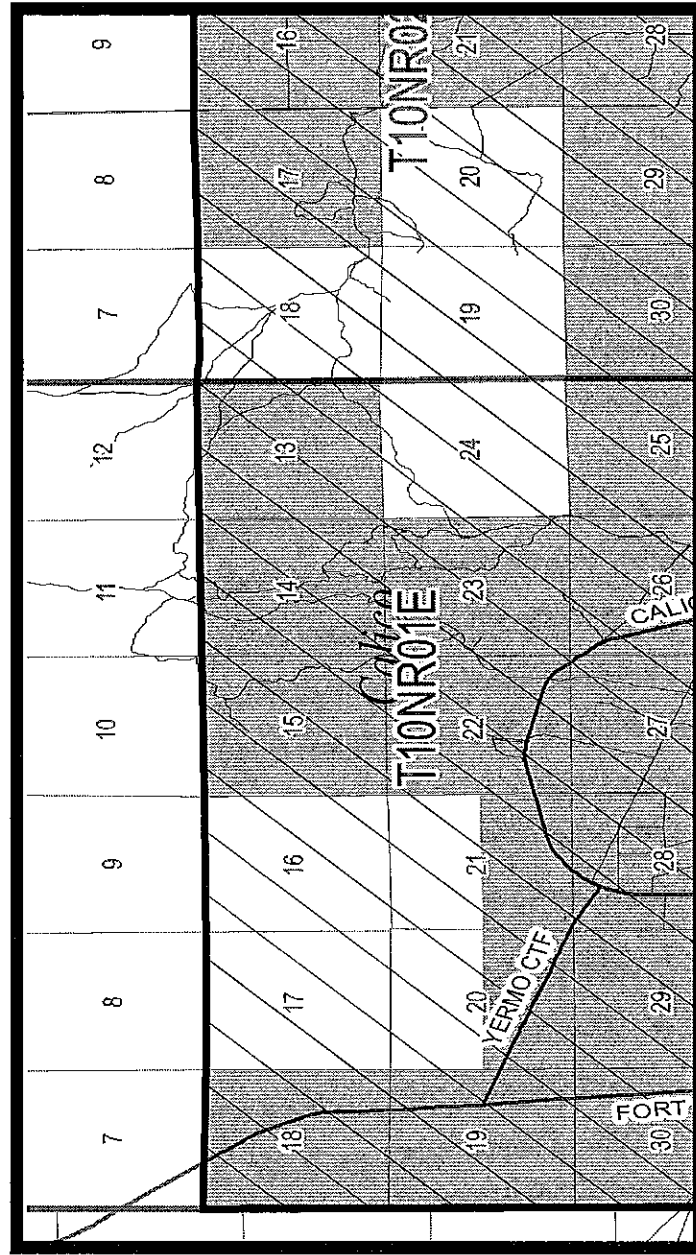




LAFCO 3045 - Sphere of Influence for  
Daggett Community Services District - Detail Map #2



- Daggett CSD Boundary
- Yermo CSD Boundary
- Yermo CSD & Daggett CSD Sphere

# LAFCO 3045 - Sphere of Influence for Daggett Community Services District - Detail Map #3



-  Yermo CSD Boundary
-  Yermo CSD & Daggett CSD Sphere

- 2. LAFCO 2009 Service Review and Sphere of Influence Update for Daggett, Newberry Springs, and Yermo Communities**
  - b. Resolutions Reflecting Commission Determinations**
    - iii. Resolution No. 3064 for Newberry CSD**

**Attachment 2b.3**

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

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E-MAIL: [lafco@lafco.sbcounty.gov](mailto:lafco@lafco.sbcounty.gov)  
[www.sbclafco.org](http://www.sbclafco.org)

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**PROPOSAL NO.: LAFCO 3046**

**HEARING DATE: JULY 15, 2009**

**RESOLUTION NO. 3064**

**A RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION OF THE COUNTY OF SAN BERNARDINO MAKING DETERMINATIONS ON LAFCO 3046 – A SERVICE REVIEW AND SPHERE OF INFLUENCE UPDATE FOR THE NEWBERRY COMMUNITY SERVICES DISTRICT (affirmation of existing sphere of influence).**

**On motion of Commissioner McCallon, duly seconded by Commissioner Nuaimi, and carried, the Local Agency Formation Commission adopts the following resolution:**

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

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

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

**WHEREAS**, a public hearing by this Commission was called for May 20, 2009 and continued to June 17, 2009 at the time and place specified in the notice of public hearing and in an order or orders continuing the hearing; and,

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

**WHEREAS**, a statutory exemption has been issued pursuant to the provisions of the California Environmental Quality Act (CEQA) indicating that this service review and sphere of influence update are

## RESOLUTION NO. 3064

statutorily exempt from CEQA and such exemption was adopted by this Commission on June 17, 2009. The Clerk was directed to file a Notice of Exemption within five working days of its adoption;

**WHEREAS**, based on presently existing evidence, facts, and circumstances filed with the Local Agency Formation Commission and considered by this Commission, it is determined that the sphere of influence shall be affirmed for Newberry Community Services District (hereafter shown as the District) as depicted on the map attached hereto as Exhibit "A";

**WHEREAS**, the determinations required by Government Code Section 56430 and local Commission policy are included in the report prepared and submitted to the Commission dated April 24, 2009 and received and filed by the Commission on June 17, 2009, 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:

While the north desert portion of San Bernardino County, in general, has experienced significant growth the Newberry community can be characterized as a rural and agricultural community that has historically experienced slow growth.

As of August 14, 2008, the District had 1,001 registered voters. Utilizing the growth forecast for transportation analysis zones, as identified in the Southern California Association of Governments (SCAG) 2008 Regional Transportation Growth Forecast and the 2000 Census estimates, the population growth projections for Newberry are as follows:

District	2000*	2010	2015	2020	2025	2030
Newberry	2,071	2,366	2,686	2,944	3,242	3,682

\* 2000 Census estimate

The 2000 Census estimate and SCAG forecasts both include Harvard in the Newberry figures. For the purposes of this report, 2000 Census block data was extrapolated for the general Harvard area and removed from the 2010 to 2030 forecasts for the Newberry community.

This area is not anticipated to experience significant growth within the coming years. This determination is made due to about one-fifth of the land being publicly owned, the rural and low density residential land use designations assigned by the County, the historical divide from the Barstow community to the west, and the surrounding geographic barriers. The land ownership breakdown of the District's boundary is as follows:

### Newberry CSD

Land Owner	Sq Miles	Percentage
Private	90.2	78.9%
US Bureau of Land Management	23.9	20.9%
State of California	0.1	0.1%
County of San Bernardino	0.1	0.1%
<b>Total</b>	<b>114.3</b>	<b>100.0%</b>

Historical trends indicate low growth in the community in comparison with other urban areas of the North Desert region of the County. However, there are future projects which will increase the need

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for public services within the community. The single most tangible factor that could limit growth will be the availability of water.

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

#### Water

The Newberry Springs community has no existing public water system to serve residents and water service is characterized by its acquisition through private wells. This service deficiency limits the development capacity for the Newberry Springs area but also supports the retention of its rural nature. Furthermore, the Newberry CSD does not supply water to residents; it only supplies its own facilities and provides water for fire protection purposes (water trucks). Newberry CSD's Strategic Plan indicates that water service is a long range goal and that a study would have to be conducted to determine the funding for such an endeavor which would include the need to purchase additional water rights.

Newberry CSD has water production rights (also known as Base Annual Production) to assure 23 acre-feet (AF) annually as determined by the adjudication of the Mojave Water Basin. Newberry is within Baja sub-region, and Free Production Allowance (FPA) was 70% of Base Annual Production for 2008-09, which permitted the district 17 AF of FPA. For 2009-10, FPA has been set at 65%, which currently permits Newberry 15 AF.

Producers are required to replace any water pumped above their FPA by paying the Mojave Basin Area Watermaster to purchase supplemental water or by purchasing unused production rights from another party. The historical trend for Newberry's water production indicates that it does not produce more than its FPA. Thus, it has no replacement obligation to the Watermaster. Additionally, a review of the Watermaster's water transfer records for the past four years indicates that Newberry has neither received nor transferred annual production rights with other entities.

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### Newberry CSD Water Production and Water Obligations (units in acre feet unless otherwise noted)

Water Year	Free Production Allowance (FPA)	Carryover from Prior Year	Verified Production	Unused FPA <sup>3</sup> or (Agency Overdraft)	Replacement Water Obligation (District overdraft)	Makeup Water Obligation (Watermaster replacement to the Baja sub-basin)
2002-03	19	19	16	19	\$0	\$0
2003-04	19	19	16	19	\$0	\$0
2004-05	19	19	16	19	\$0	\$0
2005-06	18	19	16	18	\$0	\$0
2006-07	18	18	18	18	\$0	\$0
2007-08 <sup>1</sup>	18	18	18	18	\$0	\$0
2008-09 <sup>2</sup>	17	18	N/A	N/A	N/A	N/A
2009-10	15	--	--	--	--	--

sources: Mojave Basin Area Watermaster, Annual Reports of the Mojave Basin Area Watermaster for Water Years 2002/03 through 2006/07, (April 1, 2004 through April 1, 2008).

Mojave Basin Area Watermaster, Request for Assignment of Carryover Right in Lieu of Payment of Replacement Water Assessments Recommended for Filing, For Water Years 2002/03 through 2006/07.

<sup>1</sup> Transfers from other water agencies not reconciled yet and data is subject to amendment in Appendix I in Sixteenth Annual Report of the Watermaster due April 2010.

<sup>2</sup> Draft data (Appendix B) not available until January 2010.

<sup>3</sup> Unused FPA is equal to the total FPA (FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA and FPA transfers.

### Sewer

The community utilizes on-site wastewater disposal through septic tanks or leach field systems. There is no schedule for installation of sewer improvements. This service deficiency limits the development options for the community. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service.

Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system. Actual provision of sewer service would require an application to LAFCO, along with a plan for services, and Commission approval. Should Newberry desire to provide this service to only the populated segments within the district, it would need to form a zone pursuant to CSD Law. This option would require voter or landowner approval due to the need for funding the development of the system and would require LAFCO approval to provide the service.

### Fire Protection

The District provides fire protection through its identified "Newberry Fire Department". The Fire Department has an ISO rating of 9 and answers on average 400 to 500 calls per year. A sampling of the calls indicates an average response time of 12.5 minutes. The Fire Department provides mutual

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aid to over 100 calls and receives aid on 60 to 80 calls. Newberry Fire has mutual aid agreements with the surrounding fire agencies which include Fort Irwin, Marine Corps Logistics Base Fire, Yermo Fire, Daggett Fire, Barstow Fire, Bureau of Land Management, and San Bernardino County Fire.

The Department currently is staffed with 22 volunteers. Each volunteer participates in an average of 400 hours of training per year. In January 2009 there were 20 volunteers. Of the 20, ten are qualified as Type II wild land firefighters, six are emergency medical technician basic, three are California State Fire Marshall certified Firefighter II, two are hazardous materials technicians, one is a Specialist, two meet FEMA Urban Search and Rescue qualifications, and one is Fire Officer certified by the California State Fire Marshal.

Newberry has two fire stations with the second station being re-activated in January 2009. Due to the addition of personnel, Station #391 was re-activated with the relocation of a water tender and a rescue vehicle. The new fire station, Station #392 – Mid Valley Station, is located on Silver Valley Unified School District property and is leased for \$1 per year. Newberry states that if the lease is not continued, then the community would not have a centrally located station.

Newberry has plans to build a training room at Fire Station #392. Currently, the firefighters train in facilities that are not temperature controlled and the planned training room would be temperature controlled. Newberry anticipates that the addition of a temperature controlled room would decrease response times since the all-volunteer firefighting force would be more likely to remain at the facility.

There are also plans to build an additional fire station within the district and install 10,000 gallon water tank structures throughout the district. The Department conducted a comprehensive survey to locate and record major water source points for placement of the station and the tanks, but the exact locations are not yet determined. This would improve Newberry's ISO rating and lower insurance premiums.

The Fire Department currently owns and operates the following equipment:

- Type 1 municipal engine, a 1999 Freightliner with a 1,000 gallon tank, a 1,250 gallon per minute (gpm) pump, a 2000 foot hose, and air and hydraulic rescue tools
- Type 2 water tender, 2000 Freightliner with a 2,200 gallon tank and a 500 gpm pump
- Type 2 water tender, 1970 Peterbuilt with a 4,000 gallon tank and a 1,500 gpm pump
- Type 1 ambulance/rescue truck, 2003 E-350, first responder – non transport, equipped to ICEMA standards
- Type 6 brush engine, 2007 Ford 350 4 x 4 with a 300 gallon tank and a 350 gpm pump.
- Trailer equipped to light rescue standards.

In addition to the storage tank listed above, the Department has also coordinated with Mojave Water Agency to place seven connection points at strategic locations along the Mojave River Pipeline. The connections provide water at the rate of 500 gallons per minute. Additionally, the Fire Department has an agreement with the Santa Fe Railroad for access to the 220,000 gallon railroad water tank located near Elementis Specialties Plant at Pioneer and Mountain View.

According to the District's Fire Operational Plan, the short-term and long-term goals of the Fire Department are:



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### *Short-term goals (3 to 5 years):*

- Develop a headquarters station, training center, and emergency operations center near the center of the District
- Secure at least five 10,000 to 15,000 gallon portable tanks.
- Reduce ISO Rating to 8 or better.
- Develop a large volume well and tank.
- Replace 1970 Peterbuilt water tender.

### *Long term goals (5 to 10 years):*

- Construct headquarters station/training center/emergency operations center
- Relocate Station 391 two miles east, moving off the Newberry fault and out of a radio dead zone
- Assist in promotion of local water district *[while this goal may be part of the Fire Operational Plan, it appears to be for the district overall]*
- Add two Type 3 Fire Engines

### Park and Recreation

Newberry owns and operates one park on 9.8 acres that includes a community center, Fire Station #391, a caretaker's home, playground, picnic area, and ball field. The ball field has lights for night play and can be configured as a baseball diamond or soccer field.

The Community Center was built in 1954 and provides a location for food distribution, shelter in case of a disaster, health clinics, veterinary clinics, and community and group events. Maintenance and upkeep of the park and the community center is provided by the live-in caretaker. Newberry states that the building is in above average condition due to ongoing upkeep and maintenance. Due to the age of the facility, Newberry indicates that future remodeling projects need to occur. Plans include remodeling the kitchen and restrooms and installation of energy efficient windows. Revenues have been set aside for major repairs of the park facilities and the caretaker's home.

According to staff from the County Community Development and Housing Department, Newberry applied for and received a Community Development Block Grant in FY 2006-07 to improve the parking lot at the park. The District intends to construct new restrooms at the park but plans or details were not provided. In 2008, the First District of the County Board of Supervisors awarded a \$5,000 grant to Newberry CSD for eight picnic tables for the park.

### Streetlights

Newberry CSD maintains 39 streetlights. Southern California Edison owns the streetlights, and the District provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area (County Service Area 70 which overlays the agencies is authorized streetlighting services, but requires creation of an Improvement Zone to provide), and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the

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nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

### Road Maintenance

Newberry CSD is not currently authorized to provide the function or service of road services, however the district purchased a grader in August 2006 for roughly \$49,000 with funds from the \$350,000 one-time donation received in 2004 from the Kiewit Pacific Corporation. After Newberry received the donation, it conducted a survey asking its residents how to utilize the windfall. The results of the survey indicated that approximately 85% of the respondents wanted the funds to be used for roads - grading in particular. In turn, Newberry purchased the grader and began grading roads. The purchase practices were questioned regarding bids, etc. The District has indicated that the road grader purchased is used and that a bid process was not utilized nor was it required for the purchase of used machinery. The District further states that it considered 18 machines and chose a machine that was owned by a municipality and that it considered cost and previous use in making its determination.

According to Newberry, grading does not occur on private roads. Primarily, the grader was purchased in order to keep the non-maintained County roads in acceptable condition for fire protection and EMS services. Rain and other varied weather conditions result in road conditions that make it difficult for emergency vehicles to arrive on the scene. In 2006 and 2007 Newberry graded about 25 miles of road, and road grading continued into 2008. No information has been provided related to the 2009 grading activities anticipated by the District.

LAFCO informed District representatives of the potential for incurred liability when an agency performs road services. Newberry stated that its insurance company covers the grader but is not aware that road service, in the form of grading, is actually provided. As for funds to operate and maintain the service, road service is not an enterprise activity. Therefore, the funds to maintain the road grader and pay for the service use portions of the property tax revenues generated from throughout the entirety of the district that are also used to pay for streetlighting, park and recreation, and fire services.

The District has been informed on more than one occasion that in order for Newberry CSD to actively provide road service either within a portion or to the entirety of the district, CSD Law requires the activation of latent powers subject to LAFCO approval (Government Code Section 61106). Newberry has not formally requested or been authorized by LAFCO to perform this function and/or service. LAFCO has informed Newberry that activation of its latent road powers would require the submission of an application to LAFCO with a plan for service which would include the identification of the financing for the service provision. Newberry is actively grading on public roads and such an action requires written consent from the County, as outlined in CSD Law [Section 61100(I)].

While a CSD may perform road services on another public agency's roads, if it obtains written permission, two preceding actions are paramount. First, Section 61106 (a) requires a CSD to obtain LAFCO approval in order to activate a latent power; regardless if the service is to be provided to a portion or to the entirety of the district.

Second, according to CSD Law and County requirements, the District needs to obtain written permission from the County allowing it to perform road maintenance on public roads. The District has adopted a resolution requesting County permission, but the District has not provided LAFCO with a copy of the written consent from the County. Staffs at the County Public Works,

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Transportation Division office and the Clerk to the Board of Supervisors have indicated that there is no record of receipt of Newberry's resolution requesting consent. According to County Transportation staff, in order to grade non-maintained roads the District would need to submit an "Application for Encroachment Permit". If the County determines that the roads are in their system and do not object to the grading, then a "Letter of No Objection" would be issued. LAFCO has informed Newberry CSD of the County's response and application process.

While the intent and purpose for providing the service are a benefit to the community, the extent of the road grading without authorization and the lack of adherence to CSD Law, LAFCO Law, and County Public Works/Transportation application requirements described above is a serious concern to the Commission. Further the District in written correspondence has indicated that it intends to continue providing this service even though it has neither LAFCO authorization nor County permission. It is the Commission's recommendation that Newberry CSD immediately submit the application materials, including a plan for services and the County's Letter of No Objection to LAFCO so that Commission consideration for activation can commence to secure compliance with applicable provisions of law.

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

The District experiences financial challenges stemming from lack of incoming revenue each year in comparison to annual expenditures. The ongoing operations of the District are primarily funded by property taxes. Fire protection and related activities comprise the largest expense and its cost increases annually. The District does not adhere to the constitutional requirements for the establishment of an appropriations limit and statutes related to finances of a community services district.

Community Services District Law (Government Code Section 61000 et seq.) promotes financial accountability by requiring:

- An adopted budget (§61110 et seq.) – CSD Law requires the adoption of an annual budget and requires the general manager to forward a copy of the final budget to the county auditor. Newberry adopts annual budgets. Newberry's budget provided for FY 2008-09 does not provide any revenue sources and does not provide a figure for the fund balance carried forward. According to staff at the County Auditor-Controller/Recorder, the District is current.
- Adoption of annual appropriations limits under the Gann Initiative (§61113) – Article XIIIB of the State Constitution (Gann Limit) mandates local Government agencies to establish an appropriations limit, which is further acknowledged by Government Code 61113. In 1977-78 the tax rate of the District was \$0.9110 per \$100 of assessed value. The District falls within the requirements of Article XIIIB of the State Constitution, as it was over the \$0.125 (12 ½ cents) per \$100 of assed value tax rate in 1977-78, and therefore, must have an appropriations limit.

After meeting with LAFCO, the District is now aware of the requirement for annual appropriations limits. Newberry staff has informed the Commission that it obtained the formula to establish an appropriations limit from the County Auditor and is attempting to contact personnel at the County Auditor Property Tax Division to help establish the appropriations limit. Although Newberry does not have an appropriations limit, the District is making a fair attempt to comply with the Gann Limit.

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- Regular audits and annual financial reports (Sections 26909 and 61118) – Section 26909 of the Government Code requires regular audits of district accounts and records, which is further acknowledged by Government Code 61118. Additionally, CSDs are required to forward their audits to the State Controller and County Auditor. According to records on file at the State Controller and County Auditor, the last audit received for Newberry CSD was for FY 2006-07 received in January 2009.

The District's most recent audit submitted for this review is for FY 2006-07 and financial transaction reports were submitted for FY 2005-06 and 2006-07. Since the last audit performed was for FY 2006-07, a comprehensive review of the District's finances could not be completed. The materials provided do, however, reveal that nearly all of the District's revenues are from the receipt of the District's share of the one percent ad valorem property tax. Additionally, in FY 2004-05 the Kiewit Pacific Corporation provided a one-time \$350,000 donation to the District to garner support for operation of a rock quarry and asphalt batch plant for approximately two years in the southern portion of the district.

The District states that the lump-sum donation was deposited into a dedicated fund. Since the receipt of the funds, capital purchases have been comprised of the purchase of the road grader and a 2007 Ford 350 Type 6 Brush Engine. It cannot be determined from what fund the purchases were made because the District did not have a capital projects fund for those years. When comparing the year-end balance of \$496,906 from the FY 2004-05 audit with the year-end balance of \$320,401 from the FY 2006-07 financial transaction report, the District's funds decreased by \$176,505. In addition it is understood that an annual allocation of funds is made to the community senior center to support its operations.

The District provides for the maintenance of 39 streetlights, which includes the payment of electricity charges for their operation. However, for FY 2005-06 and 2006-07 the District identifies its expenditures for this service as being \$32,377 and \$29,270 respectively. No clarification of this expenditure has been received.

The District is dependent on its share of the one-percent general levy and grants and rebates. The information provided indicates that this is not enough to fund capital and needed improvements for the long-term.

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## Newberry CSD Financial Transaction Report Summary

Activity	Total Revenues	Total Expenditures	Net Income (Loss)	Total Debt
<b>FY 2006-07</b>				
Fire Protection	\$ 113,179	\$ 174,866	\$ (61,687)	\$ 49,410
Lighting and Lighting Maintenance	\$ 2,032	\$ 29,270	\$ (27,238)	\$ -
Recreation and Park	\$ 91,550	\$ 143,990	\$ (52,440)	\$ -
<b>Total</b>	<b>\$ 206,761</b>	<b>\$ 348,126</b>	<b>\$ (141,365)</b>	<b>\$ 49,410</b>
<b>FY 2005-06</b>				
Fire Protection	\$ 121,765	\$ 125,038	\$ (3,273)	\$ 72,292
Lighting and Lighting Maintenance	\$ 1,723	\$ 32,377	\$ (30,654)	\$ -
Recreation and Park	\$ 77,746	\$ 61,574	\$ 16,172	\$ -
<b>Total</b>	<b>\$ 201,234</b>	<b>\$ 218,989</b>	<b>\$ (17,755)</b>	<b>\$ 72,292</b>
<b>FY 2004-05</b>				
Fire Protection	\$ 91,753	\$ 100,327	\$ (8,574)	\$ 105,401
Lighting and Lighting Maintenance	\$ 1,576	\$ 1,596	\$ (20)	\$ -
Recreation and Park	\$ 422,103	\$ 59,674	\$ 362,429	\$ -
<b>Total</b>	<b>\$ 515,432</b>	<b>\$ 161,597</b>	<b>\$ 353,835</b>	<b>\$ 105,401</b>
Note: Includes \$350,000 one-time donation from Kiewit Foundation				

source: State of California. California State Controller. *Special Districts Annual Report*, for fiscal years 2004-05, 2005-06, and 2006-07.

### Salaries and Stipends

For FY 2007-08, the district budgeted \$43,270 for salaries and stipends.

Salary/Stipend	FY 2007-08
Administrator Salary	\$ 9,600
Chairperson Stipend	\$ 6,000
Secretary Salary	\$ 7,500
Fire Department Stipend	\$ 16,570
Caretaker Salary	\$ 3,600
<b>Total</b>	<b>\$ 43,270</b>

According to the Fiscal Year 2007-08 budget, the Caretaker's Salary is \$3,600. The Commission is not aware if Newberry CSD rents the caretaker's residence to the caretaker at a reduced rate and if the district identifies it as a paid benefit subject to income tax withholding.

### Fire Department

Revenues for the Fire Department are comprised of billing for services, monies received by the Newberry CSD, and grants. According the documents provided by the district, residents within the district are not charged for fire and emergency medical services. As a cost recovery mechanism, non-residents are billed for emergency services. Because Newberry CSD utilizes property tax revenues to fund its operations, the Fire Department relies upon grants to fund its ongoing activities and special projects. According to the budget, grants are a significant source for the acquisition of

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equipment, are sought to promote public safety, and will be the primary source for disaster planning, mitigation and response projects in the future. The District applied for three grants during FY 07-08:

- Firefighter Assistance Grant – for fire and emergency response equipment, \$52,920. The Department applied for but has not yet been approved for the grant.
- Community Development Block Grant – for medical equipment, \$18,787. The Fire Department applied for and has been approved for this grant.
- Homeland Security Grant – for purchase of a cargo trailer with generator to house and respond with rescue equipment, \$11,500. The District has applied for but has not yet received the grant.

The Commission has a concern that grants will be the primary source for disaster planning, mitigation and response projects in the future. Grants are not a steady source of revenue, and the dependence on grants is an indicator of the challenges that the district will encounter in the short and long-run to support ongoing maintenance and operation of fire and safety services.

### Newberry CSD activities

The District's general budget is for the District's activities, excluding fire, and includes payroll and operations and maintenance. As for revenues, the budgets do not break-down the sources of revenues. Rather, revenues are simply listed as Deposits, Funds Transferred, and Interest. Further, revenues are not differentiated between the Fire Department and remainder of the district's activities. A more detailed revenue section of the budget is needed in order to adequately review the revenue stream and the distribution of revenues among its activities. However, the annual Final Transaction Reports that the District files with the State Controller does break down the revenue by source and activity. The Commission recommends that the District incorporate a revenue breakdown in future budgets. The District has indicated that it is developing a general ledger type of accounting that will provide for better accounting and data presentation.

Newberry CSD is not authorized by LAFCO to perform road services, yet has purchased a road grader from one-time donation funds. According to the budgets the annual costs for operating and maintaining the road grader are roughly \$5,000 per year. The costs identified for the grader are for supply, repair, wages, fuel, upgrade, and insurance, no identification of salary for operator was included. Funding to support the on-going costs come from revenue sources that also pay for the authorized services (fire protection, park and recreation, and streetlighting).

### Outstanding Debt

In January 2009 the District made the final payment to Kansas State Bank of Manhattan for the purchase of a fire truck. The District states that it currently does not have any outstanding debt.

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

Newberry CSD does not currently share facilities with other agencies.

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

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### Local Government Structure and Community Service Needs

Newberry is an independent district and is governed by a five-member board of directors. Representation on the board of directors is at-large and members are voted by the electorate or are appointed by the County Board of Supervisors. A review of the County Registrar of Voters records indicates that within the past ten years, the district has had elections in 2001, 2003, and 2007. As of August 14, 2008, the district had 1,001 registered voters. Below is the composition of the board, their positions, and terms of office as of November 1, 2008:

Board Member	Title	Term
Sandra Wise Brittian	Chair (President)	2009
Diana Williams	Finance Officer	2009
Wesley S. Sperry	Director	2009
Debbie Farrington	Vice Chair (Vice President)	2011
Robert Royalty	Director	2011

Newberry contracts with an administrative consultant to function as the general manager. The contracted person also is an elected official and full-time employee for another local government agency. Office hours for the district are Tuesday, Wednesday, and Thursday from 9:30 am – 2:30 pm. The Commission has a concern regarding the office hours of the district in relation to the contracted general manager being an elected official and employee for another local Government agency. This situation does not allow for the supervision of the District office staff during office hours and could conflict with their other position. This, in the Commission's position, does not lend to available and responsive governance of an agency.

Also employed by Newberry are a caretaker that handles facility upkeep and minor repairs and a secretary. On March 10, 2009 the Newberry CSD board included the duties of the Treasurer with the position of the secretary. This position is bonded through the Special Districts Risk Management Authority. The board appoints a volunteer Fire Chief to run the Fire Department.

Board hearings are held on the fourth Tuesday of each month at 6:00 p.m. at the Newberry Community Center. Agendas are posted 72 hours prior to regularly scheduled hearings and 24 hours prior to special hearings. Newberry has a website to inform the residents of activities, events, and district services. Residents can also use the website to submit comments and concerns.

Newberry operates with an annual balanced budget. The budget is adopted at a public hearing and the public is invited to attend the budget workshops. The board is provided with a monthly finance report, and a quarterly finance report is available to the public and available at the general manager's office. An independent bookkeeper accounts for Newberry's finances. The general manager processes payroll and payments with the Finance Director overseeing the process.

### Operational Efficiency

The District participates in the Special Districts Risk Management Authority, a joint-powers authority, for general insurance and workers compensation. The district also participates in the Electronic Clean-up Program for the Daggett, Yermo, and Newberry communities. The communities rotate the drop-off location in order to assist residents.

Newberry participates in the disaster council made up of volunteer citizens of the Daggett, Yermo, and Newberry communities and meets to discuss community safety issues. The Council has established its mission and has begun the process of utilizing resources to create its disaster plan.

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FEMA representatives provided a three-day training session. There is no memorandum of understanding at this time.

### Government Structure Options

There are two types of government structure options:

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

### Out-of-Agency Service Agreements:

The District does not currently provide services outside its boundaries.

### Government Structure Options:

The District, in preparing the municipal service review, did not indicate that there were consolidations or other structure options available. While the discussion of some government structure options may be theoretical, a service review should address all possible options.

- Dissolution of the district. The community has a present and probable need for municipal services, and dissolution of the district is not desirable, let alone feasible at this time. Rather, more effective and responsive Government is needed for the community in addition to the growing activities and traffic along Interstates 15 and 40.
- Removal of the district's fire protection powers with County Fire as the successor. One theoretical possibility would be to remove the district's fire protection powers, expand the sphere of influence of the San Bernardino County Fire Protection District, and concurrently annex the territory to County Fire and its North Desert Service Zone. The Board of Supervisors would be the ex-officio board of directors, and County Fire would then succeed to the property tax revenues attributable to fire protection of the District.

While there are benefits to regionally providing fire protection services and potential economies of scale that could be achieved, neither the District nor County Fire has indicated support for this option due to the limited financial resources available. Without the revenues, the Commission suggests that the potential for joint powers contracts to achieve economies of scale or functional consolidations of service for the area should be evaluated by the existing agencies.

- Consolidation with the two adjacent community services districts. Consolidation would allow for economies of scale and provide the opportunity for streamlined governance and compliance with CSD Law.
- Maintain the district in its current status. In this option, there are no changes to the District and it is the option supported by the District as identified in responses received during the review of the draft report and conveyed during the January 21, 2009 community meeting.



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

### **1. Present and Planned Uses:**

The vast majority of the lands within the District are assigned designations of Resource Conservation (allowing one unit to 40 acres) and varying levels of Rural Living by the County General Plan. Other land use designations include Agricultural, Commercial (Industrial and Highway), Freeway, Regional Industrial, Residential Single, and Open Space. This community is not anticipated to experience significant growth within the coming years due to about one-fifth of the land being publicly owned, the low-density land use designations assigned by the County, the historically low growth rate, the lack of a municipal-type water provider, and the surrounding geographic barriers.

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

Lack of municipal level water and sewer service throughout the region hinders the growth of the community and the needed revenue associated with growth to maintain municipal services. Although the district is rural and agricultural in nature, the populated center is anticipated to support growth based upon the general plan land use designations assigned by the County of San Bernardino. A municipal water service provider to serve the populated center of the community would provide a reliable and safe source of water for domestic, industrial, commercial, and fire protection uses.

The entirety of the community utilizes on-site wastewater disposal through septic tanks or leach field systems. This service deficiency limits the development capacity for the community. The District does not currently provide sewer service and there are no other existing entities available to provide sewer service. County Service Area 70 overlays the entirety of the community and is authorized sewer functions; however, County policy and practice requires the creation of improvement zones in order to deliver the service. Although authorized sewer service, Newberry does not actively provide the service but has the power in order to plan for a sewer collection and treatment system and respond on any potential utilization of package treatment plants.

The District experiences challenge related to fire protection services given the limited resources available, and is reliant upon other fire protection agencies for mutual aid to fulfill this mission. The need for fire services is also anticipated to remain constant within the district but the needs of the transient traffic along Interstates 15 and 40 and the railroads traveling through the area will increase as traffic is anticipated to increase.

The need for park and recreation is anticipated to generally remain constant as the population is not anticipated to increase significantly.

The need for streetlighting is also anticipated to remain generally constant. Southern California Edison owns the streetlights, and the district provides for payment of the utility costs for operation of the streetlights. There are no plans at this time to increase the number of the streetlights. There is no other existing service provider for streetlights in the area even though County Service Area 70 overlays the entirety of the community and is authorized streetlighting services, and the service is adequately provided. The future need for streetlights will increase as the population grows, dependent upon the implementation of the County's Night Sky Ordinance within this portion of the desert. The purpose of the Night Sky Ordinance is to encourage outdoor lighting practices and systems that will minimize light pollution, conserve energy, and curtail the degradation of the

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nighttime visual environment. Future developments may require public streetlights for major intersections for public safety purposes.

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

The park and recreation services are adequately met by the District but they are generally dependent upon grants for improvements and construction.

The District is authorized by LAFCO to provide fire protection services. As of January 2009 has two operational fire stations, and provides for a fire master plan identifying its operations and future considerations.

The District experiences financial challenges stemming from lack of revenue in comparison to expenditures. The operations of the district are funded by its share of the ad valorem property taxes. Fire protection and related activities comprise the largest expense and increase annually. Moreover, a comprehensive review of the district's finances could not be completed due to the lack of current audits. Further the District does not adhere to certain statutes related to finances of a community services district. Of concern to the Commission is the current and future viability of the District. A review of the financial documents indicates that the District does not receive enough incoming revenue to adequately support the ongoing operations of the district.

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

The social community of interest is the District and its residents. Economic communities of interest are the Interstate 15 and 40 corridors, agriculture, mining industries, and the Silver Valley Unified School District.

### 5. Additional Determinations

- Legal advertisement of the Commission's consideration has been provided through publication in *The Desert Dispatch* through a publication of an 1/8<sup>th</sup> page legal ad, as required by law. In accordance with Commission Policy #27, an 1/8<sup>th</sup> page legal ad was provided in lieu of individual notice because the service review for the community, in aggregate, would have exceeded 1,000 notices.
- As required by State Law, individual notification was provided to affected and interested agencies, County departments, and those agencies and individuals requesting mailed notice.
- Comments from landowners/registered voters and any affected agency were reviewed and considered by the Commission in making its determinations.

**WHEREAS**, pursuant to the provisions of Government Code Section 56425(i) the range of services provided by the Newberry Community Services District shall be limited to the following:

**RESOLUTION NO. 3064**

	FUNCTIONS	SERVICES
<b>Newberry Community Services District</b>	Water	Management, domestic use, irrigation, sanitation, industrial, fire protection, recreation
	Fire Protection	Structural, watershed, suppression, prevention
	Streetlighting	Streetlighting
	Park and Recreation	Local park development, operation, maintenance
	Sewer	Planning and engineering

**WHEREAS**, having reviewed and considered the findings as outlined above, the Commission determines to affirm the existing sphere of influence for the Newberry Community Services District;

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

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

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

**AYES:** **COMMISSIONERS:** Cox, Curatalo, Derry, McCallon, Mitzelfelt, Nuaimi, Pearson

**NOES:** **COMMISSIONERS:** None

**ABSENT:**                      **COMMISSIONERS:** Biane (Commissioner Derry voting in his stead)


\*\*\*\*\*

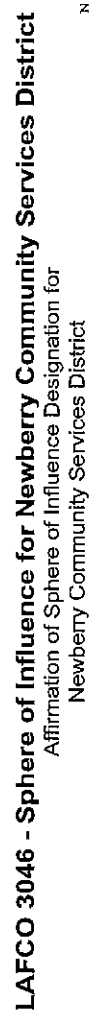
STATE OF CALIFORNIA )  
 ) ss.  
COUNTY OF SAN BERNARDINO )

RESOLUTION NO. 3064

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 15, 2009.

DATED: July 16, 2009

  
KATHLEEN ROLLINGS-McDONALD  
Executive Officer



### **3. Salaries of General Managers from Comparable CSDs**

**Attachment 3**

## **Salaries for General Managers of Comparable CSDs**

<b>District Name</b>	<b>General Manager Regular Salary</b>
El Dorado Hills Community Services District	\$40,558
Greenhorn Creek Community Services District	41,555
Morongo Valley Community Services District	41,562
McCloud Community Services District	42,116
El Dorado Hills Community Services District	46,632
Tenaja Community Services District	47,606
Cuyama Community Services District	48,266
Los Osos Community Services District	48,761
Manila Community Services District	49,920
Gold Mountain Community Services District	51,900
Baker Community Services District	53,941
East Quincy Community Services District	54,115
California Pines Community Services District	55,833
Saddle Creek Community Services District	57,881
Esparto Community Services District	60,000
Covelo Community Services District	60,156

sources: State Controller, Government Compensation website, 2012

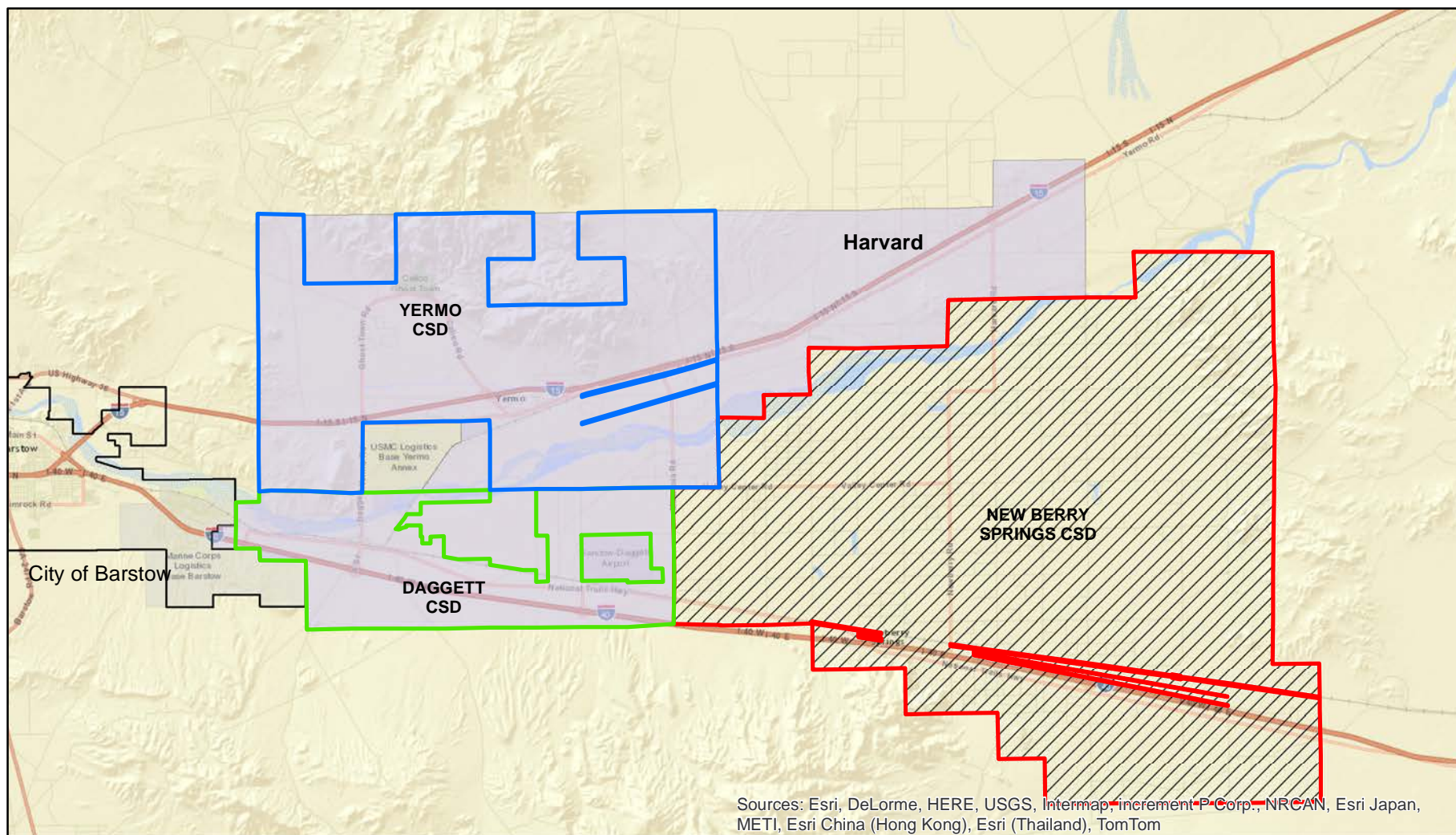
## **4. Maps**

### **a. Location**

**Attachment 4a**



# Daggett, Newberry Springs, & Yermo



- |   |  |
|---|--|
| <span style="border: 2px solid green; display: inline-block; width: 20px; height: 10px; vertical-align: middle;"></span> Daggett CSD            | <span style="border: 2px solid red; display: inline-block; width: 20px; height: 10px; vertical-align: middle;"></span> Newberry CSD  |
| <span style="border: 2px solid blue; display: inline-block; width: 20px; height: 10px; vertical-align: middle;"></span> Yermo CSD               | <span style="display: inline-block; width: 20px; height: 10px; border: 1px solid black; background: repeating-linear-gradient(45deg, transparent, transparent 2px, black 2px, black 4px); vertical-align: middle;"></span> Newberry sphere |
| <span style="background-color: #d8bfd8; display: inline-block; width: 20px; height: 10px; vertical-align: middle;"></span> Daggett Yermo sphere |  |

0 1 2 4 Miles

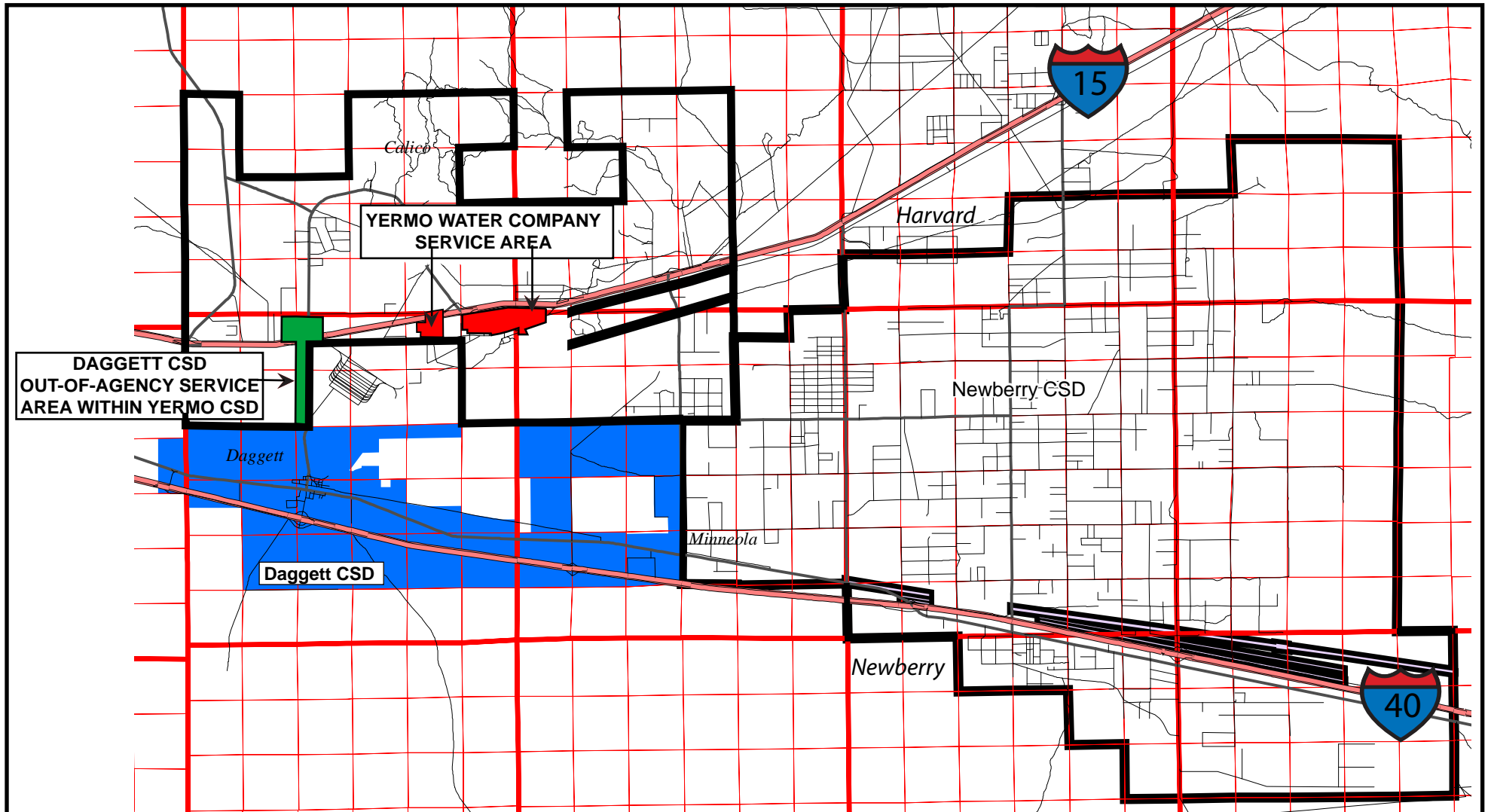





## **4. Maps**

### **b. Water Providers**

**Attachment 4b**

# Water Providers within the Daggett, Newberry, and Yermo Communities



-  Daggett CSD
-  Daggett CSD Out-of-Agency Service Area Within Yermo CSD
-  Yermo Water Company



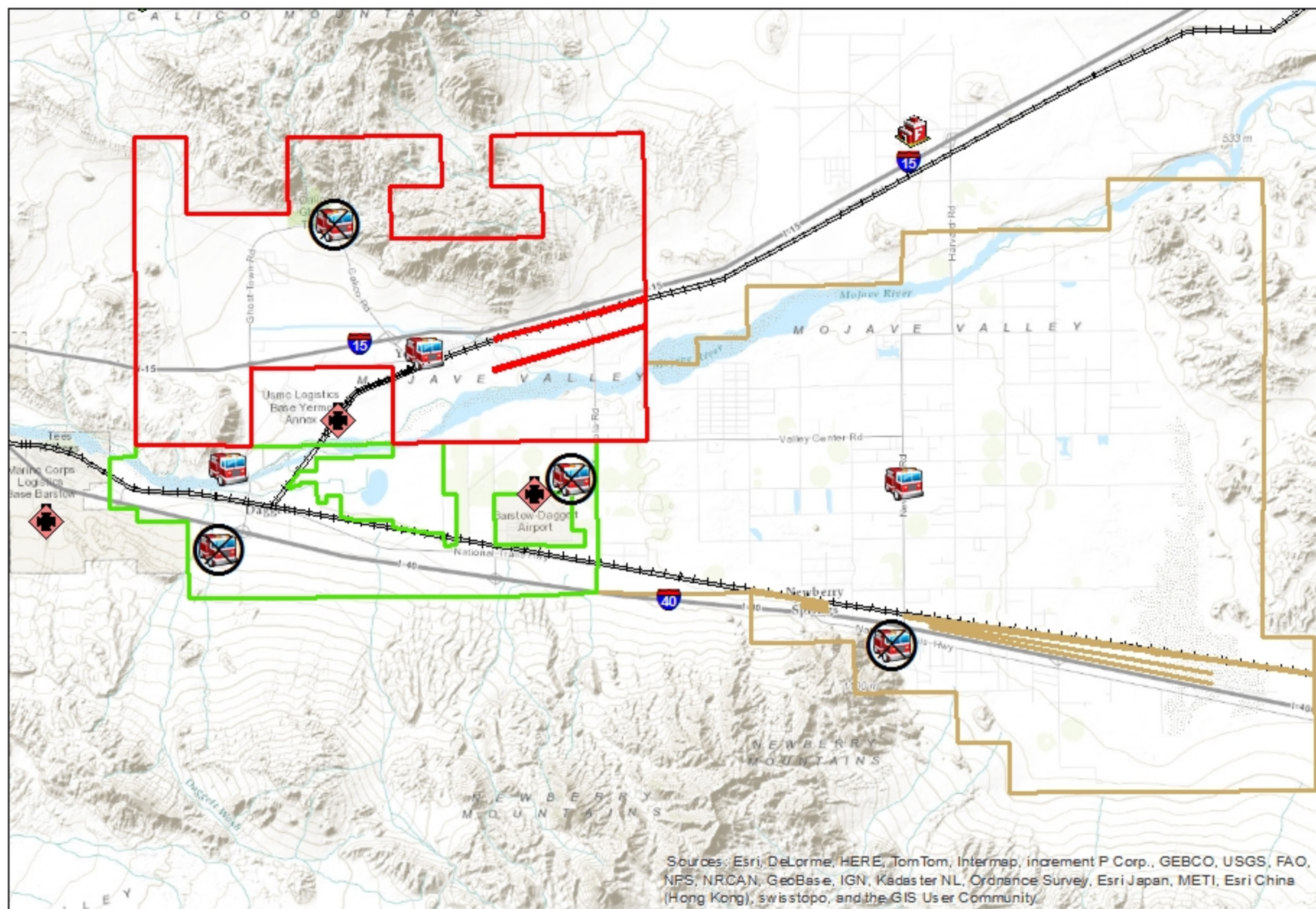
## **4. Maps**

### **c. Fire Stations Locations**

**Attachment 4c**



# Fire Stations



0 1 2 4 Miles

Yermo CSD  
Daggett CSD  
Newberry CSD

Railroads  
Inactive Station

CSD Volunteer Fire Station  
SB County FPD - Paid Call Station  
Military Station



**5. Daggett Community Services District**

**a. Audit for FY 2011-12**

**Attachment 5a**

**DAGGETT  
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS**  
(With Independent Auditor's Report Thereon)

**June 30, 2012**

DAGGETT COMMUNITY SERVICES DISTRICT  
AUDIT REPORT  
FOR THE YEAR ENDED JUNE 30, 2012

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David Whitford, Jr. CPA  
CERTIFIED PUBLIC ACCOUNTANT

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(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies  
Practice Section of the AICPA and  
The California Society of Certified  
Public Accountants*

### Independent Auditor's Report

Board of Directors  
Daggett Community Services District

I have audited the accompanying financial statements of the governmental activities and the major fund of the Daggett Community Services District, as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. My responsibility is to express opinions on these financial statements based on my audit.

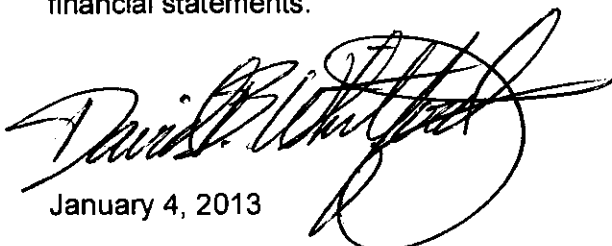
I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Daggett Community Services District as of June 30, 2012, and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Budgetary and comparison information, on pages 16 through 19, are not a required part of the basic financial statements but are supplementary information required by accounting principals generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Daggett Community Services District's basic financial statements. The supplementary information contained on pages 20 and 21 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and, accordingly, I express no opinion on it.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



January 4, 2013

**DAGGETT COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET/STATEMENT OF NET ASSETS**  
**GOVERNMENT WIDE**  
**June 30, 2012**

	General Fund	Reconciling Items	Governmental Activities	Business-Type Activities	Statement of Net Assets
<b><u>Assets:</u></b>					
Cash and investments	158,753	-	158,753	92,865	251,618
Taxes Receivable	16,451	-	16,451	-	16,451
Accounts Receivable	-	-	-	24,230	24,230
Prepaid Expenses	-	-	-	-	-
Land	-	31,679	31,679	10,280	41,959
Other Capital Assets, net of accumulated depreciation (Note B)	-	-	-	-	-
	-	120,609	120,609	261,709	382,318
Amount to be Provided for Bond Issue	32,096	-	32,096	-	32,096
Prepaid Expenses	11,652	-	11,652	-	11,652
<b>Total Assets</b>	<b>218,952</b>	<b>152,288</b>	<b>371,240</b>	<b>389,084</b>	<b>760,324</b>
<b><u>Liabilities:</u></b>					
Accounts Payable	3,642	-	3,642	8,290	11,932
Salaries and Benefits Payable	5,241	-	5,241	6,836	12,077
Deferred Revenue	15,671	(15,671)	-	-	-
Bond Issue Payable	38,000	-	38,000	44,050	82,050
<b>Total Liabilities</b>	<b>62,554</b>	<b>(15,671)</b>	<b>46,883</b>	<b>59,176</b>	<b>106,059</b>
<b><u>FUND BALANCE / NET ASSETS</u></b>					
Fund Balance:					
Reserved for Bond Payment	1,000				
Reserved for Park Development	2,207				
Unreserved	153,191				
<b>Total Fund Balance</b>	<b>156,398</b>	<b>(156,398)</b>			
<b>Total Liabilities and Fund Balances</b>	<b>218,952</b>				
<b><u>Net Assets:</u></b>					
Invested in Capital Assets net of related debt		152,288	152,288	271,989	424,277
Interfund Transfers		131,680	131,680	(131,680)	-
Unrestricted		40,389	40,389	189,599	229,988
<b>Total Net Assets</b>		<b>-</b>	<b>324,357</b>	<b>329,908</b>	<b>654,265</b>

See Accountant's Report and accompanying notes

**DAGGETT COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF REVENUE, EXPENDITURES, AND FUND BALANCE**  
**GOVERNEMENT WIDE**  
**For The Fiscal Year Ended June 30, 2012**

	Government Funds	Reconciling Items	Governmental Activities	Business-Type Activities	Statement of Activities
<b>REVENUES</b>					
Property Taxes	97,610	2,726	100,336	-	100,336
Use of Money and Property	1,467	-	1,467	57	1,524
Water Utility Fund	-	-	-	171,979	171,979
Other Revenue	-	-	-	6,854	6,854
Total Revenue	99,077	2,726	101,803	178,890	280,693
<b>EXPENDITURES</b>					
Personal Services	52,306	-	52,306	25,594	77,900
Fire	24,747	-	24,747	-	24,747
Parks	24,934	-	24,934	-	24,934
Street Lighting	4,778	-	4,778	-	4,778
Water Services	-	-	-	115,831	115,831
Administration	29,996	-	29,996	-	29,996
Depreciation	-	9,614	9,614	-	9,614
Capital Outlay	-	-	-	-	-
Debt Services					
Bond Principle Retirement	4,000	-	4,000		4,000
Bond Interest and Fees	2,000	-	2,000	2,453	4,453
Capital Lease Interest and Fees					
Total Expenditures	142,761	9,614	152,375	143,878	296,253
Excess of Revenue over/(under) Expenditures	(43,684)	(6,888)	-	35,012	35,012
Change in Net Assets	-		(50,572)	-	(50,572)
Prior Year Adjustment	(177)	-	(177)		(177)
Fund Balance / Net Assets June 30, 2011	131,761	-	314,046	351,923	665,969
Prior Period Correction	-	-	792	3,241	4,033
Fund Balance / Net Assets June 30, 2011 as corrected	-	-	314,838	355,164	670,002
Interfund Transfers Water Utility Fund	60,268	-	60,268	(60,268)	-
Interfund Transfers Park Fund	-	-	-		-
Fund Balance / Net Assets June 30, 2012	148,168	-	324,357	329,908	654,265

See Accountant's Report and accompanying notes

**DAGGETT COMMUNITY SERVICES DISTRICT**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2012**

	General Fund	Reconciling Items	Governmental Activities
<b>Assets</b>			
Cash and Investments	158,753	-	158,753
Taxes Receivable	16,451	-	16,451
Accounts Receivable	-	-	-
Prepaid Expenses	-	-	-
Land	-	31,679	31,679
Other Capital Assets, net of accumulated depreciation (Note B)	-	-	-
	-	120,609	120,609
Amount to be Provided for Bond Issue	32,096	-	32,096
Prepaid Insurance	11,652	-	11,652
<b>Total Assets</b>	<u>218,952</u>	<u>152,288</u>	<u>371,240</u>
<b>Liabilities</b>			
Accounts Payable	3,642	-	3,642
Salaries and Benefits Payable	5,241	-	5,241
Deferred Revenue	15,671	(15,671)	-
Bond Issue Payable	38,000	-	38,000
<b>Total Liabilities</b>	<u>62,554</u>	<u>(15,671)</u>	<u>46,883</u>
<b>Fund Balance / Net Assets</b>			
Fund Balance:			
Reserved for Bond Payment	1,000		
Reserved for Park Development	2,207		
Unreserved	153,191		
<b>Total Fund Balance</b>	<u>156,398</u>	(156,398)	
<b>Total Liabilities and Fund Balances</b>	<u>218,952</u>		
<b>Net Assets:</b>			
Invested in Capital Assets, net of related debt		152,288	152,288
Interfund Transfers		131,680	131,680
Unrestricted		40,389	40,389
<b>Total Net Assets</b>		<u>-</u>	<u>324,357</u>

See Accountant's Report and accompanying notes

**DAGGETT COMMUNITY SERVICES DISTRICT  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUND TYPES  
For the Fiscal Year Ended June 30, 2012**

	General Fund	Debt Service Fund	Reconciling Items	Statement of Activities
<b>REVENUES</b>				
Taxes	91,328	6,282	2,726	100,336
Use of Money and Property	1,467	-	-	1,467
Aid from Other Government Agencies	-	-	-	-
Other Revenue	-	-	-	-
<b>Total Revenue</b>	<b>92,795</b>	<b>6,282</b>	<b>2,726</b>	<b>101,803</b>
<b>EXPENDITURES</b>				
Personal Services	52,306	-	-	52,306
Fire	24,747	-	-	24,747
Parks	24,934	-	-	24,934
Street Lighting	4,778	-	-	4,778
Administration	29,996	-	-	29,996
Depreciation	-	-	9,614	9,614
Capital Outlay	-	-	-	-
Debt Services				
Bond Principle Retirement		4,000		4,000
Bond Interest and Fees	-	2,000	-	2,000
Capital Lease Interest and Fees	-	-	-	-
<b>Total Expenditures</b>	<b>136,761</b>	<b>6,000</b>	<b>9,614</b>	<b>152,375</b>
Excess of Revenue over (under) Expenditures	(43,966)	282	(6,888)	
Change in Net Assets	-	-		(49,780)
Prior Year Adjustment	(177)	-	(177)	(177)
Fund Balance / Net Assets June 30, 2011	126,139	5,622	-	314,046
Interfund transfers Water Utility Fund	60,268	-	-	60,268
Interfund transfers Park Fund	-	-	-	-
Fund Balance /Net Assets June 30, 2012	<u>142,264</u>	<u>5,904</u>	<u>-</u>	<u>324,357</u>

See Accountant's Report and accompanying notes

DAGGETT COMMUNITY SERVICES DISTRICT  
BUSINESS-TYPE BALANCE SHEET  
WATER UTILITY FUND  
June 30, 2012

**ASSETS**

Cash and Investments	92,865
Accounts Receivable	24,230
Land	10,280
Other Capital Assets, net of accumulated depreciation (see note B)	261,709
<b>Total Assets</b>	<u>389,084</u>

**LIABILITIES**

Accounts Payable	8,290
Salaries and Benefits Payable	6,836
Deferred Revenue	-
Bond Issue Payable	
Due within one year	5,000
Due one year after	39,050
<b>Total Liabilities</b>	<u>59,176</u>

**NET ASSETS**

Invested in Capital Assets, net of related debt	271,989
Interfund Transfers	(131,680)
Unrestricted	189,599
<b>Total Net Assets</b>	<u>329,908</u>

See Accountant's Report and accompanying notes

**DAGGETT COMMUNITY SERVICES DISTRICT  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGE IN FUND EQUITY  
WATER UTILITY FUND  
For the Fiscal Year Ended June 30, 2012**

**OPERATING REVENUES**

Water Sales	
Residential	43,048
Business	128,931
<b>Total Revenue</b>	<u>171,979</u>

**OPERATING EXPENDITURES**

Salaries & Employee Benefits	
Regular Salaries	21,666
Employee Benefits	3,928
<b>Total Salaries &amp; Employee Benefits</b>	<u>25,594</u>

**SERVICES AND SUPPLIES**

Communications	1,877
Insurance	-
Maintenance - Equipment	40,929
Maintenance - Structure	-
Office Expense	5,148
Auditing	3,600
Rent and Leases	-
Water Testing	2,664
Utilities	34,160
Depreciation and Amortization	19,105
Water master	6,256
Miscellaneous	2,092
<b>Total Services and Supplies</b>	<u>115,831</u>

<b>Total Operating Expenditures</b>	<u>141,425</u>
-------------------------------------	----------------

Income/(Loss) from Operations	<u>30,554</u>
-------------------------------	---------------

**NON-OPERATING REVENUE**

Interest	57
Connection Fee	70
Other	6,784
<b>Total Non-Operating Revenue</b>	<u>6,911</u>

**OTHER NON-OPERATING ITEMS**

Interest on Long Term Debt	(2,453)
<b>Total Other Non-Operating Items</b>	<u>(2,453)</u>

**NET INCOME (LOSS)**

35,012

Net Assets - June 30, 2011	351,923	
Prior Period Correction	<u>3,241</u>	
Net Assets - June 30, 2011, as Corrected		<u>355,164</u>
Interfund Transfers		(60,268)
Retained Earnings, June 30, 2012		<u>329,908</u>

See Accountant's Report and accompanying notes

**DAGGETT COMMUNITY SERVICES DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**WATER UTILITY FUND**  
For the Fiscal Year Ended June 30, 2012

<b>Cash Flow from Operating Activities</b>	
Net income from operation	38,253
<b>Adjustment to Reconciled Net Income to Net Cash</b>	
<b>Provided by Operating Activities:</b>	
Depreciation expense	19,106
Prior Period Correction	-
Change in accounts receivable	(3,003)
Change in interfund transfers	(60,268)
Change in accounts payable	5,574
Change in other current liabilities	2,570
Change in intangible assets	-
<b>Net Cash Provided by (used by) Operating Activities</b>	<u>2,232</u>
<b>Cash Flows from Investment Activities</b>	
Investment in Water Rights	-
Investment in fixed assets	-
<b>Net Cash Provided by (used by) Investing Activities</b>	<u>-</u>
<b>Cash Flows from Financing Activities</b>	
Change in long term liabilities	<u>(5,000)</u>
<b>Net Cash Provided by (used by) Financing Activities</b>	<u>(5,000)</u>
Net increase (decrease) in cash	<u>(2,768)</u>
Cash at beginning of period	<u>95,633</u>
Cash at end of period	<u><u>92,865</u></u>
<b>Composition of Cash At Period End</b>	
Cash on hand and in checking	70,486
Cash in savings	<u>22,379</u>
<b>Total Composition of Cash at Period End</b>	<u><u>92,865</u></u>

See Accountant's Report and accompanying notes



DAGGETT COMMUNITY SERVICES DISTRICT  
June 30, 2012

**NOTES TO THE FINANCIAL STATEMENTS**

**Summary of significant accounting policies:**

The District has two funds for recording monies. The General fund receives and disburses all monies for the regular business of the district which is fire, lighting and parks. A Debt Service Fund collects tax revenues and pays the interest and principal on the General Obligation Bonds.

The Water Utility Fund is a separately maintained proprietary account for receipts and disbursements of water delivery items, including the Revenue Bonds.

**Basis of Accounting:**

The accounts of the District are organized on the basis of funds or groups of accounts, each of which is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the statement of net assets net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

**Cash**

Cash held by the District at June 30, 2012, consisted of the following:

Petty Cash	35
On deposit	<u>251,583</u>
Total	<u><u>251,618</u></u>

**Deposits and Investments**

The District has adopted an investment policy in accordance with Section 53601 of the California Government Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies

DAGGETT COMMUNITY SERVICES DISTRICT  
June 30, 2012

**NOTES TO FINANCIAL STATEMENTS**

**Deposits and Investments (continued)**

- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.

The deposits of the District are entirely insured or collateralized with securities held by the District or held by its agent in the name of the District.

**Account Group**

The accounting and reporting treatment applied to the General Fixed Assets associated with a fund is determined by its measurement focus. All Governmental Funds are accounted for on a spending or "financial flow" measurement focus.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. The long term debt is recorded in the Debt Service account group.

**Property Taxes**

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied, provided it is collected within 60 days of the end of the fiscal year.

**Accounting Estimates**

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

**Risk Management**

The District is exposed to various risks of loss related to torts; theft of or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended June 30, 2011, the District has provided for protection against possible losses with insurance.

**Taxes Receivable**

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Deferred taxes represent the portion of the levied tax revenue

DAGGETT COMMUNITY SERVICES DISTRICT  
June 30, 2012

NOTES TO FINANCIAL STATEMENTS

**Taxes Receivable (continued)**

that is not expected to be received and available for use within 60 days of the fiscal year end.

	General Fund	Statement of Net Assets
County Tax Revenue	-	2,726
Deferred Tax Revenue	15,671	-
	<u>15,671</u>	<u>2,726</u>

**NOTE B: CAPITAL ASSETS**

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in the government wide financial statements are capitalized at cost, or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received. Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method.

A summary of changes in capital assets is as follows:

GENERAL FUND				
Assett ( at cost):	Beginning Balance	Additions	Retirements	Ending Balance
Land	\$ 31,679	\$ -	\$ -	\$ 31,679
Structures and improvements	248,417	-	-	248,417
Equipment	240,604	-	-	240,604
<b>Total Assets (at cost)</b>	<b>\$ 520,700</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 520,700</b>
Allowance for Depreciation and Amortization	Beginning Balance	Additions	Deletions	Ending Balance
Structures and improvements	133,727	6,910	-	\$ 140,637
Equipment	225,072	2,703	-	227,775
Intangible Cost	-	-	-	-
<b>Total Depreciation and Amortization</b>	<b>\$ 358,799</b>	<b>\$ 9,613</b>	<b>\$ -</b>	<b>\$ 368,412</b>

DAGGETT COMMUNITY SERVICES DISTRICT  
June 30, 2012

NOTES TO FINANCIAL STATEMENTS

WATER FUND

<u>Assets (at cost):</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Land	\$ 10,280	\$ -	\$ -	\$ 10,280
Structures and improvements	337,698	-	-	337,698
Equipment	995,911	-	-	995,911
Intangible cost	112,415	-	-	112,415
<u>Total Assets (at cost)</u>	<u>\$ 1,456,304</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,456,304</u>

<u>Allowance for Depreciation and Amortization</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Structures and improvements	188,336	11,524	-	\$ 199,860
Equipment	889,435	7,582	-	897,017
Intangible cost	87,438	-	-	87,438
<u>Total Depreciation and Amortization</u>	<u>\$ 1,165,209</u>	<u>\$ 19,106</u>	<u>\$ -</u>	<u>\$ 1,184,315</u>

The District General Fund has one bond issue outstanding as follows:

<u>1979 General Obligation Bond - 5% Interest</u>	<u>Balance June 30, 2011</u>	<u>Paid</u>	<u>Balance June 30, 2012</u>
	<u>\$ 42,000</u>	<u>\$ 4,000</u>	<u>\$ 38,000</u>

The Balance is payable as follows:

FYE: June 30, 2013	\$ 3,000
FYE: June 30, 2014	3,000
FYE: June 30, 2015	3,000
FYE: June 30, 2016	3,000
FYE: June 30, 2017 and thereafter	26,000
	<u>\$ 38,000</u>

**DAGGETT COMMUNITY SERVICES DISTRICT**  
June 30, 2012

**NOTES TO FINANCIAL STATEMENTS**

**Budgetary Procedure**

Prior to the beginning of each fiscal year, the Board of Directors adopts and files an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes, with the San Bernardino Auditor-Controller. The source of financing for these cost and reserve requirements are; 1) the available fund balance carried forward from the preceding year; 2) revenue other than property taxes, and 3) property taxes. Each year appropriations lapse at year end.

**Accounts Receivable**

Accounts receivable reflect monies due at the fiscal year end that were received and available for use within 60 days of that date.

	<u>General Fund</u>
County Tax Revenue	<u>\$3,210</u>
	<u>Water Company</u>
Receivable from Customers	<u>\$24,230</u>
	<u>Debt Service</u>
County Tax	<u>\$0</u>

The Water Utility Fund has one bond issue outstanding as follows:

<u>1980 Revenue Bonds -</u>	Balance		Balance
<u>5% Interest</u>	June 30, 2011	Paid	June 30, 2012
	\$ 49,050	\$ 5,000	\$ 44,050

The Principal is payable as follows:

FYE: June 30, 2013	\$ 4,000
FYE: June 30, 2014	4,000
FYE: June 30, 2015	4,000
FYE: June 30, 2016	4,000
FYE: June 30, 2017 and thereafter	28,050
	<u>\$ 44,050</u>

**DAGGETT COMMUNITY SERVICES DISTRICT**  
**Comparative Statement of Revenues,**  
**Expenditures and Change in Fund Balances**  
**General Fund**  
**For the Fiscal Years Ended June 30, 2011 and June 30, 2012**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	General Fund 2011	General Fund 2012	Difference
<b>REVENUE</b>			
Taxes	90,221	91,328	1,107
Use of Money and Property	865	1,467	602
Aid from Other Government Agencies	-	-	-
Other Revenue	-	-	-
<b>Total Revenue</b>	<b>91,086</b>	<b>92,795</b>	<b>1,709</b>
<b>EXPENDITURES</b>			
Personal Service	17,393	52,306	34,913
Fire	22,778	24,747	1,969
Parks	22,950	24,934	1,984
Street Lighting	3,693	4,778	1,085
Administration	17,442	29,996	12,554
Capital Outlay	-	-	-
Debt Service			
Bond Principal Retirement	-	-	-
Bond Interest and Fees	-	-	-
<b>Total Expenditures</b>	<b>84,256</b>	<b>136,761</b>	<b>52,505</b>
Excess of Revenue over (under) Expenditures	6,830	(43,966)	(50,796)
Prior Year Adjustment	(3)	(177)	
Fund Balance June 30, 2010 & 2011	96,958	126,139	
Interfund transfers Water Utility	22,354	60,268	
Interfund transfers Park Fund	-	-	
Fund Balance June 30, 2011 & 2012	<u>126,139</u>	<u>142,264</u>	

**DAGGETT COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenditures and Change**  
**In Fund Equity, Budget, and Actual**  
**General Fund**  
**For the Fiscal Year Ended June 30, 2012**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	Budget 2012	Amounts 2012	Over/(Under) Budget
<b>Revenue:</b>			
Taxes	78,000	91,328	13,328
Use of Money and Property	2,300	1,467	(833)
Aid from Other Government Agencies	-	-	-
Other Revenue	9,600	-	(9,600)
<b>Total Revenue</b>	89,900	92,795	2,895
<b>Expenditures</b>			
Personal Services	24,000	52,306	28,306
Fire	9,500	24,747	15,247
Parks	3,500	24,934	21,434
Street Lighting	3,300	4,778	1,478
Administration	40,600	29,996	(10,604)
Capital Outlay	9,000	-	(9,000)
Debt Service			
Bond Principal Retirement	-	-	-
Bond Interest and Fees	-	-	-
Capital Lease Interest and Fees	-	-	-
<b>Total Expenditures</b>	89,900	136,761	46,861
Excess of Revenue over (under) Expenditures	-	(43,966)	(43,966)
Prior Year Adjustment	-	(177)	(177)
Fund Balance June 30, 2011	-	126,139	
Interfund transfers Water Utility Fund	-	60,268	
Interfund transfers Park Fund	-	-	
Fund Balance June 30, 2012	-	142,264	

**DAGGETT COMMUNITY SERVICES DISTRICT**  
**Comparative Statement of Revenues,**  
**Expenditures and Change in Fund Equity**  
**Water Utility Fund**  
**For the Fiscal Years Ended June 30, 2011 and 2012**  
**REQUIRED SUPPLEMENTARY INFORMATION**

	Actual 2011	Actual 2012	Difference
<b>OPERATING REVENUES</b>			
Water Sales			
Residential	40,807	43,048	2,241
Business	122,201	128,931	6,730
<b>Total Revenue</b>	<b>163,008</b>	<b>171,979</b>	<b>8,971</b>
<b>OPERATING EXPENDITURES</b>			
Salaries & Employee Benefits			
Regular Salaries	18,589	21,666	3,077
Employee Benefits	1,964	3,928	1,964
<b>Total Salaries &amp; Employee Benefits</b>	<b>20,553</b>	<b>25,594</b>	<b>5,041</b>
<b>SERVICES AND SUPPLIES</b>			-
Communications	1,890	1,877	(13)
Insurance	-	-	-
Maintenance - Equipment	16,545	40,929	24,384
Maintenance - Structure	(3,379)	-	3,379
Office Expense	3,171	5,148	1,977
Auditing	9,450	3,600	(5,850)
Rent and Leases	1,697	-	(1,697)
Water Testing	1,020	2,664	1,644
Transportation and Travel	-	-	-
Utilities	29,545	34,160	4,615
Depreciation and Amortization	19,604	19,105	(499)
Watermaster	682	6,256	5,574
Miscellaneous	748	2,092	1,344
<b>Total Services and Supplies</b>	<b>80,973</b>	<b>115,831</b>	<b>34,858</b>
<b>Total Operating Expenditures</b>	<b>101,526</b>	<b>141,425</b>	<b>39,899</b>
<b>Income/ (Loss) From Operations</b>	<b>61,482</b>	<b>30,554</b>	<b>(30,928)</b>
<b>NON-OPERATING REVENUE</b>			-
Interest	69	57	(12)
Connection Fee	70	70	-
Other	1,255	6,784	5,529
<b>Total Non-Operating Revenue</b>	<b>1,394</b>	<b>6,911</b>	<b>5,517</b>
<b>OTHER NON-OPERATING ITEMS</b>			
Interest on Long Term Debt	(2,703)	(2,453)	250
<b>Total Other Non-Operating Items</b>	<b>(2,703)</b>	<b>(2,453)</b>	<b>250</b>
<b>Net Income (Loss)</b>	<b>60,173</b>	<b>35,012</b>	<b>(25,161)</b>
Retained Earnings, June 30, 2010 and 2011	314,071	351,923	
Prior Year Correction	33	3,241	
Retained Earnings, June 30, 2010 and 2011, As Corrected	314,104	355,164	
Interfund Transfers	(22,354)	(60,268)	
Retained Earnings, June 30, 2011 and 2012	351,923	329,908	



**DAGGETT COMMUNITY SERVICES DISTRICT**  
**Statement of Revenues, Expenditures**  
**And Change in Fund Equity, Budget and Actual**  
**Water Utility Fund**  
**For the Fiscal Year Ended June 30, 2012**

	Budget 2012	Actual 2012	Over/(under) Budget
<b>OPERATING REVENUES</b>			
Water Sales			
Residential	-	43,048	-
Business	-	128,931	-
<b>Total Revenue</b>	<b>79,855</b>	<b>171,979</b>	<b>92,124</b>
<b>OPERATING EXPENDITURES</b>			
Salaries & Employee Benefits			
Regular Salaries	16,000	21,666	5,666
Employee Benefits	3,950	3,928	(22)
<b>Total Salaries &amp; Employee Benefits</b>	<b>19,950</b>	<b>25,594</b>	<b>5,644</b>
<b>SERVICES AND SUPPLIES</b>			
Communications	1,000	1,877	877
Insurance	1,730	-	(1,730)
Maintenance - Equipment	5,000	40,929	35,929
Maintenance - Structure	6,000	-	(6,000)
Office Expense	1,325	5,148	3,823
Auditing	2,100	3,600	1,500
Rent and Leases	1,000	-	(1,000)
Water Testing	1,500	2,664	1,164
Transportation and Travel	1,000	-	(1,000)
Utilities	25,000	34,160	9,160
Depreciation and Amortization	-	19,105	19,105
Watermaster	5,300	6,256	956
Miscellaneous	2,700	2,092	(608)
<b>Total Services and Supplies</b>	<b>53,655</b>	<b>115,831</b>	<b>62,176</b>
<b>Total Operating Expenditures</b>	<b>73,605</b>	<b>141,425</b>	<b>67,820</b>
Income/(Loss) From Operations	<b>6,250</b>	<b>30,554</b>	<b>24,304</b>
<b>NON-OPERATING REVENUE</b>			
Interest	-	57	57
Connection Fee	-	70	70
Other	-	6,784	6,784
<b>Total Non-Operating Revenue</b>	<b>-</b>	<b>6,911</b>	<b>6,911</b>
<b>OTHER NON-OPERATING ITEMS</b>			
Interest on Long Term Debt	(6,000)	(2,453)	(3,547)
<b>Total Other Non-Operating Items</b>	<b>(6,000)</b>	<b>(2,453)</b>	<b>(3,547)</b>
<b>NET INCOME (LOSS)</b>	<b>250</b>	<b>35,012</b>	<b>35,262</b>
Retained Earnings, June 30, 2010		351,923	
Prior Period Correction		3,241	
Retained Earnings, June 30, 2010, as Corrected		355,164	
Interfund Transfers		(60,268)	
Retained Earnings, June 30, 2011		329,908	

DAGGETT COMMUNITY SERVICES DISTRICT  
June 30, 2012

GENERAL INFORMATION

Type of Governmental Unit — Special District

Date of Formation — January 3, 1955

Statutory Authority — California Government Code,  
Section 61000, et seq., Title 6  
Division 2, Part 5.

Audit Period — July 1, 2011 thru June 30, 2012

Formed in County of — San Bernardino, California

Governing Body — Board of Directors

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Vacant	Director	November 2015
Mentie Hazelett	Director	November 2013
Robert Whipple	Director	November 2015
Joseph Morris, Jr.	Director	November 2013
Karen A. Golden	Director	November 2015

Other Officer — Beryl Bell  
Secretary

Method of Accounting — Modified Accrual / Accrual

Districts' Funds — General Fund  
Water Utility Fund  
Debt Service Fund

Location of Financial Records — 33703 Second Street  
Daggett, California 92327

Depository

Chase Bank  
1291 East Main Street  
Barstow, California 92311

San Bernardino County Treasurer  
County of San Bernardino  
San Bernardino, California

Union Bank of California  
239 East Main Street  
Barstow, California 92311

DAGGETT COMMUNITY SERVICES DISTRICT  
SUMMARY OF INSURANCE  
AS OF June 30, 2012

<u>COVERAGE</u>	<u>INSURING COMPANY</u>	<u>POLICY PERIOD</u>
<u>Fire, Lighting, Extended Coverage</u>	Special District Risk Management Authority (SDRMA)	July 1, 2011 to June 30, 2012
<u>Property and Contents</u> \$ 1,000,000,000	(SDRMA)	
<u>Property Coverage</u> \$ 50,000,000	Travelers Indemnity Policy Number KTJCMB230-T7858-98	
<u>Comprehensive General Liability</u> \$ 10,000,000		
<u>Auto Liability</u> \$ 10,000,000		
<u>Fidelity Bond</u> \$ 400,000	(SDRMA)	
<u>Excess Liability</u> \$ 10,000,000	Insurance Company of the State of Pennsylvania 4797-2053	
Worker's Compensation Insurance: All District employees are covered by State Compensation Insurance Fund Policy	State Compensation Insurance Fund FDAC - FASIS	

Note: See insurance papers and policies for actual terms and conditions.

**5. Daggett Community Services District**

**b. State Controller Report  
Submission for FY 2012-13**

**Attachment 5b**

# SPECIAL DISTRICTS FINANCIAL TRANSACTIONS AND COMPENSATION REPORT

## COVER PAGE

### Daggett Community Services District

SCO Reporting Year: **2013**

ID Number: **12053605600**

Fiscal Year Ended: 06/30/13 (MM/DD/YY)

**Certification:**

I hereby certify that, to the best of my knowledge and belief, the report forms fairly reflect the financial transactions of the district in accordance with the requirements as prescribed by the California State Controller.

District Fiscal Officer

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name (Please Print)

\_\_\_\_\_  
Date

**CLIENT COPY**

Per Government Code section 53891, this report is due within 90 days after the end of the fiscal year. If filed in electronic format, the report is due within 110 days after the end of the fiscal year. However, in the case of hospital districts, the report is due within 120 days after the end of the fiscal year.

Per Government Code section 26909, a copy of the independent audit is to be filed with the Controller within 12 months after the close of the fiscal year.

Please complete, sign, and mail this cover page to either address below.

**Mailing Address:**

State Controller's Office  
Division of Accounting and Reporting  
Local Government Reporting Section  
P. O. Box 942850  
Sacramento, CA 94250

**Express Mailing Address:**

State Controller's Office  
Division of Accounting and Reporting  
Local Government Reporting Section  
3301 C Street, Suite 700  
Sacramento, CA 95816



David B Whitford, Jr.

CERTIFIED PUBLIC ACCOUNTANT

4515 Central Ave., #202, Riverside, CA 92506  
(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies  
Practice Section of the AICPA and  
The California Society of Certified  
Public Accountants*

October 17, 2013

Board of Directors  
Daggett Community Services District  
Daggett, California 92327

Board of Directors

I have compiled the balance sheet of *Daggett Community Services District* at *June 30, 2013* and the statements of revenue and expenditures for the year then ended which are included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the California State Controller information that is the representation of management. I have not audited or reviewed the financial statements referred to above and accordingly do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the California State Controller, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.



David B. Whitford, Jr., CPA

CLIENT COPY

СТЕИНСОБА

**Daggett Community Services District**  
**Special Districts Financial Transactions Report**

**General Information**

Fiscal Year                      2013

**Mailing Address**

Street 1      33703 Second Street      ☐ Is Address Changed?  
Street 2      P.O Box 308  
City      Daggett      State      CA      Zip      92327-  
Email      daggettcsd@aol.com

**Members of the Governing Body**

	First Name	Middle Initial	Last Name	Title
Member	Joseph		Morris Jr	Director
Member	Karen		Golden	Director
Member	Mark		Staggs	Director
Member	Mentie		Hazelett	Director
Member	Robert		Whipple	Director
Member				
Member				
Member				
Member				

**Other Officials**

First Name	Middle Initial	Last Name	Title
Beryl		Bell	Secretary

**Report Prepared By**

First Name	Middle Initial	Last Name	Phone No
David	B	Whitford Jr	(951) 341-8344

**Independent Auditor**

First Name	Middle Initial	Last Name	Phone No
David	B	Whitford Jr	(951) 341-8344



**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Consolidated Balance Sheet**

Fiscal Year	2013	Assets						Total Memorandum Only
		General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	
Assets								
Cash and Cash Equivalents		137,112	5,596		115,999			\$258,707
Taxes Receivable		12,769						\$12,769
Interest Receivable								\$0
Accounts Receivable					28,982			\$28,982
Loans, Notes, and Contracts Receivable								\$0
Due from Other Funds								\$0
Inventory of Materials and Supplies								\$0
Other Current Assets								
Lease Payments Receivable								
Unearned Finance Charges								
Investments								\$0
Restricted Assets								
Deferred Charges								
Unamortized Discount on Long-Term Debt								
Other Assets								\$0
Fixed Assets								
Land					10,280	31,679		\$41,959
Buildings and Improvements					337,699	248,416		\$586,115
Equipment					1,108,326	240,604		\$1,348,930
Construction in Progress								\$0
Total Fixed Assets					\$1,456,305	\$520,699		\$1,977,004
Accumulated Depreciation					1,202,397	377,777		\$1,580,174
Net Fixed Assets					\$253,908	\$142,922		\$396,830
Other Debits								
Amount Available in Debt Service Funds							5,596	\$5,596
Amount to be Provided							28,404	\$28,404
Total Assets		\$149,881	\$5,596	\$0	\$398,889	\$142,922	\$34,000	\$731,288

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Consolidated Balance Sheet**

		Liabilities and Equity						
Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	Total Memorandum Only
<b>Liabilities and Equity</b>								
Accounts/Warrants Payable		2,580			6,653			\$9,233
Loans and Notes Payable								\$0
Interest Payable - Matured/Accrued								\$0
Other Current Liabilities		17,060			16,950			\$34,010
Compensated Absences Payable					7,612			\$7,612
Due to Other Governments								\$0
Due to Other Funds								\$0
<b>Long-Term Debt</b>								
General Obligation Bonds							34,000	\$34,000
Revenue Bonds					39,050			\$39,050
Certificates of Participation								\$0
Special Assessment								\$0
Federal								\$0
State								\$0
Time Warrants								\$0
Other Long-Term Indebtedness								\$0
Unamortized Premium on Long-Term Debt								
Advances for Construction								
Deferred Revenue								\$0
All Other Non-Current Liabilities								
<b>Total Liabilities</b>		\$19,640	\$0	\$0	\$70,265		\$34,000	\$123,905
<b>Fund Equity</b>								
Contributed Capital								
Investments in General Fixed Assets						142,922		\$142,922
<b>Retained Earnings</b>								
Reserved								
Unreserved					328,624			\$328,624
<b>Fund Balances</b>								
Reserved		3,302	5,596					\$8,898
Unreserved Designated								\$0
Unreserved Undesignated		126,939						\$126,939
<b>Total Fund Equity</b>		\$130,241	\$5,596	\$0	\$328,624	\$142,922		\$607,383
<b>Total Liabilities and Fund Equity</b>		\$149,881	\$5,596	\$0	\$398,889	\$142,922	\$34,000	\$731,288

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Long-Term Debt**

**General Obligation Bonds, Revenue Bonds, Certificates of Participation and Other**

<b>Fiscal Year</b>	2013	
District-wide or Improvement District/Zone		District-wide
Improvement/Zone (If Applicable)		
Type of Debt		General Obligation Bonds
Activity		Recreation and Park
Purpose of Issue		General Business of District
Nature of Revenue Pledged		Additional General Tax
Percent of Pledge		100.00
Year of Authorization		1979
Principal Amount Authorized		165,000
Principal Amount Issued		165,000
Beginning Maturity Date		1979
Ending Maturity Date		2019
<b>Principal Amount Unmatured, Beginning of Fiscal Year</b>		<b>\$38,000</b>
Adjustments - Increase (Decrease)		
Principal Amount Issued During Fiscal Year		
Principal Amount Matured During Fiscal Year		4,000
Principal Amount Defeased During Fiscal Year		
<b>Principal Amount Unmatured, End of Fiscal Year</b>		<b>\$34,000</b>
Principal Amount in Default, End of Fiscal Year		
Interest in Default, End of Fiscal Year		
Amount Held in Bond Reserve		

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Long-Term Debt**

**General Obligation Bonds, Revenue Bonds, Certificates of Participation and Other**

<b>Fiscal Year</b>	2013
District-wide or Improvement District/Zone	District-wide
Improvement/Zone (If Applicable)	
Type of Debt	Revenue Bonds
Activity	Water Enterprise
Purpose of Issue	Upgrade Delivery Service
Nature of Revenue Pledged	Additional Customer Fees
Percent of Pledge	100.00
Year of Authorization	1980
Principal Amount Authorized	131,700
Principal Amount Issued	131,700
Beginning Maturity Date	1980
Ending Maturity Date	2020
<b>Principal Amount Unmatured, Beginning of Fiscal Year</b>	<b>\$44,050</b>
Adjustments - Increase (Decrease)	
Principal Amount Issued During Fiscal Year	
Principal Amount Matured During Fiscal Year	5,000
Principal Amount Defeased During Fiscal Year	
<b>Principal Amount Unmatured, End of Fiscal Year</b>	<b>\$39,050</b>
Principal Amount in Default, End of Fiscal Year	
Interest in Default, End of Fiscal Year	
Amount Held in Bond Reserve	

**Daggett Community Services District**  
**Special Districts Financial Transactions Report**  
**Consolidation of Fund Equities and Transfers**

**Consolidation of Fund Equities and Transfers**

Fiscal Year 2013

	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds
<b>Consolidation of Fund Equities</b>				
<b>Non-Enterprise Activities</b>	\$130,241	\$5,596	\$0	
<b>Enterprise Fund Equities</b>				
Airport				\$0
Electric				\$0
Harbor and Port				\$0
Hospital				\$0
Waste Disposal				\$0
Water				\$328,624
<b>Total Ending Fund Equities</b>	\$130,241	\$5,596	\$0	\$328,624

	Transfers In A	Transfers Out B	Net C
<b>Consolidation of Transfers In and Transfer Out</b>			
General and Special Revenue Funds	\$0	\$0	
Debt Service Funds	\$0	\$0	
Capital Projects Funds	\$0	\$0	
<b>Enterprise Activities</b>			
Airport	\$0	\$0	
Electric	\$0	\$0	
Harbor and Port	\$0	\$0	
Waste Disposal	\$0	\$0	
Water	\$0	\$0	
<b>Total</b>	\$0	\$0	\$0

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Water Enterprise**

**Revenues, Expenses and Changes in Fund Equity**

Fiscal Year                      2013

**Operating Revenues**

**Water Sales**

Residential	42,000
Business	126,300
Industrial	
Irrigation	
Sales for Resale	
Interdepartmental	
All Other Sales	6,754

**Water Services**

Fire Prevention	
Ground Water Replenishment	
Standby or Availability Charges	
Service Type Assessments	
All Other	

**Total Operating Revenues**

\$175,054

**Operating Expenses**

**Source of Supply**

Water Purchases	15,000
Ground Water Replenishment	
Other	

**Other Operating Expenses**

Pumping	31,754
Water Treatment	8,212
Administration and General	58,374
Customer Accounts	
Transmission and Distribution	41,949
Depreciation and Amortization	18,080
Other	

**Total Operating Expenses**

\$173,369

**Operating Income (Loss)**

\$1,685

**Non-Operating Revenues**

Interest Income	
Rents, Leases and Franchises	

**Taxes and Assessments**

Current Secured and Unsecured (1%)	
Voter Approved Taxes	
Property Assessments	

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Water Enterprise**

**Revenues, Expenses and Changes in Fund Equity**

**Fiscal Year**                      2013

Special Assessments	
Prior Year Taxes and Assessments	
Penalties and Cost on Delinquent Taxes and Assessments	
<b>Federal</b>	
Aid for Construction	
Other Federal	
<b>State</b>	
Aid for Construction	
State Water Project	
Homeowners Property Tax Relief	
Timber Yield	
State Other and In-Lieu Taxes	
<b>Other Governmental Agencies</b>	
Redevelopment Pass-Through	
Other	
Other Non-Operating Revenues	
<b>Total Non-Operating Revenues</b>	\$0
<b>Non-Operating Expenses</b>	
Interest on Long-Term Debt	1,800
Other Interest	
Other Non-Operating Expenses	
<b>Total Non-Operating Expenses</b>	\$1,800
<b>Non-Operating Income (Loss)</b>	(\$1,800)
<b>Income (Loss) Before Operating Transfers</b>	(\$115)
Operating Transfers In (Intra-District)	
Operating Transfers Out (Intra-District)	
<b>Net Income (Loss)</b>	(\$115)
<b>Fund Equity, Beginning of Period</b>	\$328,739
<b>Contributed Capital</b>	
Federal	
State	
Other Governmental Agencies	
Non-Governmental Agencies	
Prior Period Adjustments	
Residual Equity Transfers	
Other	
<b>Fund Equity, End of Period</b>	\$328,624



**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Fire Protection		
<b>Taxes and Assessments</b>				
Current Secured and Unsecured (1%)		36,716		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		-4		
Penalties and Cost on Delinquent Taxes and Assessments				
<b>Licenses, Permits, and Franchises</b>				
<b>Fines, Forfeits, and Penalties</b>				
<b>Revenue From Use of Money and Property</b>				
Interest Income		27		
Rents, Concessions and Royalties				
<b>Federal</b>				
Aid for Construction				
Other Federal				
<b>State</b>				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		382		
Timber Yield				
Other State				
<b>Other Governmental Agencies</b>				
Redevelopment Pass-Through				
Other				
<b>Charges for Current Services</b>		57		
<b>Contributions From Property Owners</b>				
<b>Self Insurance Only</b>				
Member Contributions				
Claim Adjustments				
<b>Other Revenues</b>		1,057		
<b>Total Revenues</b>		\$38,235	\$0	\$0
<b>Expenditures</b>				
<b>Salaries and Wages</b>		10,831		
<b>Employee Benefits</b>		747		
<b>Services and Supplies</b>		32,968		
<b>Self Insurance Only - Claims Paid</b>				



**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Contributions to Outside Agencies				
<b>Debt Service</b>				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
<b>Fixed Assets</b>				
<b>Other Expenditures</b>				
<b>Total Expenditures</b>		\$44,546	\$0	\$0
<b>Revenues Over (Under) Expenditures</b>		(\$6,311)	\$0	\$0
<b>Financing Sources and Uses</b>				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
<b>Total Other Financing Sources (Uses)</b>		\$0	\$0	\$0
<b>Revenues/Sources Over (Under) Expenditures/Uses</b>		(\$6,311)	\$0	\$0
<b>Fund Equity, Beginning of Period</b>		\$90,808	\$0	\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
<b>Fund Equity, End of Period</b>		\$84,497	\$0	\$0

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Lighting and Lighting Maintenance		
<b>Taxes and Assessments</b>				
Current Secured and Unsecured (1%)		3,672		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments				
Penalties and Cost on Delinquent Taxes and Assessments				
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
<b>Revenue From Use of Money and Property</b>				
Interest Income		3		
Rents, Concessions and Royalties		16		
<b>Federal</b>				
Aid for Construction				
Other Federal				
<b>State</b>				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		38		
Timber Yield				
Other State				
<b>Other Governmental Agencies</b>				
Redevelopment Pass-Through				
Other				
<b>Charges for Current Services</b>				
<b>Contributions From Property Owners</b>				
<b>Self Insurance Only</b>				
Member Contributions				
Claim Adjustments				
<b>Other Revenues</b>				
<b>Total Revenues</b>		1		
<b>Expenditures</b>		\$3,730	\$0	\$0
Salaries and Wages				
Employee Benefits		1,083		
Services and Supplies		74		
Self Insurance Only - Claims Paid		6,457		

Revenues, Expenditures, Sources and Uses

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets				
Other Expenditures				
Total Expenditures		\$7,614	\$0	\$0
Revenues Over (Under) Expenditures		(\$3,884)	\$0	\$0
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)		\$0	\$0	\$0
Revenues/Sources Over (Under) Expenditures/Uses		(\$3,884)	\$0	\$0
Fund Equity, Beginning of Period		(\$35,171)	\$0	\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period		(\$39,055)	\$0	\$0

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Recreation and Park		
<b>Taxes and Assessments</b>				
Current Secured and Unsecured (1%)		49,929		
Voter Approved Taxes			5,384	
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		-6		
Penalties and Cost on Delinquent Taxes and Assessments				
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
<b>Revenue From Use of Money and Property</b>				
Interest Income		38	17	
Rents, Concessions and Royalties		435		
<b>Federal</b>				
Aid for Construction				
Other Federal				
<b>State</b>				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		534	91	
Timber Yield				
Other State				
<b>Other Governmental Agencies</b>				
Redevelopment Pass-Through				
Other				
<b>Charges for Current Services</b>				
<b>Contributions From Property Owners</b>				
<b>Self Insurance Only</b>				
Member Contributions				
Claim Adjustments				
<b>Other Revenues</b>				
<b>Total Revenues</b>		\$50,930	\$5,492	\$0
<b>Expenditures</b>				
Salaries and Wages		15,164		
Employee Benefits		1,568		
Services and Supplies		38,908		
Self Insurance Only - Claims Paid				

**Daggett Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Contributions to Outside Agencies				
<b>Debt Service</b>				
Retirement of Long-Term Debt			4,000	
Interest on Long-Term Debt			1,800	
Interest on Short-Term Notes and Warrants				
<b>Fixed Assets</b>				
<b>Other Expenditures</b>				
<b>Total Expenditures</b>		\$55,640	\$5,800	\$0
<b>Revenues Over (Under) Expenditures</b>		(\$4,710)	(\$308)	\$0
<b>Financing Sources and Uses</b>				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
<b>Total Other Financing Sources (Uses)</b>		\$0	\$0	\$0
<b>Revenues/Sources Over (Under) Expenditures/Uses</b>		(\$4,710)	(\$308)	\$0
<b>Fund Equity, Beginning of Period</b>		\$89,509	\$5,904	\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
<b>Fund Equity, End of Period</b>		\$84,799	\$5,596	\$0

**5. Daggett Community Services District**  
**c. Response to Draft Staff Report**

**Attachment 5c**

Daggett Community Services District  
33703 Second Street  
P. O. Box 308  
Daggett, California 92327

15 September 2014

Yermo Community Services District  
Attn: Robert Smith  
P.O. Box 206  
Yermo, CA 92398-0206

Gentlemen:

In accordance with LAFCO's letter dated 28 August 2014, the Daggett CSD has developed an agreement between the two districts for the use of the fire hydrants located in the boundaries of Yermo.

Please review and sign a copy of the agreement and return one copy to Daggett CSD.

Beryl Bell  
General Manager  
Daggett CSD

---

Agreement between Yermo CSD and Daggett CSD for use of the Fire Hydrants

The undersign agrees that Daggett CSD will exercise and flush out the fire hydrants that are part of the Daggett Water system and within the Yermo boundaries.

Yermo fire department has the right to use the fire hydrants in case of an emergency such as a fire to one of the structures.

Should the fire hydrant get damaged from Yermo's fire department, all cost for repair/replacement will be borne by the Yermo CSD.

Daggett CSD takes all responsibility for the operation and maintenance of the fire hydrants.

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Robert Smith, Yermo CSD President

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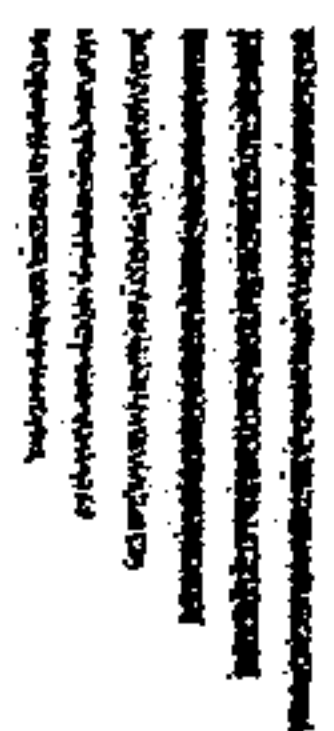
Joseph Morris Jr. Daggett CSD President



## **6. Newberry Community Services District**

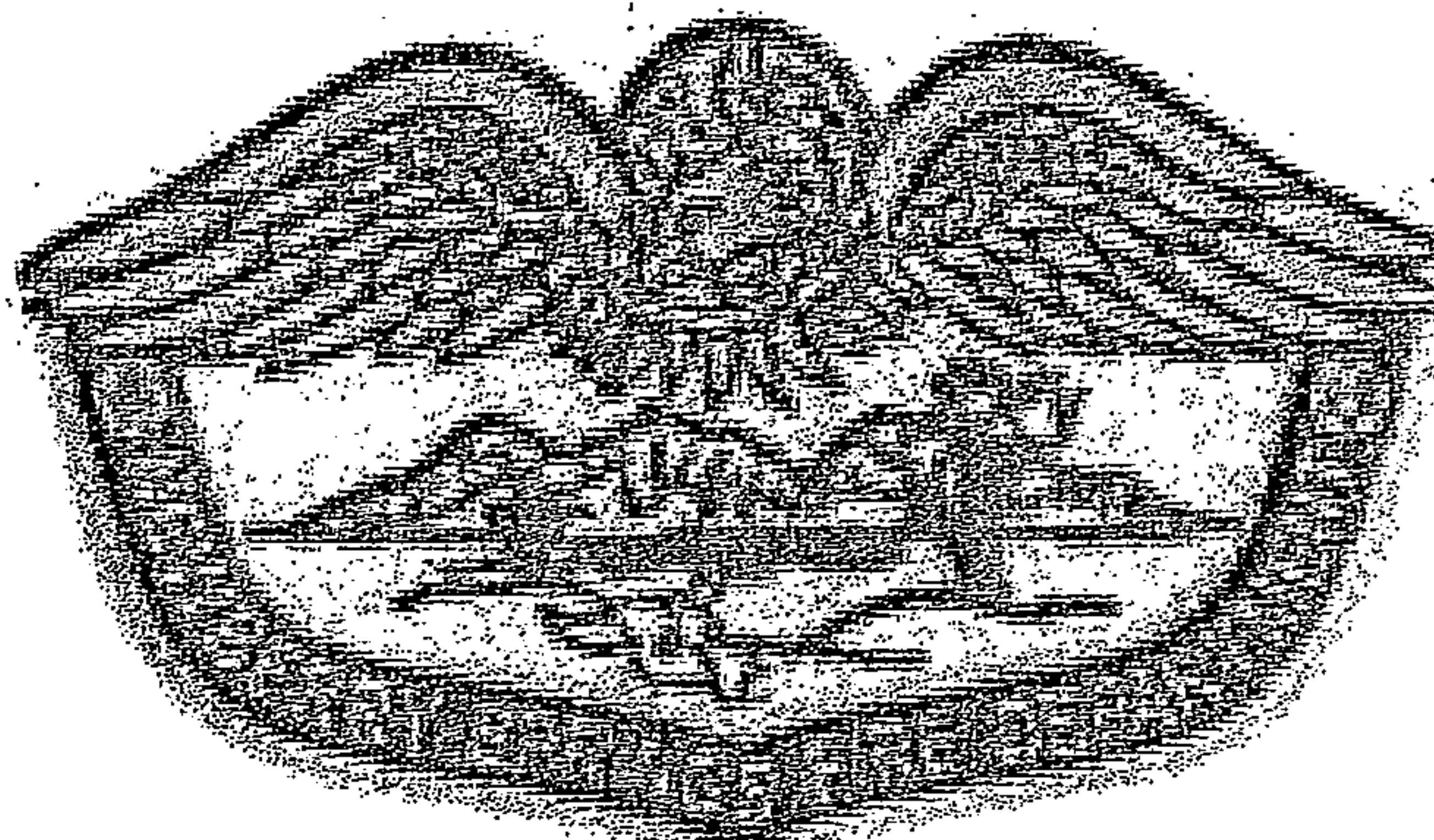
### **a. Fire Department Policy and Procedure Manual**

**Attachment 6a**



# Newberry Community Services District

Established 1958



RECEIVED  
MAY 29 2014

**LAFCO**  
San Bernardino County

## NEWBERRY SPRINGS VOLUNTEER FIRE DEPARTMENT POLICY AND PROCEDURE MANUAL Adopted May, 2014

Chief: Robert Rogers

Assistant Chief: Daphne Lanier

30884 Newberry Road, P.O. Box 206, Newberry Springs, Ca. 92365  
(760) 257-3613

NewberryCSD.net (Website) Newberrycsd@gmail.com (email)

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## **SECTION 101 - PROMOTIONS**

---

### **POLICY:**

- I. There shall be a promotion policy that identifies requirements and procedures for all promotions within the Newberry Springs Volunteer Fire Department.

### **PROCEDURE:**

- I. The position of Chief shall be appointed by the Newberry CSD Board.
- II. The position of Assistant Chief shall be appointed by the Fire Chief and approved by the Board of Directors.
  - A. Preferred Requirements:
    - 1. Five (5) years membership in the department.
    - 2. One (1) year as a fire combat line officer.
    - 3. Must meet NSVFD current training standards.
- III. The position of combat line officers shall be appointed by the Fire Chief and Assistant Chief.
  - A. Minimum Requirements:
    - 1. Three (3) years membership in the department. Exception: Two (2) years in the department and one (1) year in another department with documentation of training that meets our current training program.
    - 2. Must meet NSVFD current training standards.
  - B. Term in this position shall be until promoted to a higher position, member leaves the department, or demotion as per the department bylaws.
  - C. Combat line officer positions: Lieutenant and Captain.
  - D. Positions shall be filled at a ratio of one officer position for each five (5) firefighters in the department.
  - E. The number of officers in the department shall not drop below four (4). Their minimum will consist of Chief, Assistant Chief, Captain and Lieutenant.
  - F. Officers may have additional duties assigned at the discretion of the Chief or Assistant Chief.

## **SECTION 102 - FALSE ALARMS**

---

### **POLICY:**

- I. Assistance from San Bernardino County Sheriff's Department or California Highway Patrol personnel shall be requested to implement the enforcing actions identified on this section.
- II. A person is guilty of false reporting if he/she initiates a written or oral report or warning in an alleged or impending occurrence of a fire, explosion, crime, catastrophe, or emergency knowing that such a report is likely to cause evacuation of a building, place of assembly, or transportation facility, or to cause substantial public inconvenience or alarm.

- IV. The officer in charge on any scene shall acquire necessary information for the prosecution of individuals in violation of offences identified in this section.
- III. False Reporting:
  - A. When a Department member witnesses an individual initiating false reporting of a fire alarm, the member shall initiate the following action if willful disregard of occupant safety or malicious behavior is evident:
    - 1. Attempt to detain the individual, but at no risk of personal injury or property damage.
    - 2. Request police assistance through CalFire Dispatch if no police are on the scene.
    - 3. If individual leaves the scene, attempt to note any physical characteristics (type of clothing worn, approximate age, build, etc.) and direction of travel which may aid the police in their investigation.
  - B. If false reporting is unintentional or by accident:
    - 1. Attempt to detain the individual, but at no risk of personal injury or property damage.
    - 2. Request the assistance of police who may issue a citation.

---

#### **SECTION 103 - MILEAGE CLAIMS**

---

##### **POLICY:**

- I. Volunteers, when requested and pre-authorized by the Fire Chief or Assistant Chief to use their private automobiles in Department business or Training, shall be compensated at CSD rates.

##### **PROCEDURES:**

- I. Volunteers shall fill out the CSD reimbursement form.
- II. The Fire Chief or Assistant Chief shall verify and submit the form to the Treasurer for payment.

---

#### **SECTION 104 - FIRE DEPARTMENT RECORDS**

---

##### **POLICY:**

- I. The Chief of the Department is the overall custodian of all Fire Department records.
- II. The Incident Commander is responsible to fill out the incident report form carried in the apparatus. The Duty Officer will complete the run sheet form which is maintained in the station office.

## PROCEDURES:

### I. The records shall be filed under 6 major topics:

- A. Administration filed at CSD office.
  - 1. Newsletters & Memo's
  - 2. Letters incoming
  - 3. Letters outgoing
  - 4. Mutual aid contracts Annual response stats
- B. Apparatus & Equipment filed at fire office.
  - 1. Station inventory Apparatus inventory Fire Hose inventory Repair instructions Equipment inventory. Note: An apparatus inventory list shall be maintained and carried on each apparatus.
- C. Firefighting filed at the fire office.
  - 1. Field Incident Reports
  - 2. Pre-Fires
  - 3. Fire investigations
  - 4. Fire attendance
- D. Fire Prevention filed at the CSD office.
  - 1. Building inspections
  - 2. Special inspections Education
- E. Services filed at the fire office
  - 1. Apparatus Repair
  - 2. Purchase orders
  - 3. Vouchers
  - 4. Apparatus tests
  - 5. Hydrant information
  - 6. Station repairs
- F. Training & Personnel filed at CSD office.
  - 1. Discipline
  - 2. Pension Records
  - 3. Probationary reports Disability records
  - 4. Haz-Mat exposure forms
  - 5. Training schedules
  - 6. Training request forms House burn forms
  - 7. Training manuals
  - 8. Drill Attendance records
  - 9. Personnel records



II. General record retention schedule.

Run Reports	7 years
Fire investigation reports	9 years
Daily record of operations	3 years
Fire alarm response records	7 years
Fire alarm system drawings	life of service
Fire alarm maintenance records	3 years
Building inspection records	life of building
Department volunteer records	years of service
Apparatus records	years of service
Hazmat Exposure records	life of firefighter

---

**SECTION 105 - QUARTERLY PLANNING PROGRAM**

---

**POLICY:**

- I. A quarterly plan to define goals and objectives is to be completed prior to beginning each quarter of the year. The plan will be developed by the: Chief, Assistant Chief, and ranking officers. It is the responsibility of these members to implement the department goals and reach objectives. The quarters shall be: Jan-Mar, Apr-Jun, Jul-Sept, Oct-Dec.

**PROCEDURES:**

- I. The quarterly plan shall be divided into 4 sections.
- A. Apparatus and Equipment
  - B. Fire Prevention
  - C. ~~Fire Fighting/Pre-fire Planning~~
  - D. Training
- II. A brief outline describing how the goals are to be reached will be completed. The Planning Committee will go over the department goals at the end of each quarter and see what goals were reached. They will decide what steps need to be taken to complete goals that were not reached.

---

**SECTION 106 - JUNIOR FIREFIGHTERS (CADETS)**

---

Section pending establishment of an Explorer Post.



## **SECTION 107 - ANNUAL RESPONSE STATISTICS**

---

### **POLICY:**

- I. The Fire Chief shall submit annually a report of year-end response statistics. Such reports shall be submitted by January 31st of each year to the General Manager.

### **PROCEDURES:**

- I. The report shall be typewritten or computer generated.

## **SECTION 108 - LIMITED DUTY**

---

### **POLICY:**

- I. A volunteer firefighter may be assigned to Limited Duty on the mutual agreement of the member, the members Physician, the Fire Chief, and/or the Assistant Fire Chief.
- II. Termination of the Limited Duty status shall be with the signed release of the members Physician.

### **PROCEDURE:**

- I. When by mutual agreement the member's physician and the disabled member believe that the member is physically capable of performing a limited duty assignment, the member may request a signed release from the physician.
- II. Limited duty Assignments shall be based upon the needs of the Department and physical limitations determined by the member's treating physician.

## **SECTION 109 - APPLICATION TO ATTEND CLASSES, CONVENTIONS, SEMINARS WORKSHOPS, AND REIMBURSEMENT PROCEDURES**

---

Section pending.

## **SECTION 110 - FIRE DEPARTMENT SAFETY OFFICER**

---

### **POLICY:**

- I. The Newberry Springs Volunteer Fire Department shall have a Safety Officer to coordinate all safety programs in the Department.

PROCEDURE:

- I. The Safety Officer position shall be appointed by the Fire Chief and be responsible for the following:
  - A. All related safety programs and functions within the department.
  - B. Shall coordinate all safety-related training for the department.
  - C. Shall serve as chair on the Safety Committee.
  - D. Shall review and/or investigate all occupational injuries involving Department members.
  - E. Make recommendations to the Chief on accident/injury prevention.

---

**SECTION 111 - FIRE DEPARTMENT HIRING PROCEDURE**

---

POLICY:

- I. All applicants will be properly qualified for the position they are applying for before being issued protective gear and being permitted to run calls.

PROCEDURE:

- I. All applicants are required to pass a physical agility test(PAT) to verify their ability to meet the physical demands of the position they have applied for within 90 days of acceptance.
- II. All members will be added to the department's DMV "pull list".
  - A. A pattern of unsafe/negligent driving or unacceptable record will be grounds for termination/removal of applicant.
- III. All applicants will, at NSVFD's expense, provide a LiveScan report to include FBI, DOJ and DMV to the district. Forms will be obtained from the Fire Department with the application. While a conviction is not necessarily a disqualification, certain offences are not allowed by state law. These include but are not limited to felony convictions or crimes of moral turpitude. All convictions will be reviewed by staff for a determination.

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**SECTION 112 - POLICY RECEIPT AND ACKNOWLEDGEMENT**

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POLICY:

- I. All department members will receive a copy of these policies and subsequent additions/addendums.

PROCEDURE:

- I. ALL members of the department will be required to be given a copy of these policies and a signed written acknowledgement will be placed in their personnel folders. Subsequent amendments and additions will also require written acknowledgement.

## **SECTION 201 - PERSONNEL RULES & REGULATIONS**

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### **POLICY:**

- I. Personnel Rules and Regulations shall provide guidelines for personnel to complete their obligations and duties as members of the Newberry Springs Volunteer Fire Department.

### **PROCEDURES:**

- I. Station Conduct
  - A. Visitors shall be provided with an escort and shall be treated in a courteous manner.
  - B. Groups desiring to visit station shall phone 760-257-3163 and request to schedule and confirm the station visit.
  - C. Any person engaged in any selling shall have been granted permission from the Fire Chief or Assistant Chief to sell items at the Fire Station.
  - D. Firearms of any kind are positively prohibited at any time in fire stations, on apparatus or on Fire Department property. This restriction does not apply to weapons carried by Peace Officers.

## **SECTION 202 - DISCIPLINE**

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### **POLICY:**

- I. There shall be established a uniform discipline code for all members.

### **PROCEDURE:**

- I. Any member who violates, has been found to have violated, or attempts to violate any law of the United States of America, the State of California, local ordinances, or who violates or attempts to violate any rule or regulation, policy or procedure, written or verbal, or is incompetent to perform their duties is subject to appropriate disciplinary action.
- II. Final departmental disciplinary authority and responsibility rests with the Fire Chief.
- III. Complaints by citizens against members of the department shall be recorded and investigated by the Fire Chief or his designee as soon as possible. When investigation cannot be completed on the date it is received, a preliminary report will be prepared by the supervisor in charge, outlining the complaint and any action taken, and forwarded to the Fire Chief via the chain of command.



## **SECTION 203 - PERSONAL GROOMING**

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### **POLICY:**

- I. In order to maintain a safe working environment for all firefighters, there shall be a personal grooming standard.

### **PROCEDURE:**

- I. Earrings and rings that are overly large or ornate and will subject the individual to potential injury may not be worn when responding to alarms. Any jewelry that interferes with quick donning of turnout coats, mask and gloves are not permitted.
- II. The bulk or length of hair must not interfere with the normal wearing of helmet or protective equipment (mask).
- III. Sideburns shall not extend to the area on the face where the protective breathing apparatus makes its seal.
- IV. Beards, goatees, and/or face stubble that may interfere with the seal of protective breathing apparatus mask are not allowed on any member.

## **SECTION 204 - EQUAL EMPLOYMENT OPPORTUNITY PROGRAM**

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### **POLICY:**

- I. It is the policy of the Newberry Springs Volunteer Fire Department to provide a workplace for its members that is free from discrimination on the basis of race, color, sex, marital status, and sexual orientation, the presence of any sensory, mental or physical disability, political ideology, age, creed, religion, ancestry, or national origin.

### **PROCEDURE:**

- I. The Newberry Springs Volunteer Fire Department shall follow established best practices in regards to equal employment opportunities.
- II. A member who witnesses or is otherwise aware of any act believed to be discriminatory in any nature may:
  - A. Report such act to his/her officer.
  - B. Report such act to a CSD Board member.
  - C. Report such act to the Fire Chief.
  - D. Report such act to any agency responsible for investigating and resolving issues of discrimination.

## **SECTION 205 - SERIOUS INJURY OR DEATH**

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Section pending.

## **SECTION 206 - ALCOHOL/DRUG AND SMOKING POLICY**

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### **POLICY:**

- I. To establish responsibilities as they relate to individuals regarding alcohol/drug use and smoking while representing the Newberry Springs Volunteer Fire Department.

### **PROCEDURE:**

- I. The Newberry Springs Fire Department shall not allow smoking inside the fenced area of Station 392 nor in any apparatus.
- II. The Newberry Springs Volunteer Fire Department shall not allow the use any alcohol in the twelve (12) hours prior to reporting for duty.
- III. The Newberry Springs Volunteer Fire Department shall not allow the use of any illegal drug use nor the abuse of any prescribed drug.
- IV. Violation of these policies are subject to disciplinary action, up to and including immediate dismissal.

## **SECTION 207 - CRITICAL INCIDENT STRESS DEBRIEFING**

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### **POLICY:**

- I. There shall be established a critical incident stress debriefing to enable fire department personnel to minimize emotional trauma and be able to effectively deal with critical stress before job productivity, physical well-being, and emotional stability are affected.

### **PROCEDURE:**

- I. Any incident commander may request a critical incident debriefing. When requested, a Chief Officer will be informed.
- II. Any incident faced by emergency response personnel that causes them to experience unusually strong emotional involvement may qualify for critical incident debriefing. Examples include but are not limited to:
  - A. Serious injury or death of emergency personnel at a scene, in route to, or any other operations.
  - B. Mass casualty incident.
  - C. Suicide, injury, or death of someone known by the department.
  - D. Serious injury or death of a civilian resulting in reported emotional trauma or distress.
- III. San Bernardino County Fire shall be notified and a first level debriefer/ chaplain will be requested. The first level debriefer should be someone who is not part of the normal responding emergency work force.

## **SECTION 208 ETHICS POLICY**

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### **POLICY:**

- I. There shall be an ethics policy that provides guidelines for department members.

### **PROCEDURE:**

- I. Personnel shall not engage in activities that could be construed by the public as a waste of tax dollars or an abuse of their volunteer status.
- II. Members shall not engage in business that would be considered as a conflict of interest, illegal or immoral. Also, they may not use department apparatus, equipment, devices or other assets for conducting personal business.
- III. Members are forbidden to solicit or petition, influence or attempt to gain the intervention of any person outside the department for purposes of personal preferment, advantage, advancement, promotion or change of duty for themselves or any other member.

## **SECTION 209 - RETURN TO DUTY AFTER EXTENDED LEAVE**

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### **POLICY:**

- I. To ensure the safety of all members it is the policy of the department that members absent over 90 days must meet minimum standards before returning to combat duties.

### **PROCEDURE:**

- I. Members absent over 90 days must complete all quarterly drill requirements before being involved in interior fire operations.
- II. Members must have a doctor's release to return to active duty after a long term medical disability.

## **SECTION 301 - VEHICLE/EQUIPMENT MAINTENANCE**

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### **POLICY:**

- I. All members of the Newberry Springs Volunteer Fire Department shall be responsible for maintaining the vehicles and equipment in good working order.

### **PROCEDURE:**

- I. Vehicles and equipment shall have regular maintenance performed after each vehicle response and the first fifteen (15) minutes of each regularly scheduled training night.  
Exception: On training sessions where the vehicle will be operated the maintenance shall also be at the end of the training session.
- II. Vehicle Checks:



- A. The driver of each vehicle is responsible for conducting vehicle checks after each use.
  - 1. On classroom training session a driver will be assigned by the training officer.
- B. Equipment checks are the responsibility of the firefighters assigned to the vehicle for that training session or vehicle response.

III. Vehicle/Equipment problems:

- A. All problems shall be reported on the Vehicle Maintenance form maintained for each vehicle. The problem shall be reported to the officer in charge of the response or training session.
- B. Repairs will be in three (3) categories:
  - 1. Can be performed by existing personnel.
  - 2. Require additional training, to be performed by contracted member.
  - 3. Repairs to be performed by a qualified mechanic.
- C. Equipment Maintenance:
  - 1. The manufacturer's maintenance schedule and service recommendations shall be followed. Repair and maintenance documents are located in the department file cabinet.
  - 2. Any repairs shall be noted on the Vehicle Maintenance form.
  - 3. Equipment placed out of service shall be placed on the work bench with a note attached explaining the problem.
- D. Vehicle placed out of service:
  - 1. Whenever possible a vehicle shall be driven into the station nose first to signify it is out of service. An out of service sign shall be placed on the steering column.
  - 2. The Vehicle Maintenance form shall have out of service written across the line for that date. The exact problem shall be written on the bottom of the form in the comments section.

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**SECTION 302 - APPARATUS FUEL FILL-UP**

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POLICY:

- I. Fuel shall be purchased using the approved method.

PROCEDURES:

- I. Each apparatus shall use the appropriate purchasing card, the apparatus number and mileage shall be recorded on the gas receipt and signed by the operator/cardholder.
- II. The officer of the unit shall ensure that the mileage and engine hours are recorded in the vehicle log book.

- III. The cardholder shall be responsible for the receipt being filed in the receipt envelope at the fire station.

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### SECTION 303 - EQUIPMENT AND HOSE

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#### POLICY:

- I. There shall be guidelines established to cover the use of equipment and fire hose, in order to extend the life of the equipment.
- II. An equipment loan policy to provide a tracking system, name of the responsible party and the date of return shall be implemented.

#### PROCEDURE:

- I. All members shall receive training on department equipment prior to use. Training shall include the manufacturer's suggested use, cleaning and maintenance.
- II. No member of the Newberry Springs Volunteer Fire Department shall remove any piece of equipment from the premises or from any apparatus during a non-authorized activity without the permission of the officer in charge.
- III. When a member of the Newberry Springs Volunteer Fire Department resigns, is discharged or in any way terminates his/her services with the department, he/she shall surrender to a department officer all the property belonging to the fire department within fifteen (15) days.
- IV. Any loss of equipment shall be reported to a department officer and recorded on the apparatus maintenance form.
- V. Fire hose shall be maintained in a ready to use status at all times. Fire Hose exposed to petroleum products shall be cleaned with a mild soap. All Fire Hose should be washed when possible after each use.

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### SECTION 304 - DRIVING OVER HOSE

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#### POLICY:

- I. No person shall drive a vehicle over any unprotected fire hose or equipment of the Newberry Springs Volunteer Fire Department to be used in any Fire Department operation without the consent of the Fire Department official in command.

#### PROCEDURES:

- I. When a department member witnesses a motor vehicle crossing a hose line (charged or uncharged) or equipment during any Fire Department activity where hose lines or equipment are placed, the member shall initiate the following action:
  - A. When willful disregard for Department property or malicious behavior is evident:



1. Attempt to get the vehicle operator's attention and stop the vehicle, but not at risk of personal injury or property damage.
2. Request police assistance. Notify CalFire Dispatch to dispatch law enforcement if not already on the scene.
3. Advise the vehicle operator that he/she may be in violation of a County Ordinance and request vehicle operator to remain at the scene until arrival of a police officer.
4. If vehicle leaves scene, attempt to write down the vehicle license plate number, type of vehicle, number of occupants, direction of travel and any relevant conditions or circumstances that may aid the police in their investigation.

B. When violation is unintentional or by accident:

1. Attempt to get the vehicle operators attention and stop the vehicle, but not at risk of personal injury or property damage.
2. Advise the vehicle operator that he/she may be in violation of a County Ordinance and request vehicle operator to remain at the scene.
3. Request the assistance of the police who may issue a citation.

I. Damaged Hose

- A. If a visual inspection reveals that hose has been damaged: i.e., torn outer jacket, bent couplings, etc., the hose shall immediately be placed out of service and tagged.
- B. Hose that appears to have no physical damage shall be tested at 250 p.s.i. for 1 minute then raise the pressure to 400 p.s.i. for 5 seconds.
- C. If any damage results from the test, the hose shall be immediately be placed out of service.

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### SECTION 305 - FIRE FIGHTING FOAM

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Section pending.

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### SECTION 306 - SELF CONTAINED BREATHING APPARATUS

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POLICY:

- I. Approved Self-Contained Breathing Apparatus (SCBA) shall be used at all emergency fire incidents. This includes vehicle and dumpster situations where toxic or oxygen deficient atmospheres may be encountered. Firefighters on emergency medical service alarms are

not required to use SCBAs unless specifically directed by the Incident Commander. The use of SCBAs at grass and brush fires will be at the discretion of the Incident Commander.

**PROCEDURE:**

- I. All officers and acting officers shall be responsible for adherence to these standards.
- II. All firefighters/officers shall be responsible for replacement of air supplies and verification of daily/weekly checks and proper maintenance of SCBAs.
- III. All firefighters/officers that use SCBAs shall maintain the level of proficiency and associated testing required by Department standards.
- IV. All firefighters/officers shall be responsible for maintaining their SCBA face piece and breathing tube in proper operating condition.

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**SECTION 307 - INVENTORY**

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**POLICY:**

- I. An inventory of apparatus, equipment and station furnishings shall be done annually.

**PROCEDURE:**

- I. The station inventory shall be conducted using the station inventory form.
- II. A copy of the apparatus equipment inventory form shall be maintained on each apparatus. Equipment missing shall be noted in the vehicle maintenance form and an officer notified.
- III. Missing equipment or station furnishings shall be reported to a chief officer.

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**SECTION 308 - REPAIRS**

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Section pending.

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**SECTION 309 - MAINTENANCE OF COMMUNICATIONS EQUIPMENT**

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**POLICY:**

- I. The maintenance policy shall be followed by all Newberry Springs Volunteer Fire Department personnel.

PROCEDURE:

- I. Portable radios in need of repair shall be placed in the office with a written statement of the problem.
- II. Pagers in need of repair shall be placed in the office with a description of the problem or part broken.
- III. All communications equipment shall be taken to a qualified repair shop for repair.
- IV. Members needing new batteries shall return the old battery and receive a replacement.
- V. Pagers and portable radios are to be cleaned using a cloth dampened with water and mild dishwashing detergent or isopropyl alcohol.
- VI. Portable radios will be turned off while in the charger.

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**SECTION 310 - PERSONAL ALERT SAFETY SYSTEM**

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POLICY:

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department that all SCBA units have a Personal Alert Safety System (PASS) attached.
- II. PASS devices will be activated after donning the SCBA face piece and before entering any hazardous atmosphere.

PROCEDURE:

- I. Chief Officers shall be responsible for adherence to these standards by all department personnel.
- II. Members assigned responsibility for apparatus checks shall be responsible for verification of weekly checks of the PASS devices.
- III. Firefighters shall properly utilize the PASS devices and maintain the devices' operability according to the manufacturer's instructions.
- IV. All members shall receive proper training on the use of PASS devices.
- V. All PASS devices shall have their batteries changed twice a year, with the change noted on the vehicle maintenance form.
- VI. If a PASS device is found to be out of service, the SCBA shall not be used unless a working PASS device is attached.
- VII. Whenever a member enters an atmosphere requiring that a SCBA be donned, the attached PASS device shall be placed into operation in the "auto mode".



## SECTION 401 - FIRE OPERATIONS/GENERAL RULES

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### POLICY:

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department to follow established fire operation practices according to this Department Operating Instruction.

### RESPONSIBILITY:

- I. Newberry Springs Volunteer Fire Department Officers shall be responsible for the training and conduct of the department members in the application of the tactical operating procedures and general rules contained in this section.
- II. The Fire Chief shall be responsible for the uniform application of tactical operations procedures.

### PROCEDURE:

- I. The primary objective of Newberry Springs Volunteer Fire Department tactical operations shall be to develop and promote a systematic, coordinated method of initial attack that will permit the best use of personnel and equipment. Fire response units must operate as a team using established standard operational procedures. The effectiveness of the overall operations is determined by the actions of the first-arriving unit.
- II. Tactical operations shall be implemented to accomplish the following prioritized objectives:
  - A. Rescue
  - B. Protect Exposures
  - C. Locate the Fire
  - D. Confine the Fire
  - E. Extinguish the Fire
- III. The first responding fire fighting unit shall attempt to respond with a minimum of three (3) firefighters to any structure fire unless a water tender is also being staffed. If this is not possible then Mutual Aid shall be requested.
- IV. The units following the first fire-fighting unit will standby at a location designated by the incident commander.
- V. Fire fighting units that are standing by shall park in such a manner that lines may be laid immediately.
- VI. **Basic Fire Fighting Team Operations**
  - A. ~~First Engine Company operations (when hose is laid) include three basic categories; pre-connect, 2 1/2" supply forward or reverse, 4" forward or reverse.~~
  - B. ~~Second Engine Company operations will be governed by the actions/instructions of the first arriving unit or by specific instructions from the Incident Commander.~~
  - C. The first arriving unit will announce arrival at the specified location; describe the conditions observed, and the actions being taken.
  - D. Subsequent arriving units shall acknowledge action/instruction given to them by the first arriving unit or by the Incident Commander.
  - E. Where unusual lays are required or other circumstances dictate, the first-arriving unit shall request support action from other responding units, and it shall be the responsibility of the other responding units to provide the requested support.
  - F. Units requested to provide support operations shall acknowledge such a request.

## VII. Mutual Aid

- A. Mutual aid from Desert Ambulance may be requested on any structure fire.
  - 1. When requested, Desert Ambulance shall function as the Rehab station for firefighters. They shall be stationed at the spot designated by Incident Command. They shall not be used for fire suppression efforts, as their function is emergency medical care.
  - 2. If any additional personnel are needed then the Incident Commander shall request mutual aid from one or more of the surrounding fire departments. You will specify what your needs are (manpower, water, equipment, etc.). Give these departments staging instructions as they respond.

## VIII. Pollution Incidents

- A. When the Newberry Springs Volunteer Fire Department is called to an incident where pollution of a waterway may result (including oil spills, chemical spills, and extinguishing agents), the responding unit shall have CalFire Dispatch notify the appropriate agency(ies).
- B. It shall be the responsibility of the Commanding Officers at incidents where pollutants may enter a city sewer system or waterways, to notify CalFire Dispatch indicating, if possible, where the outfall will be.
- C. Newberry Springs Volunteer Fire Department personnel shall not call cleanup agencies directly.

## IX. Clearing Traffic Lanes

- A. Commanding officers shall make every effort to clear streets for normal traffic as soon as possible.
- B. Commanding officers shall be alert to request law enforcement for traffic control at emergency incidents when necessary.
- C. Commanding Officers shall notify CalFire Dispatch when traffic lanes will be blocked because of an emergency. An estimate of time that lanes will be blocked is to be given to CalFire so they can notify law enforcement and County Roads Department.

## X. Duties at vehicle Accident Scenes

- A. When the Newberry Springs Volunteer Fire Department responds to a vehicle accident inside the district's response area:
  - 1. First priority shall be given to rescue and any medical aid assisted as needed by Desert Ambulance.
  - 2. Second priority shall be preservation of physical evidence of the accident scene.
  - 3. A 1 ¾" hose line will be laid to protect Fire and Patients on scene.
  - 4. Newberry Springs Volunteer Fire Department vehicles shall be parked far enough away from the fire scene to protect it from any explosion or fire.
- B. When responding outside the district in a mutual aid type of rescue call:
  - 1. First priority shall be given to the rescue.
  - 2. Second priority shall be preservation of physical evidence of the accident scene.



3. Verify that the local Fire Department is responding to the call.
4. Extrication of patients shall not start until a hose line or fire extinguisher is manned by a fire department member.
5. Newberry Springs Volunteer Fire Department vehicles and personnel shall perform traffic control only when extreme conditions warrant. The primary job of the rescue team is extrication.

#### XI. Fire Scene Photographs

- A. Only authorized personnel will be permitted to photograph scenes that are arson, suspicious or where an injury or death is involved.
  1. Authorized personnel will be defined as Fire or Police personnel who have responsibility for investigation of the incident or for documentary purposes.
- B. News media personnel will be permitted to enter and photograph fire scenes only with permission of the Commanding Officers at the fire scene.
  1. The Commanding Officer or designated Public Affairs Officer will stay with the news media personnel at all times they are in the fire scene area.

#### XII. News Releases to Media Personnel

- A. The Fire Chief shall be notified of any major or unusual incident which may attract the news media.
- B. The Fire Chief or his Authorized Representative's are the only persons authorized to make public statements at emergency scenes.

#### XIII. Fire Incident Information

- A. Requests for information relating to any fire incident must be submitted in writing to the Fire Chief. Private investigators, attorneys, insurance adjusters or anyone else requesting or attempting to discuss fire incidents shall be directed to follow this instruction.

#### XIV. Dry Standpipes

- A. Dry standpipes shall be drained after fire operations are concluded to prevent damage during freezing temperatures. The top discharge valve shall be opened during draining to prevent air lock.

#### XV. In-Service Guidelines for Engines

- A. Engine Company in-service guideline/emergency:
  1. When not pumping.
  2. With 1,000' 2 1/2" and 4" hose combination in hose beds.
  3. With 200' 1 3/4" hose and nozzle in hose bed.
  4. Minimum crew of 3 persons with S.C.B.A.'s

#### XVI. Use of Private Equipment at an Emergency

- A. The Fire Chief or Assistant Fire Chief in charge of an emergency may secure privately owned equipment in unusual circumstances when the urgency of the situation demands that the action be taken to save lives or to prevent major destruction of the environment or property.

#### XVII. Interference with Fire Department Activity

- A. Any person, who obstructs the operations of the Newberry Springs Volunteer Fire Department in connection with extinguishing any fire, or in the performance of other duties required, can be convicted of a misdemeanor.

XVIII. Forcible Entry into Secured Buildings

- A. When forcible entry is required to gain entrance into a room or building when an actual or suspected emergency exists, it will not be necessary to wait for the Law Enforcement to arrive prior to entry. If a responsible person is not available when leaving, contact CalFire Dispatch to have the law enforcement provide security to the building.
- B. When forcible entry is requested by a citizen to a room or residence as a personal service, or if it is necessary to gain entrance to investigate an unknown situation, contact CalFire Dispatch to request a Law Enforcement presence as a witness and to provide security to the building. Law Enforcement shall be requested even if a responsible person is present.

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**SECTION 402 - ENGINE COMPANY EVOLUTIONS**

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POLICY:

- I. It shall be the policy of the fire department to perform established hose lays at fire scenes.

PROCEDURE:

I. General Information

- A. Practicing and following these evolutions and assignments, will establish good fire ground performance.
- B. These evolutions are to be utilized in actual fire situations whenever applicable.
- C. These evolutions should be adapted successfully to most fire situations.

II. Officer Responsibility – Designating hose lays.

- A. Orders must be given clearly so all members are aware of the evolution to be performed.
- B. Orders must be brief yet contain all necessary information.
- C. The Captain/Lieutenant on the engines will direct other personnel on which hose evolution will be performed upon arrival.

III. Officer Responsibilities – Supervision

- A. The officer has the responsibility of finding the closest available hydrant to the fire scene.
- B. The officer is responsible for the location of all personnel on his/her apparatus until they are reassigned by him/her.
- C. The first arriving officer has the option of initiating the fire attack or assuming the incident command. The second arriving officers must assume incident command if the first arriving officer is initiating the fire attack.



- IV. Engine Company Evolutions
  - A. The evolutions are based on a three (3) person team.
  - B. The position of fourth/fifth member is listed to perform assignments designated by the officer.
- V. Description of Evolutions – Assignments
  - A. When two positions are listed to perform a specified task, one or both members may perform the function.
  - B. If your assignments are completed you may assist another member in performing their task in order that the hose lay may be completed.

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#### **SECTION 402-A - HOSE EVOLUTIONS "PRE-CONNECT"**

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- I. ACTIONS:
  - A. Officer
    - 1. Directs driver on vehicle location.
    - 2. Directs next responding unit to take a hydrant if Incident Commander is not on scene.
    - 3. Places SCBA in stand-by if needed.
    - 4. Reports to Incident Commander.
    - 5. Directs fire attack.
  - B. Driver
    - 1. Performs in cab operations.
    - 2. Sets wheel blocks.
    - 3. Opens the proper pre-connect.
    - 4. Monitors the pump and assists in placing supply in service if needed.

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#### **SECTION 403 - MUTUAL AID/RESPONSES OUTSIDE THE NEWBERRY SPRINGS VOLUNTEER FIRE DEPARTMENT JURISDICTION**

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##### **POLICY:**

- I. Due to the unpredictable nature of emergencies and the possible need to augment fire protection resources, the Newberry Springs Volunteer Fire Department will enter into agreements with other agencies to render assistance to each other in accordance with the terms of the contracts.



#### PROCEDURES:

- I. The Newberry Springs Volunteer Fire Department currently has existing Mutual Aid Agreements with all fire departments in the local area. There are additional contracts with CalFire, BLM, Fort Irwin and the Marine Corps Logistics Bases. Approval from the duty officer is required for calls beyond Baker on I-15 within/ beyond Barstow City limits and beyond Ludlow on I-40.
- II. Procedures for Newberry Springs Volunteer Fire Department units responding outside their normal jurisdiction shall be as follows:
  - A. Vehicle's that may respond to these requests are at the discretion of the duty officer.
  - B. The primary responsibility for extinguishing or controlling the emergency rests with the requesting agency. The officer in charge of the Newberry Springs Volunteer Fire Department units shall cooperate closely with the officer in command of the incident yet retain control of Newberry Springs Volunteer Fire Department personnel and equipment. If the Newberry Springs Volunteer Fire Department Commanding Officer feels an operational directive is contrary to established department procedures that would place NSFD units in unnecessary jeopardy they should not be followed and the NSFD units should withdraw to a safe distance.
  - C. Newberry Springs Volunteer Fire Department personnel can be teamed up with other departments for fire ground operations.
- III. Procedures for utilization of resources coming into the district jurisdiction shall be as follows:
  - A. The responding team leader shall report to the Incident Commander for assignment.
  - B. County units shall remain under the command and control of their assigned Team Leader.

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### SECTION 404 - RADIO COMMUNICATIONS

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#### POLICY:

- I. Newberry Springs Volunteer Fire Department members shall adhere to the Radio Communications and other instructions as identified in this section.

#### PROCEDURES:

- I. Radio transmissions shall be made in a concise, business-like manner. Personal remarks or messages are prohibited.
- II. Only portable radios assigned to apparatus or personnel by Newberry Springs Fire Department shall be carried on fire responses.
- III. Personnel shall carry their pager when they are available to respond to an emergency call. ~~Pagers are to be left at the station on emergency calls.~~
- IV. When necessary CalFire dispatch shall relay unit-to-unit transmissions.

- V. The tactical channel shall be used to coordinate mutual aid responses with other departments. Radio traffic shall only be to let CalFire know which apparatus are responding and to notify when units are on scene.
- VI. All Newberry Springs Fire Department units shall standby on a mutual aid scene until given instructions by the officer in charge.
- VII. Priority messages have priority over all other messages. The following are considered Priority messages:
  - A. Fire report on the air.
  - B. All segments of the response order: dispatch, responding, etc.
  - C. Units arriving.
  - D. Tactical operations messages.
  - E. Unit status changes.
  - F. Emergency medical messages.
- VIII. Non-emergency messages shall not be transmitted until after the emergency is cleared.
- IX. Unit transmittals shall begin with the unit being called followed by the calling unit.
- X. Radio reports:
  - A. Initial reports:
    - 1. An initial report shall include unit signature, and corrected street address if needed.
    - 2. The first arriving unit shall give an initial report upon arrival. The initial report shall include a short report when possible.
  - B. Short report:
    - 1. A short report includes unit signature, degree/type of fire or incident, tactical operation.
- XI. The Incident Commander shall notify CalFire when the fire has been extinguished or the emergency is terminated.
- XII. Radio and Siren tests shall be conducted on Tuesday night at the beginning of Drill.
- XIII. The radio terminology from the CalFire training guide shall be used by all personnel.

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#### **SECTION 405 - HAZARDOUS CONDITIONS INSTRUCTIONS**

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##### **POLICY:**

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department to make an immediate check of the units and personnel and to restore out-of-service units to in-service status as quickly as possible.
- II. The Newberry Springs Volunteer Fire Department will assist in the evacuation efforts when it has been deemed necessary by the Community Services District.



PROCEDURE:

- I. Safe area and techniques for personnel in the station should be identified as well as areas felt to be hazardous. Actions to be taken to ensure all units are in-service.
- II. Secure the station utilities if there is any damage. Inspect the station for any possible damage.
- III. As soon as possible begin a search of the response area to conduct an assessment of the damages.
- IV. The standard evacuation signal shall be the sirens of fire units traveling the streets and giving a verbal warning with their PA's.
- V. Record any civilians who give verbal confirmation they will not leave. Contact units responsible for assisting with civilian evacuation when you encounter someone in need of transportation to the safe zone.

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**SECTION 406 - HAZARDOUS MATERIALS OPERATIONS**

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POLICY:

- I. The Newberry Springs Volunteer Fire Department will be involved with a Hazardous Materials Incident only to the extent of their training and protective equipment allows.

PROCEDURE:

- I. A Hazardous Materials Incident is an incident involving the release of a substance that poses an unreasonable risk to life, environment or property.
- II. When a Hazardous Materials Incident is encountered CalFire Dispatch shall be notified to dispatch a HazMat team.
- III. Newberry Springs Volunteer Fire Department personnel will be used as support team members as directed by the HazMat leader.
- IV. Cleanup of residential incidents involving normal household products may have to be handled by Department personnel. Personnel assigned this type of work should be in Level "D" protection (turn-outs with boots, breathing apparatus, and minimum disposable gloves). The objective should be to remove or stabilize or neutralize the materials involved.
- VII. General Rules:
  - A. Do not walk near, touch, smell or taste any/unknown product or container.
  - B. Stay upwind.
  - C. Seal off the area.
  - D. Establish command.
  - E. If possible, identify product or container.
  - F. Notify proper authorities.

## SECTION 407 - INCIDENT COMMAND SYSTEM

### POLICY:

- I. The Newberry Springs Volunteer Fire Department shall use the Incident Command system at incidents.

### PROCEDURE:

- I. The Incident Commander shall have a full authority of the Chief of the Department.
- II. The Incident Commander and command officers shall have priority on all radio communications. All non-command communications by radio shall be kept to a minimum.
- III. Incident command shall be vested in the first officer on the scene of an emergency.
  - A. An officer regardless of rank shall be the person in charge of a unit. Acting officers shall have the same authority as appointed officers.
  - B. Only the first officer may relinquish command to the next officer to arrive. This shall be based on the need for the first officer to become involved in the extinguishments of the fire.
  - C. Incident command will be transferred to a superior officer upon his/her request. The superior officer shall notify the existing I.C. of his/her intent to take command.
  - D. Incident Command shall designate his/her generic name, i.e. "Spokane St. Command", "40 IC".

## SECTION 408 - RESPONSE RULES

### POLICY:

- I. The Newberry Springs Volunteer Fire Department shall insure the needed type of unit responds to incidents.

### PROCEDURE:

- I. Standard responses to incidents by type and order of unit response:

SITUATION	1st	2nd	3rd	4th	5th
Structure Fire- In District	E392	WT392	BP393	WT392A	R391
Structure Fire - Mutual Aid	WT392A	WT392A	E392		
EMS Response - In District	R391	BP393	E392		
EMS Response Mutual Aid	BP393	R391			
Veg Fire In-District	BP393	E392	WT392	WT392A	
Veg Fire Mutual Aid	WT 392	BP393			
MVA In-District	E392	R391	BP393		

MVA - Other Districts	R391	E392	BP 393
Smoke Invest. In-District	BP393	E392	

The order of response may be varied dependent on:

- A. Unit requested by CalFire Dispatch
- B. Driver Availability
- C. Staffing levels

#### **SECTION 409 - PRE-FIRE PLANNING**

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**POLICY:**

- I. There shall be an ongoing pre-fire program conducted by Newberry Springs Volunteer Fire Department personnel.

**PROCEDURE:**

- I. It shall be the responsibility of the department officers to survey structures and problem areas in the response area to determine which ones need a pre-fire plan.
- II. It shall be the responsibility of the members assigned to a unit to conduct designated pre-fire surveys.
- III. Pre-fire surveys should be conducted on areas having poor visibility, poor water supply, and structure having unusual or difficult fire fighting problems.
- IV. Pre-fire surveys should be reviewed annually during the first quarter of the year.
- V. Each apparatus should carry a pre-fire book with the completed pre-fire plans.
- VI. The Newberry Springs Volunteer Fire Department pre-fire form should be used for uniformity. Additional documents can be included with the pre-fire such as photographs.

#### **SECTION 410 - TURNOUT GEAR CLEANING**

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**POLICY:**

- I. Proper washing techniques shall be used by the Newberry Springs Volunteer Fire Department.

**PROCEDURE:**

- I. It shall be the responsibility of all members to properly clean all protective gear, if it has been soiled. This shall be done as soon as possible. Protective gear may be taken to a dry cleaning business with prior approval.



- II. The station shall obtain the following cleaners used to clean turnout gear:
  - A. multipurpose safety detergent for general spotting and machine or and washing of the outer shell of bunking pants and coats.
  - B. A special fabric cleaner for treated fabrics, including the inner liners of bunking coats and pants with water proof fabrics.
  - C. A water-soluble solvent for the removal of grease and tar from the outer shell of bunking coats and pants.
- III. The liner must be separated from the outer shell prior to using the washing machine.
- IV. Gloves shall be cleaned the same as coat shells.
- V. Machine washing shall follow the recommendations of the cleaning agent.
- VI. Turnout coats shall be turned inside out to prevent damage to the machine.
- VII. Only designated cleaning agents shall be used on protective gear.
- VIII. Any turnout gear that has or may have been contaminated with a hazardous material shall NOT be washed in department machines. They shall be sent to a qualified representative for cleaning.

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#### SECTION 411 - RESCUE OPERATIONS

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##### POLICY:

- I. The Newberry Springs Volunteer Fire Department shall perform designated rescue operations.

##### PROCEDURE:

- I. The Newberry Springs Volunteer Fire Department shall perform the following rescue operations:
  - A. Vehicle Extrication
  - B. Residential Rescue
  - C. Light Rescue
- II. The Newberry Springs Volunteer Fire Department shall NOT be involved in any type of operation they lack adequate training and equipment to perform.
- III. Only members receiving proper training may be involved in rescue operations.
- IV. Vehicle extrication rescue members should have documented extrication training.

## **SECTION 412 - EMERGENCY INCIDENT ACCOUNTABILITY**

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### **POLICY:**

- I. The Passport System shall be the standard system of accountability to identify individual members of a Team and their assignment. The system shall account for the assignment of Teams or units at an emergency incident. The Passport system shall be used on Mutual Aid incidents.

### **PROCEDURE:**

- I. When multiple units respond to a scene the Passport System shall be implemented.
- II. Each department member shall have two name tags attached with snaps to their turnout/brush jacket.
- III. Members shall attach a name tag to the unit status board when they report to an apparatus.
- IV. The Incident Commander or his/her assistant shall attach the individual unit status boards to the master status board upon his/her arrival at the incident.
- V. It shall be the responsibility of each member reporting to the incident to turn over their name tag to the Incident Commander or assistant and wait for assignment.
- VI. It shall be the responsibility of the Incident Commander assistant to use the status board to track all members at the incident.
- VII. Command officers shall provide accountability by matching the name tag to each person assigned whenever a situation requires accountability.

## **SECTION 413 - EMERGENCY MEDICAL RESPONSE**

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### **POLICY:**

- I. The Newberry Springs Volunteer Fire Department shall provide on-scene BLS emergency medical care.

### **PROCEDURE:**

- I. Aid Vehicle Responses.
  - A. Staffing for medical responses are as follows:
    1. No more than two aid vehicles with two personnel will be considered a normal response.
    2. Manpower exception—the call dispatched indicates that:
    3. CPR is in progress or that patient needs CPR.
    4. There is more than one patient to treat.
    5. There is a rescue of any kind, with a trapped person.
  - B. Personnel manning aid vehicles shall wear approved protective clothing. Any personnel responding to the scene may respond without department bunker gear, with the understanding that they are not protected from infectious diseases.



- C. Medical units responding to medical cases shall be operated as emergency vehicles unless otherwise directed by dispatch.
- D. A medical unit responding to an emergency in a residential area should exercise care while using the siren to ease any emotional stress the siren might cause. In most cases, the siren should be shut off a short distance away.
- E. The firefighter who rides in the officer's seat on a medical unit shall serve as officer. The highest trained emergency medical person on scene shall have command of the patient(s). All other arriving units shall report to the officer-in-charge.
  - 1. Officers or acting officers at medical calls should consult with medical personnel working with patients before making decisions such as: requesting additional vehicles, placing vehicles in service, or returning incoming vehicles.
  - 2. The officer-in-charge shall be responsible for the overall scene management and should become involved with the patient's treatment as necessary. If the officer-in-charge deems it necessary, he/she may declare himself/herself the incident commander and delegate the patient care to others.
  - 3. The officer-in-charge will serve as a liaison between department personnel and law enforcement agencies in the following manner:
 

Traffic movements will be handled by law enforcement unless unavailable.

The control of fire department staff personnel and apparatus will be the responsibility of the officer-in-charge.

Handling of patient treatment will be the responsibility of the medical personnel on- scene. Transporting of a patient will be done by a transporting agency.

If the law enforcement officer demands overall control of the scene, the officer-in-charge may relinquish this position. Department staff will respond to orders given by the Incident Commander or Chief Officer on scene.
- F. Incidents involving assaults, overdoses, homicides and fatalities must be handled in a different manner than a medical call.
  - 1) In assault calls, the assailant may still be at the scene and could present a hazard to incoming staff and equipment. Dispatch should attempt to determine if this situation exists. All fire department personnel and/or equipment shall stage at a safe distance from scene until law enforcement has assessed the situation and deemed it safe for fire/EMS personnel to respond to the scene.
  - 2) Overdose calls should be handled as described above if the patient has been described as violent or combative.
  - 3) Incidents involving suspected suicide and/or homicide may be dealt with as previously outlined. Law enforcement involvement is necessary when the patient is found without vital signs of life. Staff arriving at the scene must be conscious of their actions and exercise extreme care when moving the patient and any other objects such as ropes, pills, firearms, other lethal weapons, and suicide notes. The officer must limit the number of personnel at the crime scene and should be able to identify who was allowed entry.



- 4) The handling of any fatality should be left to the law enforcement. Care must be exercised when allowing family, passersby, and/or the press to view the accident or crime scene.
  - G. While at the scene of an emergency, the officer should attempt to place a special unit in service first, enabling the unit to respond to other calls.
  - H. The Newberry Springs Volunteer Fire Department has three (3) BLS Aid vehicles..E392 carries the extrication equipment for all accidents with entrapment. For this reason it must be allowed to divert to an accident call if needed.
- II Medical Call Reporting
- A. Due to the special consideration of medical calls, the need for two run sheets is needed. The officer-in-charge shall complete the department run sheet for all calls. The medical officer-in-charge will complete an ICEMA medical/trauma run sheet. A copy of the ICEMA run sheet will be given to the transporting agency ASAP. Both run sheets will be stored together for proper reporting.

## SECTION 601 - TRAINING STANDARDS

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### POLICY:

- I. The Newberry Springs Volunteer Fire Department shall have minimum training standards for all personnel.
- II. There will be uniform training methods to improve teamwork on emergencies.

### PROCEDURE:

- I. Probationary Firefighter Training Requirements:
  - A. Orientation IFSTA 202
  - B. Safety IFSTA 209
  - C. Bunker Equipment NSVFD Standards
  - D. Communications NSVFD Standards
  - E. Equipment Checks NSVFD Standards
  - F. Hydrants IFSTA Fire Essentials Ch. 8
  - G. Replacing SCBA Cyl. IFSTA Fire Essentials Ch. 4
  - H. Ropes IFSTA 101
  - I. Departmental Records NSVFD Standards
  - J. Terminology FF Fundamentals 1
- II. Firefighter Training Requirements:
  - A. Laying Lines IFSTA Fire Essentials Ch. 10
  - B. Portable Extinguishers. IFSTA Fire Essentials Ch. 2

C.	Ladders	IFSTA Fire Essentials Ch. 5
D.	Hose & Practices	IFSTA Fire Essentials Ch. 10
E.	Fire Stream Practice	IFSTA Fire Essentials Ch. 9
F.	Ventilation	IFSTA Fire Essentials Ch. 11
G.	Rescue	IFSTA Fire Essentials Ch. 7
H.	SCBA	IFSTA Fire Essentials Ch. 4
I.	Nozzle & Appliance	IFSTA Fire Essentials Ch. 9
J.	Safety	IFSTA 209
K.	Incident Command	NSVFD Standards
L.	Hazmat	NSVFD Standards

III. Engineer Training Requirements:

A.	Engine Operation	IFSTA 106/NSFD Standards
B.	Engine Tactics	IFSTA 106
C.	Field Hydraulics	Fire Service Hydraulics
D.	Engine Familiar	Engine Service Manuals
E.	Eng Back in Service	NSVFD Standards
F.	Heavy Vehicles	CVC 12804.11

## SECTION 602 - VIDEOTAPE EQUIPMENT

**POLICY:**

- I. Use of the videotape equipment shall be for department use only.

**PROCEDURE:**

- I. The video playback unit and receiver shall only be utilized to view Fire Department related video tapes. The video playback unit and receiver in the dayroom will be used for all other viewing.
- II. The Department shall maintain an inventory of video tapes available for viewing by members.
- III. Video tapes may be checked out for viewing by members and other Departments only when signed out by an officer.

## SECTION 603 - TRAINING ROOM USAGE

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Section pending.

## SECTION 701 - SAFETY REGULATIONS

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### POLICY:

- I. It shall be the Policy of the Newberry Springs Volunteer Fire Department that all members of the Newberry Springs Volunteer Fire Department follow this Safety Program.
- II. All members shall continuously review and practice safety regulations on a regular basis.

### PROCEDURE:

- I. General Personal Protective Clothing Safety
  - A. Every member when working on the emergency fire ground or training fires shall wear a complete set of protective clothing. This includes bunking/turnout coat, bunking trousers, boots, gloves, and helmets with face shield/goggles and ear flaps. Coat collars shall be turned up and fastened to protect the neck and throat. Openings on the coat front and trouser fly shall be securely closed and fastened with the closure system provided.
  - B. Incident Commanders may give permission for personnel, during non-emergency duties, to remove protective coats, trousers and boots. Turnout coats and trousers shall be worn with all the liners that are provided with the item. Incident Commanders shall be aware that personnel may become overheated and exhausted during emergency operations or training activities which may require the rotation of crews. Members working at grass, brush, and wildfires shall wear brush gear, gloves, and helmets (ear flaps shall be down). Bunking coat and pants shall be worn if member has not been issued wildfire gear. Bunker boots or wildfire boots are to be worn.
  - C. Members working at grass, brush, or wildfire incidents are not required to wear a PASS Device unless directed by the Incident Commander.
  - D. When a member leaves the station in any apparatus, full protective clothing shall be carried with the member.
  - E. Gloves shall be worn during all manipulative training sessions. Officers may waive this requirement in those instances when it becomes necessary. Members shall be alert to use gloves in all instances where their use could prevent injuries.
  - F. Eye and Face Protection:
    1. Eye protection shall be used at all times when operating power saws, including the routine equipment check.
    2. Removing glass during overhaul.
    3. Pulling Walls and ceilings during overhaul.
    4. Any other situations where injury is possible.



5. Glasses/contact lenses may be worn by members in any situation the individual desires. The wearing of glasses, however, does not eliminate the need for using the eye protection devices provided by the Department, unless the glasses meet the standards for industrial safety glasses.
- G. Hearing Protection shall be worn when exposed to noise in excess of 90 dba from power tools, engine warm ups, drafting or other such activities, except in situations where the use of such protective equipment would create an additional hazard to the users such as in fire suppression.
  - H. Helmets shall be worn at all times when working at emergency responses and on all manipulative drills. They must be adjusted closely to fit the head of the wearer. The chin strap shall be adjusted to hold the helmet firmly in place and shall be used every time the helmet is worn. When members enter "hard hat" areas, they shall wear their helmets. Face shields shall be worn in the down position in instances where eye protection is required if goggles have not been issued.
  - I. After a fire has been trapped, and during the safety break, the Incident Commander shall conduct a safety inspection of the emergency scene. Hazardous conditions or areas shall be barricaded or personnel assigned to immediately correct the hazardous situation. Personnel shall be made aware of unsafe areas.
  - J. During actual fire fighting and overhaul operations, no member of the department shall enter a fire building or fire area without full protective clothing, to include helmet with face shield/goggles and ear flaps, turnout coat and hood, trousers, boots, gloves, and SCBA. 2-in/2-out will be followed with the only exception being in cases of imminent rescue.
  - K. General Station Safety
    1. The station shall be inspected, by the Fire Chief, twice a year to detect and eliminate safety hazards.
    2. The apparatus floor shall be kept free of grease, oil, water, and all tripping hazards.
    3. Exhaust fumes from diesel or gasoline apparatus shall be vented to the outside of the station. Ventilation provided by fully opened apparatus bay doors would be considered adequate ventilation.
    4. Adequate ventilation of paint fumes shall be provided whenever any painting of apparatus or equipment is done.
  - L. Training Fire Safety
    1. The Training Consultant or his/her designee shall conduct all live fire training activities.
    2. All members shall know the building layout and means of egress for live fire training.
    3. During live fire training activities, qualified personnel shall staff charged hose lines in full turnout gear and SCBA's in the standby position.
    4. A Safety Officer shall be designated and be in an appropriate position to observe conditions during live fire training.
    5. Only light fuels shall be used in live fire training, unless prior approval/permits have been obtained.

- M. Department safety drills shall be conducted during the third weekly meeting each month.

## **SECTION 702 - EMERGENCY VEHICLE ACCIDENT PREVENTION**

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### **POLICY:**

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department to have an Emergency Vehicle Accident Prevention (EVAP) program.
- II. The Newberry Springs Volunteer Fire Department has a legal and moral obligation to insure that any driver of Newberry Springs Volunteer Fire Department vehicles is well-trained, in good physical condition, has proper safety driving attitude and is capable of handling the apparatus with a high degree of skill and common sense.

### **PROCEDURE:**

- I. No person shall drive a Newberry Springs Volunteer Fire Department vehicle under emergency conditions without being authorized by proper authority.
- II. No person under 18 years of age shall drive a Newberry Springs Volunteer Fire Department vehicle.
- III. No person may drive any Newberry Springs Volunteer Fire Department vehicle without a valid California State Driver's license: which will be monitored by the DMV.
- IV. All heavy drivers shall participate in:
  - A. California State Fire Service Training, Driver Operator IA
  - B. Drivers re-evaluation to be every two years, to include each type of vehicle qualified to drive.
  - C. Individual fire Newberry Springs Volunteer Fire Department driver training as required.
- V. Newberry Springs Volunteer Fire Department drivers shall not:
  - A. Have a past history of: Heart attacks, strokes, fainting, seizures, or sudden onset sickness. A doctor certificate stating it is okay to drive is required if any of these conditions exist.
  - B. Be under the influence of alcohol.
  - C. Be under the influence of drugs, prescription or otherwise.
- VI. The following general vehicle safety rules shall be used to assure safe and efficient response to emergency incidents. Newberry Springs Volunteer Fire Department vehicles shall be operated with judgment rather than speed, with slow-downs or stops at danger points, followed by quick acceleration to speeds dictated by traffic conditions, visibility and capability of stopping at any point short of collision.
  - A. For all Newberry Springs Volunteer Fire Department vehicles responding with red lights, the maximum allowable speed limit shall be 10 mph over the posted speed limit.



- B. Sirens are to be used at all times while responding with red lights unless directed by law enforcement/dispatch with the following exceptions:
  - 1. When operating on dirt roads
  - 2. When doing so would cause a public nuisance (ie. Middle of the night)
- C. When approaching a traffic signal or stop sign and the signal is against the responding unit, the unit shall STOP then accelerate only after the intersection is assured.
- D. When entering a controlled intersection that is four-way red, the maximum speed of the unit will be 20 mph.
- E. When entering a non-controlled intersection and the responding unit has a green light, the unit shall enter the intersection with extreme caution.
- F. When entering intersections with no traffic signal, use extreme caution and do not assume the right-of way.
- G. When not responding to alarms, motor vehicles shall not be operated in excess of the speed limit and shall obey all traffic laws. This shall include parking regulations.
- H. Responding units shall use main arterials whenever possible.
- I. Responding units meeting a school bus which has stopped for the purpose of loading or unloading school children, and which is displaying its visual warning signals, shall not proceed past the bus until the visual warning signal is deactivated. Extreme caution must be used when proceeding past any school bus that is stopped.
- J. Normally, all Newberry Springs Volunteer Fire Department vehicles responding from the same location or station should take the same route. While responding, units should not pass one another.
- K. All Newberry Springs Volunteer Fire Department members shall obey all traffic laws when responding to the station or to the emergency scene in their private automobile.
- L. Newberry Springs Volunteer Fire Department Members shall not enter the street to stop traffic for apparatus responding from the station.
- M. No person other than a member of the Newberry Springs Volunteer Fire Department shall be permitted to ride on fire apparatus, except when authorized by the Fire Chief.
- N. Red lights and siren shall be operated when responding under emergency conditions.
- O. When the apparatus is at an emergency location and NOT legally parked, red lights shall be left on and traffic cones shall be set.
- P. Apparatus should have headlights on during all responses.
- Q. When backing an apparatus, a minimum of one person shall be stationed at the rear, in a position to communicate with the driver, and act as a guide. The guide shall be positioned at the left rear or right rear of the apparatus, as conditions dictate. If communication between the driver and guide is lost, the driver shall bring the apparatus to an immediate halt. The apparatus shall remain stopped until communication between the driver and guide is restored. If it is impossible

to obtain a guide, the driver shall get out of the apparatus and check the area prior to backing. Backing shall be done slowly.

- R. Seat belts shall be worn at all times when the vehicle is in motion. This shall apply to drivers and all passengers riding in seats where seat belts are provided.
  - S. Personnel riding in the crew cab of apparatus will be seated whenever the apparatus is in motion.
  - T. There shall be no riding the apparatus tailboards.
  - U. All drivers shall be alert to placing traffic cones to assist traffic diversion around apparatus and equipment in traffic lanes of the street.
  - V. All stations will have lines painted on the apparatus floor, to extend from the rear wheels of the apparatus to the sidewalk line, to assist the driver in positioning the apparatus in the station.
  - W. Prior to any Newberry Springs Volunteer Fire Department vehicle being started, the driver shall be in the driver's seat, the parking brake set, and the transmission in neutral, or park.
- VII. The following buzzer and horn signals shall be used to help prevent accidents and to provide communications between the cab and tailboard. No apparatus shall respond until the driver gives the signal or has acknowledged the backer.
- A. STOP: One long continuous signal.
  - B. GO AHEAD: Two signals, each of one-second duration.
  - C. BACK UP: Three signals, each of one-second duration.
- VIII. Whenever any vehicle is parked in the fire station, the parking brake shall be set.
- IX. Street parking on the level, the parking brake shall be set, the transmission in neutral, and the wheel blocks set. The park position shall be utilized for those vehicles so equipped.
- X. Parking on a grade the parking brake shall be set, wheel blocks set, and the transmission in neutral; the park position shall be used for those vehicles so equipped. On the upgrade, the front wheels shall be turned away from the curb. If on a downgrade, the front wheel shall be turned to the curb. Traffic cones shall be set to direct traffic around apparatus and equipment in the street.
- XI. The parking brake should never be used to decelerate the apparatus unless an emergency exists. Apparatus equipped with a drive line brake for pump disengaging shall not use these brakes as an emergency brake for stopping the vehicle.
- XII. The proper method for setting the parking brake shall be to bring the vehicle to a complete stop before setting the brake.
- XIII. It is the responsibility of each member to immediately report any and all accidents to the Fire Chief or Assistant Chief.
- XIV. Every driver is responsible to complete the required accident forms immediately after any accident they were involved in. One copy of all accident reports shall be given to the Safety Committee.
- XV. These actions shall be done by any vehicle involved in an accident:
- A. CalFire Dispatch shall be notified and given the exact location of the accident, nature of the accident (pedestrian, two car, etc.), number of injuries and assistance required, and to call for Mutual Aid if needed.



- B. The unit involved will render assistance or aid to the injured.
  - C. The unit involved may continue response to the emergency if there is one member that can remain at the scene with a First Aid Kit to render assistance and initiate accident investigation, and after conducting a mechanical check of the apparatus that any damage incurred will not affect vehicle operation.
  - D. The apparatus will be placed out-of-service if serious injury or suspected death, serious damage to property, or damage to fire apparatus would not allow a safe continuous response.
  - E. The unit will initiate accident investigation by obtaining names, addresses, and phone numbers of any witnesses, or if possible obtain statements of witnesses.
  - F. Accident report forms can be obtained from the police.
- XVI The Accident Review Board shall conduct an investigation and make recommendations to the Fire Chief to correct any problems. Any disciplinary action shall be decided by the Fire Chief.

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#### SECTION 703 - INFECTIOUS DISEASE EXPOSURE AND REPORTING

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Section pending.

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#### SECTION 704 - SAFETY COMMITTEE

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##### POLICY:

- I. A Safety Committee shall be established for the Newberry Springs Volunteer Fire Department.
- II. The Accident Review Board shall be part of the Safety Committee function.

##### PROCEDURE:

- I. A Safety Committee shall be comprised of:
  - A. Volunteer Officer
  - B. Department Engineer
  - C. CSD Board Member
- II. The Safety Committee shall be responsible for:
  - A. Establishing an Accident Prevention Program for all department personnel.
  - B. Investigation of all accidents.
  - C. Serve as the Accident Review Board.



- D. Safety Committee meetings as specified in applicable California codes.
- E. Posting the minutes of Safety Committee meetings on the station bulletin board.
- F. Reporting to Fire Chief unsafe practices at drills, emergency scenes, and work places.
- G. Recommending to Fire Chief changes in procedures or equipment that would enhance the safety program.
- H. The Accident Review Board shall use the guide sheets that follow this Policy.

### III. HOW TO DETERMINE PREVENTABILITY

- A. This guide can be used by the Accident Review Board in determining if an accident or near miss was preventable or non- preventable.
- B. What is a preventable accident or near miss? A preventable accident or near miss is an accident or near miss in which the driver failed to do everything he/she reasonably could have done to avoid it.
- C. What is a non-preventable accident or near miss? A non-preventable accident or near miss is an accident or near miss in which the driver did everything he/she reasonably could have done to foresee the things that caused the accident or near miss and took appropriate action to guard against them. Nearly all accident or near miss situations are covered in this material. For each type accident or near miss, a series of questions is asked. If the answer is "NO" then our driver was not practicing the best defensive driving.
- D. It is often difficult to assess preventability and difficult to make a driver understand where he/she was at fault. Drivers must be shown very specifically the kinds of hazards they must anticipate and defend themselves against. Without a clear concept of what defensive driving is, it becomes a frustrating catch-all in the minds of the drivers.

### IV. Following is a definition of a defensive driver, and the questions asked here will help to determine preventability and teach a driver what is meant by defensive driving. When you gather the facts about an accident or near miss, ask these questions to assess preventability:

- A. A defensive driver is one who makes allowances for the lack of skill or knowledge on the part of the other driver. Who recognizes that he/she has no control over the unpredictable actions of other drivers and pedestrians or over the conditions of weather or the road and who therefore develops a defense against all of these hazards? He/she concedes the right-of-way and makes other concessions to avoid the accident traps and hazards created by weather, roads, pedestrians and other drivers.
- B. Neither icy roads, hills, narrow roads, the absence of signs or signals, signs out of order, nor the carelessness, recklessness or ignorance on the part of others relieves the driver in the slightest degree of his/her responsibility for driving without an accident. These are situations likely to be encountered at any time and the professional must drive accordingly.

### V. Intersection Accidents

- A. Did our operator approach the intersection at a safe speed for the conditions?
- B. Was our operator prepared to stop before entering the intersection?

- C. At a blind corner, did our operator pull out slowly; ready to shift his/her right foot to the brake pedal?
- D. Did our operator make sure the other driver would stop for a traffic light or stop sign?
- E. Did our operator obey all traffic signs or signals?
- F. Did our operator signal well in advance of his/her change of direction?
- G. Did our operator turn from the proper lane?
- H. Was our operator alert to the turns of other vehicles?
- I. Did our operator avoid overtaking and passing in the intersection?
- J. Did our operator refrain from jumping the green signal or riding through the caution light?
- K. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE \*

VI. Collision with vehicle ahead

- A. Was our operator maintaining a safe following distance?
- B. Was our operator keeping his/her eyes and mind on the car ahead?
- C. Did our operator approach the green traffic light cautiously, expecting the driver ahead to stop suddenly on the signal change?
- D. Did our operator keep out of car tracks?
- E. Did our operator keep from skidding?
- F. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

VII. Backing Accidents

- A. Was it necessary to back?
  - 1. Did our operator have to park so close to the car ahead as to require backing to leave the parking space?
- B. Was it necessary to drive into the narrow street, dead end alley or roadway front which backing was required?
- C. If our operator could not see where the vehicle was backing:
  - 1. Did our operator get someone to guide the vehicle?
  - 2. Did our operator look around the vehicle before getting in?
  - 3. Did our operator back immediately after looking?
  - 4. Did our operator use the horn while backing?
  - 5. Did our operator look to the rear without depending on rearview mirror?
  - 6. If the distance was long, did our operator stop, get out and look around occasionally?



- D. Did our operator back slowly?
- E. Did our operator judge the backing clearance accurately?
- F. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

#### VIII. Pedestrians

- A. Did our operator drive through congested sections expecting that pedestrians might step in front of them?
- B. Was our operator prepared to stop?
- C. Did our operator keep as much clearance between the vehicle and the parked cars as conditions permitted?
- D. Did our operator refrain from passing a vehicle that had stopped to allow pedestrians to cross?
- E. Did our operator refrain from jumping the green light or riding through the yellow light?
- F. Was our operator aware of groups of children and was our operator prepared to stop if one ran into the street?
- G. Did our operator give all pedestrians the right-of-way?
- H. Did our operator refrain from passing a school bus which *was* stopped?
- I. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

#### IX. Pulling front the curb

- A. Did our operator look to the front and the rear for approaching traffic and overtaking traffic immediately before starting to pull out from the curb?
- B. Did our operator look back rather than depend on the rearview mirror?
- C. Did our operator signal before pulling from the curb?
- D. Did our operator start out when the action would not require traffic to change its speed or direction to avoid our vehicle?
- E. Did our operator continue to glance back while pulled out?
- F. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

#### X. Skidding

- A. Was our operator driving at a safe speed for the conditions of weather and road?
- B. Was our operator keeping at least twice the safe following distance for dry pavement?
- C. Were all of our operators actions gradual?

- D. Was our operator expecting ice on bridges, in gutters, ruts and near curbs?
- E. Was our operator alert for melting snow, freezing in the shade, loose gravel, sand, ruts, slick pavement, etc.?
- F. Did our operator keep out of car tracks and cross them at wide angles?
- G. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE

XI. Parking

- A. Was our operator on the right side of the road?
- B. Was it necessary to park near the intersection?
- C. Did our operator have to park on the traveled part of the highway, on the curve or on the hill?
- D. Where required, did our operator warn traffic by flag or flare?
- E. Did our operator park parallel to the curb?
- F. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

XII. All others

- A. Could our operator have done anything to avoid the accident or near miss?
- B. Was our operator's speed safe for the conditions?
- C. Did our operator obey signs and signals?
- D. Was our operator's vehicle under control?
- E. Had our operator followed the routing instructions?
- F. Did our operator call in for assistance when in doubt?
- G. Did our operator report this accident or near miss as soon as possible? IF THE ANSWER TO ANY QUESTION IS "NO" OUR OPERATOR WAS NOT DRIVING DEFENSIVELY AND THE ACCIDENT OR NEAR MISS IS CONSIDERED PREVENTABLE.

---

**SECTION 801 - ENERGY CONSERVATION**

---

**POLICY:**

- I. It shall be the policy of the Newberry Springs Volunteer Fire Department to reduce consumption of energy to meet federal, state, and municipal conservation standards.



#### PROCEDURES:

- I. All thermostats shall be maintained at a setting no higher than 65°F during normal daytime hours (0600 to 2200) and turned down to a maximum of 60°F during the normal night time hours (2200 to 0600).
- II. Every effort shall be made to close off/secure unoccupied rooms or areas to conserve heat. Members shall be especially alert to keep doors, which open onto the apparatus floor, closed at all times when not in use. Lights shall be turned off when an area is not in use.
- III. Heat on apparatus floor shall be maintained at a temperature of 55°F. Heat may be turned on to a maximum temperature of 65°F when personnel are physically working on the apparatus floor.
- IV. Hot water tanks shall be set no higher than 140°F.

---

### SECTION 802 - COLD WEATHER PROCEDURES

---

#### POLICY:

- I. There shall be established guidelines for Departmental use during periods of cold weather which minimize environmental hazards to personnel and equipment.

#### PROCEDURES:

- I. Cold weather conditions exist when the temperature drops below 35°F. Wind chill and other factors shall be taken into consideration.
- II. Heat on the apparatus floor shall be maintained at a minimum temperature of 55°F.
- III. Apparatus shall not be washed down during cold weather episodes.
- IV. All exterior pipes exposed to freezing shall be wrapped.
- V. General apparatus procedures to be followed during cold weather:
  - A. Start and operate all gas powered portable equipment.
  - B. Drain pumps after each use.
  - C. Apply a thin coat of WD-40 to swivels and discharge ports to prevent moisture build up.
  - D. Foam that has a potential to gel after prolonged exposure to temperature below 35°F shall be agitated weekly during vehicle checks.
- VI. Officers and drivers should be alert to alternate response routes during period of ice, snow, etc.
- VII. During extreme cold weather episodes, all apparatus shall have engines left running while out of quarters.
- VIII. It shall be the responsibility of the Chief Officers to determine which units should chain up or drop chains.

## SECTION 803 - PARKING REGULATIONS

---

Section pending.

8003

## **6. Newberry Community Services District**

### **b. Audits for FY 2010-11 and 2011-12**

**Attachment 6b**

**NEWBERRY  
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS  
(With Independent Auditor's Report Thereon)**

**JUNE 30, 2011**



NEWBERRY  
COMMUNITY SERVICES DISTRICT  
JUNE 30, 2011

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## REPORT OF INDEPENDENT AUDITOR

Board of Directors  
Newberry Community Services District

I have been engaged to audit the accompanying financial statements of the governmental activities and the major fund of the Newberry Community Services District, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements:**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

### **Auditor's Responsibility:**

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Basis for Disclaimer of Opinion:**

Substantial records and receipts for credit card expenditures, including detailed property records, have not been retained thus making them unavailable for the audit. Therefore, I was not able to obtain sufficient appropriate audit evidence for certain credit card expenditures and fixed asset costs made for the year ended June 30, 2011.

### **Disclaimer of Opinion:**

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly I do not express an opinion on the financial statements referred to in the first paragraph.

The District has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

October 25, 2013

NEWBERRY COMMUNITY SERVICES DISTRICT  
Governmental Funds Balance Sheet/Statement of Net Assets  
June 30, 2011

	<u>General Fund</u>	<u>Reconciling Items</u>	<u>Net Assets</u>
<b>ASSETS</b>			
Cash and investments	338,883		338,883
Taxes Receivable	15,495		15,495
Accounts Receivable	3,278		3,278
Prepaid Expenses	10,937		10,937
Land		6,204	6,204
Other capital assets, net of accumulated depreication (Note B)		314,145	314,145
Total Assets	<u>368,593</u>	<u>320,349</u>	<u>688,942</u>
<b>LIABILITIES</b>			
Accounts Payable	10,818		10,818
Salaries and benefits payable	976		976
Deferred revenue	15,495	(15,495)	-
Contracts payable:			-
Due within one year	-	19,602	19,602
Due one year after	-	113,027	113,027
Total Liabilities	<u>27,289</u>	<u>117,134</u>	<u>144,423</u>
<b>FUND BALANCE / NET ASSETS</b>			
Fund Balance:			
Reserved for prepaids	10,937		
Unreserved	330,367		
Total fund balance	<u>341,304</u>	(341,304)	
Total Liabilities and Fund Balances	<u><u>368,593</u></u>		
Net Assets:			
Invested in capital assets, net of related debt		320,349	320,349
Unrestricted		224,170	224,170
Total net assets		<u><u>-</u></u>	<u><u>544,519</u></u>

**NEWBERRY COMMUNITY SERVICES DISTRICT**  
**Statement of Governmental Fund Revenues, Expenditures,**  
**and Changes in Fund Balances / Statement of Activities**  
**For the Year Ended June 30, 2011**

	<u>General Fund</u>	<u>Reconciling Items</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Property Taxes	246,167	15,495	261,662
Interest	1,706		1,706
Donations	1,364		1,364
Emergency Response	-		-
Other	9,178		9,178
Fire Department	2,168		2,168
			-
Total Revenues	<u>260,582</u>	<u>15,495</u>	<u>276,077</u>
<b>Expenditures / Expenses</b>			
Current:			
Fire Protection	80,315		80,315
Parks and recreation	21,736		21,736
Administration costs	103,703		103,703
District Special expense	352		352
Depreciation	-	54,818	54,818
Capital Outlay:		-	-
Debt Service:			-
Principal	18,706	(18,706)	-
Interest	7,249		7,249
			-
Total expenditures / expenses	<u>232,061</u>	<u>36,112</u>	<u>268,173</u>
Excess (deficiency) of			
revenues over expenditures	<u>28,521</u>	<u>(28,521)</u>	
Change in Net Assets		7,904	7,904
<b>Fund Balance / Net Assets:</b>			
Beginning of the year	159,434		570,152
Prior year correction	153,349		(33,537)
Beginning of the year - as corrected	<u>312,783</u>		<u>536,615</u>
End of the year	<u>341,304</u>		<u>544,519</u>



NEWBERRY COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Newberry Community Services District (the District) was formed in 1958 for the purpose of providing services to the local Newberry Springs area residents. The District was initially authorized to provide water services, sewage and waste treatment services, collection and disposal of garbage, fire protection, parks and recreation services, street lighting and maintenance of a police department. The present day services provided include parks and recreation, fire protection and street lighting.

The accounting policies of the Newberry Community Services District conform to generally accepted accounting principles as applicable to government units. The following is a summary of the significant accounting policies.

Measurement Focus / Basis of Accounting

The accounts of the District are organized on the basis of funds, each fund is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the balance sheet net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

The prior year corrections noted on page three correct a presentation error in the 2010 financial statement.

NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Cash

Cash held by the District at June 30, 2011, consisted of the following:

Petty cash	\$ 353
On deposit	310,265
Monies deposited at L.A.I.F.	<u>28,265</u>
Total	<u>\$ 338,883</u>

Deposits and Investments

The District has adopted an investment policy in accordance with Section 53601 of the California Government Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.

The deposits of the District are entirely insured or collateralized with securities held by the District or held by its agent in the name of the District.

Property Taxes

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied on the accrual basis of accounting used in the government-wide financial statements and in the general fund on the modified accrual basis of accounting, provided it is collected within 60 days of the end of the fiscal year.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.



NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

Risk Management

The District is exposed to various risks of loss related to torts; theft of or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended June 30, 2011, the District has provided for protection against possible losses with insurance.

Taxes Receivable

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Deferred taxes represent the portion of the levied tax revenue that is not expected to be received and available for use within 60 days of the fiscal year end.

	General Fund	Statement of Net Assets
County Tax Revenue	\$ -	\$ 15,495
Deferred Tax Revenue	15,495	-
	<u>\$ 15,495</u>	<u>\$ 15,495</u>

NOTE B: CAPITAL ASSETS

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in the government wide financial statements are capitalized at cost, or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received. Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method.

A summary of changes in capital assets is as follows:

	Balance July 1, 2010	Additions	(Dispositions)	Balance June 30, 2011
Land	\$ 6,204	\$ -	\$ -	\$ 6,204
Structures and improvements	236,055	-	-	236,055
Equipment	1,053,691	-	-	1,053,691
Totals	<u>\$ 1,295,950</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,295,950</u>

A summary of changes in accumulated depreciation for capital assets is as follows:

	Balance July 1, 2010	Additions	(Dispositions)	Balance June 30, 2011
Structures and improvements	\$ 177,909	\$ 4,268	-	\$ 182,177
Equipment	742,874	50,550	-	793,424
Totals	<u>\$ 920,783</u>	<u>\$ 54,818</u>	<u>\$ -</u>	<u>\$ 975,601</u>

NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE C: LONG-TERM OBLIGATIONS:

Contract payable to Kansas State Bank of Manhattan, due in seven (7) annual installments of \$25,955 each Payable in December of each year including interest at 4.790%, from December 4, 2009 to final payment December 4, 2016	\$ 132,629
Less current portion paid	<u>\$ 19,602</u>
Total long term obligation	<u>\$ 113,027</u>

Maturities of long-term obligations are as follows:

<u>June 30, XXXX</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	19,602	6,353	25,955
2012	20,541	5,414	25,955
2013	21,525	4,430	25,955
2014	22,556	3,399	25,955
2015	23,636	2,319	25,955
2016	24,769	1,186	25,955
<u>Total</u>	<u>\$ 132,629</u>	<u>\$ 23,101</u>	<u>\$ 155,730</u>

NOTE D: BUDGETS AND BUDGETARY ACCOUNTING

Prior to the beginning of each fiscal year, the Board of Directors adopts and prepares an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes. The source of financing for these costs and reserve requirements are (1) the available fund balance carried forward from the preceding years, (2) revenue other than property taxes, and (3) property taxes. Each year's appropriation lapses at year end. The District's policy is to prepare its budget on the cash basis, which recognizes revenues when they are received and expenditures when they are paid. Interfund transfers are not budgeted.



NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

NOTE E: BUDGET TO ACTUAL COMPARISON

As described in Note D, the District prepares its budget on the cash basis of accounting. The following adjustments have been made to bring the actual amounts of the statement of revenues and expenditures budget-to-actual into conformity with this basis of accounting:

Total revenues-financial accounting basis	\$ 276,077
Accrual adjustments	<u>(18,773)</u>
Total revenues-budgetary basis	<u>\$ 257,304</u>

Total expenditures-financial accounting basis	\$ 268,173
Accrual adjustments	(11,794)
Depreciation	<u>(54,818)</u>
Total expenditures--budgetary basis	<u>\$ 201,561</u>

NEWBERRY COMMUNITY SERVICES DISTRICT  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2011

REQUIRED SUPPLEMENTARY INFORMATION

	<u>Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis) (Note E)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Budgetary fund balance, July 1</b>			
<b>Resources (inflows)</b>			
Property Taxes	218,111	242,889	24,778
Investment Earnings	6,200	1,706	(4,494)
Charges for Services	6,200	11,345	5,145
Dontations	300	1,364	1,064
Keiwitt Allocation	-	-	-
Fire Department Grant	8,000	-	(8,000)
Amounts available for appropriation	<u>238,811</u>	<u>257,304</u>	<u>18,493</u>
<b>Charges to appropriations (Outflows)</b>			
General Government			
Personal services	33,700	30,311	3,389
Utilities	21,660	20,653	1,007
Communications	2,000	1,767	233
District Special expenditures	850	352	498
Materials and services	43,200	50,553	(7,353)
Capitla outlay	-	-	-
Fire Protection			
Personal services	17,500	12,748	4,752
Materials and services	52,050	26,703	25,347
Fire vehicle maintenance and repair	11,300	15,370	(4,070)
Communications	8,400	7,738	662
Debt service	26,955	25,955	1,000
Capital outlay	25,000	-	25,000
Park and Recreation			
Personal services	3,600	3,000	600
Materials and services	19,750	6,412	13,338
Capital outlay	-	-	-
Total charges to appropriations	<u>265,965</u>	<u>201,561</u>	<u>64,404</u>
<b>Budgetary fund balance, June 30</b>	<u>(27,154)</u>	<u>55,743</u>	<u>82,897</u>

## GENERAL INFORMATION

**NEWBERRY  
COMMUNITY SERVICES DISTRICT**

**FINANCIAL STATEMENTS  
(With Independent Auditor's Report Thereon)**

**JUNE 30, 2012**

**PRELIMINARY DRAFT  
FOR DISCUSSION PURPOSES ONLY**

NEWBERRY  
COMMUNITY SERVICES DISTRICT  
JUNE 30, 2012

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**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY





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**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Newberry Community Services District

I have audited the accompanying financial statements of the governmental activities and the major fund of the Newberry Community Services District, as of and for the year ended June 30, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

**Basis for Qualified Opinion**

Substantial records and receipts for credit card expenditures, including a detailed record of property and equipment have not been maintained. These records were unavailable for the audit. Therefore I was not able to obtain sufficient audit evidence for certain credit card expenditures and fixed asset costs for the year ended June 30, 2012.

**Qualified Opinion**

In my opinion, except for the effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the General Fund of the Newberry Community Services District, as of June 30, 2012, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

The District has not presented the Management's Discussion and Analysis that the Government Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

June 11, 2014

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

**NEWBERRY COMMUNITY SERVICES DISTRICT**  
**Governmental Funds Balance Sheet/Statement of Net Position**  
**June 30, 2012**

	<u>General Fund</u>	<u>Reconciling Items</u>	<u>Net Position</u>
<b>ASSETS</b>			
Cash and investments	346,026		346,026
Taxes Receivable	10,195		10,195
Accounts Receivable	2,394		2,394
Land		6,204	6,204
Other capital assets, net of accumulated depreciation (Note B)		243,536	243,536
<b>Total Assets</b>	<u>358,615</u>	<u>249,740</u>	<u>608,355</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Prepaid Insurance	12,703		12,703
<b>LIABILITIES</b>			
Accounts Payable	16,498		16,498
Salaries and benefits payable	3,467		3,467
Contracts payable:			
Due within one year	-	20,541	20,541
Due after one year	-	92,486	92,486
<b>Total Liabilities</b>	<u>19,965</u>	<u>113,027</u>	<u>132,992</u>
<b>DEFERRED INFLOW OF RESOURCES</b>			
Unearned Revenue	10,195	(10,195)	
<b>FUND BALANCE / NET POSITION</b>			
Fund Balance:			
Reserved for Prepaids	12,703		
Unassigned	328,455		
<b>Total fund balance</b>	<u>341,158</u>	(341,158)	
<b>Total Liabilities and Fund Balances</b>	<u>361,123</u>		
<b>Net Position:</b>			
Invested in capital assets, net of related debt		249,740	249,740
Unrestricted		238,326	238,326
<b>Total net Position</b>		<u>-</u>	<u>488,066</u>

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

**NEWBERRY COMMUNITY SERVICES DISTRICT**  
**Statement of Governmental Fund Revenues, Expenditures,**  
**And Changes in Fund Balances / Statement of Activities**  
**For the Year Ended June 30, 2012**

	<u>General Fund</u>	<u>Reconciling Items</u>	<u>Statement of Activities</u>
<b>Revenues:</b>			
Property Taxes	211,606	10,195	221,801
Interest	1,093		1,093
Donations	2,067		2,067
Emergency Response	-		-
Other	21,104		21,104
Fire Department	2,818		2,818
	-		-
Total Revenues	<u>238,688</u>	<u>10,195</u>	<u>248,883</u>
<b>Expenditures / Expenses</b>			
Current:			
Fire Protection	117,088		117,088
Parks and recreation	27,819		27,819
Administration costs	85,388		85,388
District Special expense	92		92
Depreciation	-	53,100	53,100
Capital Outlay:		-	-
Debt Service:			
Principal	19,602	(19,602)	-
Interest	6,353		6,353
	-		-
Total expenditures / expenses	<u>256,342</u>	<u>33,498</u>	<u>289,840</u>
Excess (deficiency) of revenues over expenditures	<u>(17,654)</u>	<u>17,654</u>	
Change in Net Position		(40,957)	(40,957)
<b>Fund Balance / Net Position:</b>			
Beginning of the year	341,304		544,519
Prior year correction	17,508		(15,496)
Beginning of the year - as corrected	<u>358,812</u>		<u>529,023</u>
	-		-
End of the year	<u>341,158</u>		<u>488,066</u>

**PRELIMINARY DRAFT**  
**FOR DISCUSSION PURPOSES ONLY**



NEWBERRY COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Newberry Community Services District (the District) was formed in 1958 for the purpose of providing services to the local Newberry Springs area residents. The District was initially authorized to provide water services, sewage and waste treatment services, collection and disposal of garbage, fire protection, parks and recreation services, street lighting and maintenance of a police department. The present day services provided include parks and recreation, fire protection and street lighting.

The accounting policies of the Newberry Community Services District conform to generally accepted accounting principles as applicable to government units. The following is a summary of the significant accounting policies.

Measurement Focus / Basis of Accounting

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

The accounts of the District are organized on the basis of funds, each fund is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the balance sheet net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

The district's highest level of decision-making authority for committed fund balances is the board of directors. The formal action that is required to be taken to establish (or modify or rescind) a fund balance commitment is approval of the board of directors.

The length of time used to define available for purposes of revenue recognition in the governmental fund financial statements is sixty days.

The district is not obligated in any manner for special assessment debt as there is none.

The District does not provide employees a compensated absence benefit. There is therefore no liability to pay for sick or vacation days.

NEWBERRY COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

**NET POSITIONS FLOW ASSUMPTION**

Net position is required to be classified into three components – invested in capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- a. Net invested in capital assets – This component of net position consists of capital assets, net of accumulated depreciation, and unamortized bond issuance cost reduced by the outstanding balances of any bond, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvements of these assets. If there are significant unspent related debt proceeds at year-end, the portion of debt attributable to unspent proceeds is not included in the calculation in capital assets, net of related debt.
- b. Restricted – This component of net position consists of restrictions placed on net position use through external constraints imposed by creditors (such as debt covenants), contributors, or law or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- c. Unrestricted – This component of net position that does not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Sometimes the District will fund outlays for particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District’s policy to use restricted resources first, the unrestricted resources as they are needed.

**FUND BALANCE FLOW ASSUMPTIONS**

Governmental fund equity is reported as fund balance within each respective fund. For governmental funds, the fund balance is divided into five classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

- a. Non-spendable – Amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually to be maintained intact.

NEWBERRY COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

- b. Restricted – Amounts that can be spent only for specific purposes because of the District's Policy, state or federal laws or externally imposed conditions by grantors or creditors.
- c. Committed – Amounts that can be used only for specific purposes determined by a formal action by the District's Board of Directors through an ordinance or resolution.
- d. Assigned – Amounts that are designated by the Board of Directors for a special purpose, but are not spendable until a budget is passed by the Board.
- e. Unassigned – All amounts not included in other spendable classifications.

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned and unassigned fund balance). In order to calculate the amount to report for each category of fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by the assigned fund balance. Unassigned fund balance is applied last.

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

DEFERRED OUTFLOWS / INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This represents an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that period. The District has one item that qualified for reporting in this category: Unavailable revenue received after the availability period. This is reported as deferred inflows on the governmental fund balance sheet and will be recognized as revenue next year.



NEWBERRY COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

DEPOSITS

Deposit risk includes:

- Custodial Credit Risk – for deposits, custodial credit risk is the risk that in the event of the failure of a bank or other counterparty, the District will not be able to recover the value of its deposits or collateral securities in the possession of a third party.
- Credit Risk – for deposit, credit risk is the risk that a bank or other counterparty defaults on its principal and/or interest payments owed to the District.
- Interest Rate Risk – for deposits, interest rate risk is the risk that the value of deposits will decrease as a result of a rise in interest rates.

The District has not adopted a specific risk management policy for deposits, but does require all deposits and investments be in compliance of State statutes. Statutes authorize the District to invest in time deposits at banks selected as depositories of District funds, direct debt securities of the United States Government, and certain government agency bonds.

Cash and Investments held by the District at June 30, 2012, consisted of the following:

Petty cash	\$ 353
On deposit	317,293
Monies deposited at L.A.I.F.	28,380
Total	<u>\$ 346,026</u>

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

Cash is at cost, which approximates fair value. The District's cash deposits, including demand deposits and certificates of deposit are insured by the Federal Deposit Insurance Corporation (FDIC) and securities held in safekeeping pledged to the entity where the security is held. At June 30, 2102, the District's deposits at banks were \$345,673; all of the District's deposits were fully-insured or collateralized.

The District has adopted an investment policy in accordance with Section 53601 of the California Government Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.

NEWBERRY COMMUNITY SERVICE DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

CHANGE IN ACCOUNTING PRINCIPLE:

During the year ended June 30, 2012, the District implemented several Governmental Accounting Standards Board (GASB) statements. Below is detailed information of those standards that has a direct impact on the District's current financial statements.

Statement No. 61 amends Statement No. 14 and No. 34 and modifies certain requirements for inclusion of component units in the financial reporting entity to ensure that the reporting entity includes only organization for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude. Statement No. 61 also clarifies the criteria for blending component units and presenting business-type component units. The District has no component units and therefore is not impacted by this statement.

Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB Statement No. 62 improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement will bring the authoritative accounting and financial reporting literature together in one place. Therefore, the portion to use subsequent FASB guidance has been removed.

Statement No. 63, *reporting Deferred Outflows, Deferred Inflows and Net Position*. GASB Statement No. 63 provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources that were introduced and defined by Concepts Statement No. 4, Elements of Financial Statements. Previous financial reporting standard did not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. In addition, the previous Statement of Net Assets was renamed to a Statement of Financial Position.

The District early implemented Statement 65. Items Previously Reported as Assets and Liabilities, which has an effective date of June 30, 2014. GASB Statement No. 65 establishes accounting and financial reporting standard that reclassifies, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Prior Year Corrections

*The prior year corrections noted on page three represent reconciliation differences between prior year ending Fund balance and the opening Fund balance of the current year.*

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

Property Taxes

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied on the accrual basis of accounting used in the government-wide financial statements and in the general fund on the modified accrual basis of accounting, provided it is collected within 60 days of the end of the fiscal year.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those Assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended June 30, 2012, the District has provided for protection against possible losses with insurance.

Taxes Receivable

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Unearned revenue represents the portion of the levied tax revenue that is not expected to be received and available for use within 60 days of the fiscal year end.

	General Fund	Statement of Net Position
County Tax Revenue	\$ -	\$ 10,195
Unearned Tax Revenue	10,195	-
	<u>\$ 10,195</u>	<u>\$ 10,195</u>

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE B: CAPITAL ASSETS**

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in the government wide financial statements are capitalized at cost or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received. Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method.

A summary of changes in capital assets is as follows:

	Balance July 1, 2011	Additions	(Dispositions)	Balance June 30, 2012
Land	\$ 6,204	\$ -	\$ -	\$ 6,204
Structures and improvements	236,055	-	-	236,055
Equipment	1,053,691		(91,585)	962,106
Totals	<u>\$ 1,295,950</u>	<u>\$ -</u>	<u>\$ (91,585)</u>	<u>\$ 1,204,365</u>

A summary of changes in accumulated depreciation for capital assets is as follows:

	Balance July 1, 2011	Additions	(Dispositions)	Balance June 30, 2012
Structures and improvements	\$ 182,177	\$ 3,112	-	\$ 185,289
Equipment	793,424	49,988	(74,076)	769,336
Totals	<u>\$ 975,601</u>	<u>\$ 53,100</u>	<u>\$ (74,076)</u>	<u>\$ 954,625</u>

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY



NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE C: LONG-TERM OBLIGATIONS:

Contract payable to Kansas State Bank of Manhattan, due  
in seven (7) annual installments of \$25,955 each Payable in  
December of each year including interest at 4.790%, from  
December 4, 2009 to final payment December 4, 2016

	\$ 113,027
Less current portion paid	<u>\$ 20,541</u>
Total long term obligation	<u>\$ 92,486</u>

Maturities of long-term obligations are as follows:

<u>June 30, XXXX</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	20,541	5,414	25,955
2013	21,525	4,430	25,955
2014	22,556	3,399	25,955
2015	23,636	2,319	25,955
2016	24,769	1,186	25,955
<u>Total</u>	<u>\$ 113,027</u>	<u>\$ 16,748</u>	<u>\$ 129,775</u>

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY



NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE D: SUBSEQUENT EVENTS

On May 22, 2013 Letter of intent to purchase was signed between CSD and Fire Trucks Plus in the amount of \$150,000.00 to sell the District water tender being purchased through Kansas State Bank.

In October of 2013 Fire Trucks Plus sold the truck and would not respond to questions about where the money was. In December 2013 the attorney for the District and Fire Trucks Plus attorney corresponded. The fire truck had been sold and was in Colorado in possession of Deer Trail Fire Protection. Fire Trucks Plus during this time filed Bankruptcy. The District was told that the District along with all others would need to file a lawsuit to try to recoup money with no promises of any remuneration being available.

December 19, 2013 the District received a settlement agreement that \$96,000.00 was owed to Kansa State Bank. Deer Trail Fire paid the balance owed and the District signed all Transfer documentation and Deer Trail Fire Protection now owns the truck. No money was received in the transaction.

Deer Trail purchased the truck for \$165,000.00 and paid Fire Truck Plus. Fire Trucks Plus never forwarded the money to the District and Fire Truck Plus filed bankruptcy. Deer Trail paid for the remaining balance that was owed.

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT  
Budgetary Comparison Schedule  
For the Year Ended June 30, 2012

REQUIRED SUPPLEMENTARY INFORMATION

	<u>Original and Final Budgeted Amounts</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>Budgetary fund balance, July 1</b>			
<b>Resources (inflows)</b>			
Property Taxes	218,327	211,606	(6,721)
Investment Earnings	2,500	1,093	(1,407)
Charges for Services	27,959	20,431	(7,528)
Dontations	1,000	2,067	1,067
Keiwick Allocation	-	-	-
Fire Department Grant	20,570	-	(20,570)
Sale of Assets	-	3,491	3,491
Amounts available for appropriation	<u>270,356</u>	<u>238,688</u>	<u>(35,159)</u>
<b>Charges to appropriations (Outflows)</b>			
General Government			
Personal services	32,700	29,550	3,150
Utilities	4,800	4,601	199
Communications	2,750	2,787	(37)
District Special expenditures	3,000	92	2,908
Materials and services	31,800	48,450	(16,650)
Capitol outlay	-	-	-
Fire Protection			
Personal services	14,500	18,462	(3,962)
Materials and services	68,775	57,594	11,181
Fire vehicle maintenance and repair	5,600	13,202	(7,602)
Communications	1,400	8,228	(6,828)
Debt service	25,955	25,955	-
Capital outlay	16,428	-	16,428
Park and Recreation			
Personal services	3,600	-	3,600
Materials and services	45,681	27,819	17,862
Capital outlay	1,000	-	1,000
Total charges to appropriations	<u>257,989</u>	<u>236,740</u>	<u>21,249</u>
<b>Budgetary fund balance, June 30</b>	<u>12,367</u>	<u>1,948</u>	<u>(13,910)</u>

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

NOTE E: BUDGETS AND BUDGETARY ACCOUNTING

Prior to the beginning of each fiscal year, the Board of Directors adopts and prepares an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes. The source of financing for these costs and reserve requirements are (1) the available fund balance carried forward from the preceding years, (2) revenue other than property taxes, and (3) property taxes. Each year's appropriation lapses at year end. The District's policy is to prepare its budget on the cash basis, which recognizes revenues when they are received and expenditures when they are paid. Interfund transfers are not budgeted.

NOTE F: BUDGET TO ACTUAL COMPARISON

As described in Note D, the District prepares its budget on the cash basis of accounting. The following adjustments have been made to bring the actual amounts of the statement of revenues and expenditures budget-to-actual into conformity with this basis of accounting:

Total revenues-financial accounting basis	\$ 248,883
Accrual adjustments	<u>(10,195)</u>
Total revenues-budgetary basis	<u>\$ 238,688</u>
Total expenditures-financial accounting basis	\$ 289,840
Accrual adjustments	-
Depreciation	<u>(53,100)</u>
Total expenditures--budgetary basis	<u>\$ 236,740</u>

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

NEWBERRY COMMUNITY SERVICES DISTRICT  
COUNTY OF SAN BERNARDINO  
JUNE 30, 2012

GENERAL INFORMATION

Type of District – Community Services

Date of Formation – December 15, 1958

Statutory Authority – California Government Code  
Section 61000, et seq.,  
Division 2, Title 6

Audit period – July 1, 2011 thru June 30, 2012

Name	Title	Term Expires
Robert Seeley	President	December 2013
Robert Royalty	Vice President	December 2015
Diana H Williams	Director	December 2013
Calvin Owens	Director	December 2015
Wayne Snively	Director	December 2013

**PRELIMINARY DRAFT**  
FOR DISCUSSION PURPOSES ONLY

General Manager – Vacant as of April 1, 2012

Custodial of Financial Records – Wayne Weierbach  
Secretary

Location of Financial Records – District Office  
30884 Newberry Road  
Newberry Springs, CA 92365

Depository

Desert Community Bank  
945 East Armory Road  
Barstow, CA 92311

**6. Newberry Community Services District**

**c. State Controller Report Submission  
for FY 2012-13**

**Attachment 6c**

# **SPECIAL DISTRICTS FINANCIAL TRANSACTIONS AND COMPENSATION REPORT**

## **COVER PAGE**

### **Newberry Community Services District**

SCO Reporting Year: **2013**

ID Number: **12053606600**

Fiscal Year Ended: 06/30/13 (MM/DD/YY)

**Certification:**

I hereby certify that, to the best of my knowledge and belief, the report forms fairly reflect the financial transactions of the district in accordance with the requirements as prescribed by the California State Controller.

District Fiscal Officer

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Name (Please Print)

\_\_\_\_\_  
Date

Per Government Code section 53891, this report is due within 90 days after the end of the fiscal year. If filed in electronic format, the report is due within 110 days after the end of the fiscal year. However, in the case of hospital districts, the report is due within 120 days after the end of the fiscal year.

Per Government Code section 26909, a copy of the independent audit is to be filed with the Controller within 12 months after the close of the fiscal year.

Please complete, sign, and mail this cover page to either address below.

**Mailing Address:**

State Controller's Office  
Division of Accounting and Reporting  
Local Government Reporting Section  
P. O. Box 942850  
Sacramento, CA 94250

**Express Mailing Address:**

State Controller's Office  
Division of Accounting and Reporting  
Local Government Reporting Section  
3301 C Street, Suite 700  
Sacramento, CA 95816



David B. Whitford, Jr.

CERTIFIED PUBLIC ACCOUNTANT

4515 Central Ave., #202, Riverside, CA 92506  
(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies  
Practice Section of the AICPA and  
The California Society of Certified  
Public Accountants*

September 24, 2013

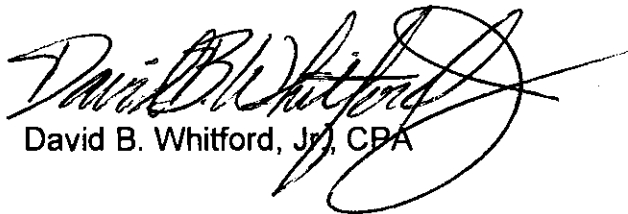
Board of Directors  
Newberry Community Services District  
Newberry Springs, California 92365

Board of Directors

I have compiled the balance sheet of *Newberry Community Services District* at *June 30, 2013* and the statements of revenue and expenditures for the year then ended which are included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the California State Controller information that is the representation of management. I have not audited or reviewed the financial statements referred to above and accordingly do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the California State Controller, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.



David B. Whitford, Jr., CPA

# Newberry Community Services District Special Districts Financial Transactions Report

## General Information

Fiscal Year 2013

### Mailing Address

Street 1 30884 Newberry Road ☐ Is Address Changed?  
 Street 2 P.O Box 206  
 City Newberry Springs State CA Zip 92365-0206  
 Email newberrycsd@gmail.com

### Members of the Governing Body

	First Name	Middle Initial	Last Name	Title
Member	Robert		Royalty	President
Member	Diana	H	Williams	Director
Member	Wayne		Snively	Director
Member	Kathleen		Ridler	Director
Member	Calvin		Owens	Director
Member				
Member				
Member				
Member				

### Other Officials

First Name	Middle Initial	Last Name	Title

### Report Prepared By

First Name	Middle Initial	Last Name	Phone No
David	B	Whitford Jr	(951) 341-8344

### Independent Auditor

First Name	Middle Initial	Last Name	Phone No
David	B	Whitford Jr	(951) 341-8344



**Newberry Community Services District**  
**Special Districts Financial Transactions Report - Consolidated Balance Sheet**

Fiscal Year	2013	Assets						Total Memorandum Only
		General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	
<b>Assets</b>								
Cash and Cash Equivalents		317,990						\$317,990
Taxes Receivable		35,550						\$35,550
Interest Receivable								\$0
Accounts Receivable		5,143						\$5,143
Loans, Notes, and Contracts Receivable								\$0
Due from Other Funds								\$0
Inventory of Materials and Supplies								\$0
Other Current Assets								
Lease Payments Receivable								
Unearned Finance Charges								
Investments								\$0
Restricted Assets								
Deferred Charges								
Unamortized Discount on Long-Term Debt								
Other Assets								\$0
<b>Fixed Assets</b>								
Land						6,204		\$6,204
Buildings and Improvements						236,055		\$236,055
Equipment						1,053,692		\$1,053,692
Construction in Progress								\$0
<b>Total Fixed Assets</b>					\$0	\$1,295,951		\$1,295,951
Accumulated Depreciation						1,087,240		\$1,087,240
<b>Net Fixed Assets</b>					\$0	\$208,711		\$208,711
<b>Other Debits</b>								
Amount Available in Debt Service Funds								
Amount to be Provided								
<b>Total Assets</b>		\$358,683	\$0	\$0	\$0	\$208,711	\$0	\$567,394

**Newberry Community Services District**  
**Special Districts Financial Transactions Report - Consolidated Balance Sheet**

**Liabilities and Equity**

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	Total Memorandum Only
<b>Liabilities and Equity</b>								
Accounts/Warrants Payable		16,256						\$16,256
Loans and Notes Payable		73,470						\$73,470
Interest Payable - Matured/Accrued								\$0
Other Current Liabilities		36,558						\$36,558
Compensated Absences Payable								\$0
Due to Other Governments								\$0
Due to Other Funds								\$0
<b>Long-Term Debt</b>								
General Obligation Bonds								\$0
Revenue Bonds								\$0
Certificates of Participation								\$0
Special Assessment								\$0
Federal								\$0
State								\$0
Time Warrants								\$0
Other Long-Term Indebtedness								\$0
Unamortized Premium on Long-Term Debt								
Advances for Construction								
Deferred Revenue								\$0
All Other Non-Current Liabilities								
<b>Total Liabilities</b>		<b>\$126,284</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>		<b>\$0</b>	<b>\$126,284</b>
<b>Fund Equity</b>								
Contributed Capital								
Investments in General Fixed Assets						208,711		\$208,711
<b>Retained Earnings</b>								
Reserved								
Unreserved								
<b>Fund Balances</b>								
Reserved								\$0
Unreserved Designated								\$0
Unreserved Undesignated		232,399						\$232,399
<b>Total Fund Equity</b>		<b>\$232,399</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$208,711</b>	<b>\$0</b>	<b>\$441,110</b>
<b>Total Liabilities and Fund Equity</b>		<b>\$358,683</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$208,711</b>	<b>\$0</b>	<b>\$567,394</b>

**Newberry Community Services District  
Special Districts Financial Transactions Report  
Consolidation of Fund Equities and Transfers  
Consolidation of Fund Equities and Transfers**

<b>Fiscal Year</b>	<b>2013</b>			
	<b>General and Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>	<b>Enterprise Funds</b>
<b>Consolidation of Fund Equities</b>				
<b>Non-Enterprise Activities</b>	\$232,399	\$0	\$0	
<b>Enterprise Fund Equities</b>				
Airport				\$0
Electric				\$0
Harbor and Port				\$0
Hospital				\$0
Waste Disposal				\$0
Water				\$0
<b>Total Ending Fund Equities</b>	<b>\$232,399</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

	<b>Transfers In</b>	<b>Transfers Out</b>	<b>Net</b>
	<b>A</b>	<b>B</b>	<b>C</b>
<b>Consolidation of Transfers In and Transfer Out</b>			
General and Special Revenue Funds	\$0	\$0	
Debt Service Funds	\$0	\$0	
Capital Projects Funds	\$0	\$0	
<b>Enterprise Activities</b>			
Airport	\$0	\$0	
Electric	\$0	\$0	
Harbor and Port	\$0	\$0	
Waste Disposal	\$0	\$0	
Water	\$0	\$0	
<b>Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**Newberry Community Services District  
Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

Fiscal Year 2013

	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
	A	B	C
Non-Enterprise Activity	Fire Protection		
<b>Taxes and Assessments</b>			
Current Secured and Unsecured (1%)	101,576		
Voter Approved Taxes			
Property Assessments			
Special Assessments (Mello/Roos, Mark/Roos)			
Prior Year Taxes and Assessments	8,445		
Penalties and Cost on Delinquent Taxes and Assessments	2,536		
<b>Licenses, Permits, and Franchises</b>			
<b>Fines, Forfeits, and Penalties</b>	998		
<b>Revenue From Use of Money and Property</b>			
Interest Income	438		
Rents, Concessions and Royalties	369		
<b>Federal</b>			
Aid for Construction			
Other Federal			
<b>State</b>			
Aid for Construction			
State Water Project			
Homeowners Property Tax Relief	1,537		
Timber Yield			
Other State			
<b>Other Governmental Agencies</b>			
Redevelopment Pass-Through			
Other			
<b>Charges for Current Services</b>	10		
<b>Contributions From Property Owners</b>	1,437		
<b>Self Insurance Only</b>			
Member Contributions			
Claim Adjustments			
<b>Other Revenues</b>	151		
<b>Total Revenues</b>	\$117,497	\$0	\$0
<b>Expenditures</b>			
Salaries and Wages	21,256		
Employee Benefits	9,196		
Services and Supplies	62,885		
Self Insurance Only - Claims Paid			

**Newberry Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

<b>Fiscal Year</b>	<b>2013</b>	<b>General and Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>
	<b>A</b>	<b>B</b>	<b>C</b>	
<b>Contributions to Outside Agencies</b>				
<b>Debt Service</b>				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
<b>Fixed Assets</b>	196,000			
<b>Other Expenditures</b>				
<b>Total Expenditures</b>	\$289,337	\$0	\$0	
<b>Revenues Over (Under) Expenditures</b>	(\$171,840)	\$0	\$0	
<b>Financing Sources and Uses</b>				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
<b>Total Other Financing Sources (Uses)</b>	\$0	\$0	\$0	
<b>Revenues/Sources Over (Under) Expenditures/Uses</b>	(\$171,840)	\$0	\$0	
<b>Fund Equity, Beginning of Period</b>	\$199,590	\$0	\$0	
Prior Period Adjustments	22,660			
Residual Equity Transfers				
Other				
<b>Fund Equity, End of Period</b>	\$50,410	\$0	\$0	

# Newberry Community Services District

## Special Districts Financial Transactions Report - Non-Enterprise Activity

### Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Lighting and Lighting Maintenance		
<b>Taxes and Assessments</b>				
Current Secured and Unsecured (1%)		1,881		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		156		
Penalties and Cost on Delinquent Taxes and Assessments		18		
<b>Licenses, Permits, and Franchises</b>				
<b>Fines, Forfeits, and Penalties</b>				
<b>Revenue From Use of Money and Property</b>				
Interest Income				
Rents, Concessions and Royalties				
<b>Federal</b>				
Aid for Construction				
Other Federal				
<b>State</b>				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		29		
Timber Yield				
Other State				
<b>Other Governmental Agencies</b>				
Redevelopment Pass-Through				
Other				
<b>Charges for Current Services</b>				
<b>Contributions From Property Owners</b>				
<b>Self Insurance Only</b>				
Member Contributions				
Claim Adjustments				
<b>Other Revenues</b>				
<b>Total Revenues</b>		\$2,084	\$0	\$0
<b>Expenditures</b>				
Salaries and Wages				
Employee Benefits				
Services and Supplies		4,603		
Self Insurance Only - Claims Paid				

**Newberry Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

<b>Fiscal Year</b>	<b>2013</b>	<b>General and Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>
		<b>A</b>	<b>B</b>	<b>C</b>
<b>Contributions to Outside Agencies</b>				
<b>Debt Service</b>				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
<b>Fixed Assets</b>				
<b>Other Expenditures</b>				
<b>Total Expenditures</b>		\$4,603	\$0	\$0
<b>Revenues Over (Under) Expenditures</b>		(\$2,519)	\$0	\$0
<b>Financing Sources and Uses</b>				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
<b>Total Other Financing Sources (Uses)</b>		\$0	\$0	\$0
<b>Revenues/Sources Over (Under) Expenditures/Uses</b>		(\$2,519)	\$0	\$0
<b>Fund Equity, Beginning of Period</b>		(\$55,888)	\$0	\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
<b>Fund Equity, End of Period</b>		(\$58,407)	\$0	\$0

# Newberry Community Services District

## Special Districts Financial Transactions Report - Non-Enterprise Activity

### Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Recreation and Park		
<b>Taxes and Assessments</b>				
Current Secured and Unsecured (1%)		84,647		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		7,037		
Penalties and Cost on Delinquent Taxes and Assessments		832		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
<b>Revenue From Use of Money and Property</b>				
Interest Income		438		
Rents, Concessions and Royalties				
<b>Federal</b>				
Aid for Construction				
Other Federal				
<b>State</b>				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		1,281		
Timber Yield				
Other State				
<b>Other Governmental Agencies</b>				
Redevelopment Pass-Through				
Other				
<b>Charges for Current Services</b>				
<b>Contributions From Property Owners</b>				
<b>Self Insurance Only</b>				
Member Contributions				
Claim Adjustments				
<b>Other Revenues</b>				
<b>Total Revenues</b>		\$94,235	\$0	\$0
<b>Expenditures</b>				
Salaries and Wages		7,350		
Employee Benefits				
Services and Supplies		29,955		
Self Insurance Only - Claims Paid				



**Newberry Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets				
Other Expenditures				
Total Expenditures		\$37,305	\$0	\$0
Revenues Over (Under) Expenditures		\$56,930	\$0	\$0
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
Total Other Financing Sources (Uses)		\$0	\$0	\$0
Revenues/Sources Over (Under) Expenditures/Uses		\$56,930	\$0	\$0
Fund Equity, Beginning of Period		\$183,466	\$0	\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
Fund Equity, End of Period		\$240,396	\$0	\$0

**6. Newberry Community Services District**

**d. Response to Draft Service Review**

**Attachment 6d**

## Response to LAFCO MSR 2014

First, the collective opinion in regards to any move to consolidate Newberry C.S.D. with another C.S.D. will fail. Neither the Board of Directors nor the Citizens of Newberry Springs are in favor of such an action.

Addressing the items in the Draft Report:

Page 1. We will object for our Fire Protection powers being removed for several reasons. First there is not enough funding available for SBCoFD to take the area over and operate a fire station in the Newberry area. If the county station at Harvard Road was utilized the response times will be much too long and would only increase the response times as compared to the national or industry standards listed in this review.

Secondly, consolidation of the three districts to provide for "economy of scale" is an impractical application of 'stream lining' government function which will produce a cost and efficiency of services fallacy. Making government larger doesn't work. The larger the governmental agency, the less responsive they are to their citizens. If this concept was a practical and productive action then consolidation of California, Arizona and Nevada would be appealing for savings measures. We might have our state capitol in Prescott, Arizona, a little inconvenient for some. Clearly, the smaller the governmental agency, the more responsive they are to their citizens.

Page 2. (quoting) "LAFCO staff recommends that at a minimum Daggett CSD and Yermo CSD consolidate, preferably for Daggett CSD, Newberry CSD and Yermo CSD consolidate into a single district. The long term benefit to the community would be through service which is consistent, allows for flexibility in assigning resources streamlines governance and management, and provides for the appropriate location of resources."

The depiction that any of the districts can benefit from a consolidation of districts is a very large assumption of benefit for the districts and public at large. This may be a prudent model of streamlining governance to achieve benefit results, but, this also would effectively reduce service values already in place by each district. Basically, expanding and exploiting the inadequate funding and public service demands of each district and apply to the region (all three district) as a single agency responsible.

Newberry CSD already provides consistent services, our resources are within the district, management is provided by our Board of Directors and Staff. It is a small scale, efficient operation which is responsive to the people of Newberry Springs.

Page two also points out that the path forward " - - - will be decided by the registered voters - " If necessary the Newberry CSD will engage in public notices, meetings, and official discussions to provide the general public to address local government activities, actions, and events that will directly affect the public and district as a whole.

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San Bernardino County

(Page 2)

Page 4. Page 4 points out the Newberry CSD has not filed an Appropriations limit which is required if the ad valorem tax rate was 12.5% or higher in 1977/78. We do not believe our tax rate exceeded 12.5 percent back then and we had no luck trying to find the tax rate at that time. I see from your attached emails that a former GM had the same problem back in 2009. Newberry CSD is currently working on an Appropriations limit, a rather complex document.

Page 5. Notes that our response to the Grand Jury indicated we were developing an accounting manual to be provided to LAFCO in the immediate future. I did in fact provide that information then I began looking into developing an accounting manual. However I soon learned that our manual would be a 1 page item which would say all of our checks require the signature of two directors, our directors see all the bills that have been paid since their last meeting, we require receipts for all purchases and the GM reviews all purchases. Purchases greater than \$500. require approval by the GM. Large expenditures go to the Board for approval.

All income and expenses are entered into QuickBooks and are readily available for anyone who wants to see them. A line item budget has been approved by the board and we will continue to provide a budget at the beginning of each fiscal year.

That is all our accounting manual would be - - -

Page 8. Again mentions removing Fire Powers and an annexation of the Newberry area by county fire or consolidating the three CSD's to allow for "economies of scale." As written above we don't subscribe to the theory of economy of scale, so we object to the consolidation based on that issue and others. SBCoFD and NCSD are subject to the same comparison of standard for Emergency services response requirements. Given the industry standard to be based upon NFPA criteria and other sources, the removal of local services with placement on SBCoFD would be subjected to the same comparison against industry standards. The inadequate level of response and service availability would be notably lessor than current provisions provided by NCSD. Effectively taking a step in the direction of inability to provide timely services due to resource availability and response times.

Page 10. Typo only in the chart. The square miles in Newberry and Yermo are reversed. The text below the box is correct.

Page 12. The top paragraph talks about the Grand Jury investigation being instigated by multiple citizen complaints. Most of those complaints came from three people who simply wanted to cause problems for the CSD. I'm not saying the complaints were necessarily invalid, many of them were valid complaints, however the very people who were complaining, former board members and staff, were at least partially responsible for the state of affairs at the district. Nevertheless, I think it is accurate to say that most of those complaints have been corrected and we are moving forward in the manner directed by the Grand Jury.

(Page 3)

Page 15. We will object to the dissolution of Newberry CSD and we do not find a JPA or addition to CSA 70 or CSA 40 to provide our services to be acceptable or practical. The overlay or "shift" into a CSA would not render much benefit to the district nor the public we serve.

Page 16. The first paragraph talks about Park and Recreation overhead could be reduced by sharing equipment and labor. Our Park and Recreation facilities are open to anyone who wants to use them. Those facilities need to remain in the various CSD's. It would be a little hard for us to move our ball field to a central location convenient to all three CSD's. The other CSD's have their own Park and Recreation in their districts where they should remain to be used by their community. As mentioned in the preliminary meeting on Aug 20, 2014, "...our park and field is open to anyone whom wishes to use the facility. Revenue options are explored for some usage requests, but the cost is born by the district as a benefit to the public at large..." and combining the three district recreational responsibilities to be under one governance still does not change our usage, maintenance or upkeep.

The second paragraph on pg 16 talks about each CSD competing for volunteer firefighters "from the same limited pool of volunteers." That is just as it should be. Fire stations need to remain in the communities and volunteer firefighters need to come from that community. A volunteer arriving from an adjacent community would be late and most likely find that the apparatus has already responded, staffed by local firefighters. Let it also be known that SBCoFD also recruits volunteers for their staffing at the Harvard station. The stipulate is that those volunteers are to reside within a given mileage of that fire station to be accepted. This also taps that local "pool" of volunteers and makes a competitive nature for applicants for all four districts.

At the bottom of paragraph three is a total call volume for the three CSD's of 859 calls. This does depict a possible consideration for funded services. However, given that standard depiction, the SBCoFD has tried to follow that aspect in the area (Harvard) and with given economic constraints, fiscal downturn, coupled with the low property tax base in the affected area, this options would not be feasible unless further taxation on the public/property owners were to be implemented and funded. This option is looked at frequently, but still not a feasible option primarily due to lack of fruitful funding resources.

Page 19. Under consolidation "Terms and conditions" the draft document says " - - - by statute all assets and liabilities of consolidating organizations accrue to the new entity. Thus, the consolidated district would receive title to all assets of the existing districts and would become responsible for subsequent capital improvements required. In the case of outstanding debt, a condition would be imposed by LAFCO whereby the area that incurred the debt pays off that debt. Therefore, the other consolidating agencies would not be subject to such debt payments."

(Page 4)

It goes on to say “An application for consolidation would include a condition that all property tax revenue from each district would transfer to the consolidated district.”

I cannot understand just how such a thing would work. All property tax revenue would transfer to the new district but the area that incurred the debt must pay off the debt? I can assure you that some of our assets, such as our Community Center was built by volunteers from Newberry Springs in 1959. Our citizens will not take kindly to our Community Center, our ball field, our playground, suddenly being owned by some consolidated district located who knows where. Additionally our Community Center is used by a number of local organizations on a weekly/monthly basis. Who would be available to make those reservations and open the building? Who would be available to make sure the heating/cooling is turned off? Who would clean the building?

After the transitioning board, electing a 5 member board from 3 communities means that one community could end up not being represented.

Page 22. Consolidation – Daggett & Yermo CSDs with & without Water. Under “ Fire and Emergency Response;” The word “Dispatching” is misspelled (on all tables). Also pages 26 & 27.

Page 25. LAFCO is recommending that all three CSD’s consolidate. I am not a citizen of Daggett, but I ran a water company for 22 years and I can tell you operation of a water company requires manpower, heavy equipment, lighting, pumps, spare parts, and etc. If a water main breaks in the middle of the night or a hydrant is damaged, someone needs to respond immediately to get the water shut off and to begin repairs. It simply doesn’t work to wait until morning when a contractor can be called. By then no one will have water and the water main may well be filled with dirt and sand. Additionally, even a small water system such as Daggett will be required to have a licensed operator, most likely a D-1 license.

Page 29. We agree with LAFCO. Formation of a JPA would add another layer of government and citizens of the 3 CSD’s might well lose interest in their local government.

Page 32. Discusses revenue streams generated in Newberry Springs being used for regional use, such as the interstate highways between Barstow and Baker and Barstow and Needles. We believe funds generated in Newberry Springs need to be used to support services within our jurisdiction, not regionally. We will strongly object to this proposal.

Pg 32 also points out that approximately \$52,000 was transferred from Newberry Springs to County Fire for administrative purposes during the reorganization of County Fire. I don’t see County Fire providing any administrative function to Newberry. I have the highest respect for County Fire. Former Chief Pat Dennen was a personal friend and I have worked with Chief Hartwig and his staff on several occasions and found them to be dedicated professionals.



(Page 5)

However, I do not see them providing administrative services to Newberry Fire. What did the \$52,000 provide for Newberry?

Page 41. Discusses a voter approved special tax to provide for a full time fire or Paramedic unit. The provision of living quarters within the fire stations is not addressed, but they will be quite expensive to construct and operate. I don't believe our voters will approve any increased in property taxes. All three communities are economically disadvantaged and many of our citizens simply cannot afford to pay taxes which would more than double for developed parcels. As you point out on the following page "the path forward will be decided by the registered voters." The simple statement of following industry standards for fire protection, the addition of full time staffed fire/ems services would be a financial burden of approx. \$ 3M for startup and infrastructure. This is a radical financial change and all standards and employment laws apply.

Page 49. Part B discusses CDBG funding and points out that "tax revenues received by the districts would need to be used by the districts to pay for facility upgrades." That is as it should be. The districts will live within our means. If our citizens are determined to build other facilities they will approve additional taxes to be used for that purpose.

Page 50. Points out that Newberry's park and recreation facilities have not changed since the 2009 service review. Our facilities are adequate and we have no immediate need to spend money to upgrade anything. As mentioned in the Aug 20 meeting, our location is far from major activities and population. Even though our recreational services and equipment are available to the public, not many from outside the district use those services or equipment

Page 61. The first paragraph talks about Newberry Fire having access to the Santa Fe Railroad tank near the Elementis plant and also the Mojave River pipeline. I wasn't aware of that access or any agreements. I will get with our Fire people and see if we can do some follow up on those agreements.

Page 62. Discusses responses from the Harvard Station to Newberry, Yermo and Daggett totaling 14% of their calls. I will point out those responses may be "dispatch protocol" where additional units are automatically dispatched. Likewise 10%-35% of Newberry Fire responses are at the dispatch request from SBCoFD to support their incident responses to fill unit requirements. Run numbers and statistics are a snapshot into the end result of emergency response. No fire agency can meet all standards and requirements with their own equipment and personnel. This is mainly due to type, complexity, and demands of single and multiple calls. The AHJ (Authority Having Jurisdiction: fire chief) must make those response requirements based upon many factors; equipment, personnel, priority, and funding are some of those influencing factors.

Page 70. Paragraph beginning "As stated in the Newberry CSD 2014 . . . " Newberry Springs Volunteer Fire Department has regular training to which all fire departments are invited.

(Page 6)

Page 71. The first paragraph discusses a road grader purchased by Newberry CSD to keep the non-maintained roads in acceptable condition, and that they later sold it. I believe that was because LAFCO told them they could not maintain the roads without "Road Powers". Kathleen Rollings-McDonald and I have disagreed strongly on that issue over the years. Baker CSD has an appellate court case stating that a CSD can maintain those non-dedicated roadways as necessary for them to provide their other services such as Fire and Ambulance. However, Newberry no longer has a motor grader, so I suppose that issue is academic. The road grader item was mitigated (and then liquidated) after the 2009 MSR. This should not be involved or even have anything more than a mention in this report.

The bottom paragraph on page 71 states that it is the responsibility of the CSD's to respond to fire and emergencies on public lands and the Interstate Highway System.

Page 72. The second paragraph points out that we have not established an "Appropriations Limit." I have the guidelines provided by LAFCO and will begin working on that project soon.

Page 73. Discusses the necessity of an annual audit. I believe we are current at this time and the last audit was filed with the State Controller and the County Auditor within the past week or so.

Page 74. Second paragraph says on average Daggett receives 25% of each tax dollar but Newberry and Yermo only 12%. I don't understand why the amounts are different.

Page 89. As time permits we will update our website to meet the requirements.

Best Regards,  
Newberry CSD

A handwritten signature in dark ink, appearing to be a stylized 'L' or 'B' followed by a flourish.



## **7. Yermo Community Services District**

### **a. Audit for FY 2011-12**

**Attachment 7a**

YERMO  
COMMUNITY SERVICES DISTRICT  
GOVERNMENTAL FUNDS BALANCE SHEET / STATEMENT OF NET ASSETS  
JUNE 30, 2012

	General Fund	Reconciling Items	Statement of Net Assets
<b>ASSETS</b>			
Cash and investments	87,698		87,698
Investments	300,154		300,154
Taxes receivable	6,016		6,016
Other receivables	-		-
Prepaid expenses	3,593		3,593
Land		14,240	14,240
Structures & Improvements		229,738	229,738
Machinery & Equipment		272,762	272,762
Furniture & Fixtures		3,062	3,062
Less accumulated depreciation		(444,404)	(444,404)
Other capital assets, net of accumulated depreciation (Note B)		-	-
<b>Total assets</b>	<b>397,461</b>	<b>75,398</b>	<b>472,859</b>
<b>LIABILITIES</b>			
Accounts Payable	5,101		5,101
Accrued expenses	68		68
Deferred revenue	3,108	(3,108)	-
<b>Total liabilities</b>	<b>8,277</b>	<b>(3,108)</b>	<b>5,169</b>
<b>FUND BALANCE / NET ASSETS</b>			
Fund Balance:			
Reserved for prepaids	3,593		
General Reserve	313,410		
Unreserved	72,181		
<b>Total fund balance</b>	<b>389,184</b>	<b>(389,184)</b>	
<b>Total Liabilities and fund balances</b>	<b>397,461</b>		
<b>Net assets</b>			
Invested in capital assets, net of related debt		5,398	5,398
Restricted		317,003	317,003
Unrestricted		145,289	145,289
<b>Total net assets</b>		<b>-</b>	<b>467,690</b>

See Accountant's Report and accompanying notes to the financial statements

**YERMO  
COMMUNITY SERVICES DISTRICT  
STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES / STATEMENT OF ACTIVITIES  
FOR YEAR ENDED JUNE 30, 2012**

	<u>General Fund</u>	<u>Reconciling Items</u>	<u>Statement of Net Assets</u>
<b>Revenues:</b>			
Property Taxes	100,836	3,108	103,944
Interest	222		222
Rent	1,543		1,543
Newsletter	-		-
Gain on Sale of asset	-		-
Grants	156,598		156,598
Other	19,845		19,845
<b>Total Revenues</b>	<u>279,044</u>	<u>3,108</u>	<u>282,152</u>
<b>Expenditures / Expenses</b>			
Current:			
Fire Protection	58,402		58,402
Parks and Recreation	58,402		58,402
Administration Costs	25,640		25,640
Interest	1,178		1,178
District Special Expense	-		-
Depreciation	-	16,538	16,538
Capital Outlay	-	-	-
<b>Total Expenditures / Expenses</b>	<u>143,622</u>	<u>16,538</u>	<u>160,160</u>
<b>Excess (deficiency) of Revenues over Expenditures</b>	<u>135,422</u>	<u>(135,422)</u>	<u>-</u>
<b>Change in Net Assets</b>		<u>121,992</u>	<u>121,992</u>
<b>Fund Balance / Net Assets:</b>			
Beginning of the year	253,917		344,093
Prior year correction	(155)		1,605
Corrected Fund Balance, Beg.	253,762		345,698
<b>End of the Year</b>	<u>389,184</u>	<u>-</u>	<u>467,690</u>

See Accountant's Report and accompanying notes to the financial statements

YERMO  
COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Yermo Community Services District was formed January 22, 1962 to provide services in the community of Yermo, in San Bernardino County, California. Presently the District furnishes fire protection services, park and recreation services, and street lighting services for the citizens of the community. It was formed and operates pursuant to the provisions of Section 61000 – 61891 of the California Government Code.

The accounting policies of the Yermo Community Services District conform to generally accepted accounting principles as applicable to government units. The following is a summary of the significant accounting policies.

**Measurement Focus / Basis of Accounting**

The accounts of the District are organized on the basis of funds, each fund is considered to be a separate accounting entity. The general fund summarizes all District financial activities. The current financial resources measurement focus and the modified accrual basis of accounting are followed for the general fund for financial reporting purposes. Under the modified accrual basis of accounting, expenditures are recorded when the liability is incurred and revenue is recorded when received in cash unless susceptible to accrual, i.e., measurable and available to finance the District's operations.

The District has implemented the financial reporting model, as required by the provisions of GASB Statement No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", as of July 1, 2003. The government wide financial statements are prepared using the flow of economic resources and the accrual basis of accounting. In the accrual basis of accounting, expenses and revenues are recorded in the period they occur when the amounts can be identified and measured. Depreciable capital assets are reported in the statement of net assets net of accumulated depreciation.

The District has elected to combine its fund and government-wide financial statements.

YERMO  
COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

Cash

Cash held by the District at June 30, 2012, consisted of the following:

Petty cash	\$ 60
On deposit	87,638
Investments	<u>300,154</u>
Total	<u>\$387,852</u>

Deposits and Investments

The District has adopted an investment policy in accordance with Section 53601 of the California Government Code. The District may invest in the following investment types:

- Securities of the U.S. Government, or its agencies
- Certificates of Deposit (or Time Deposits)
- Negotiable Certificates of Deposit
- Local Agency Investment Fund (State Pool) Demand Deposits
- Other investments that are, or may become, legal investments through the State of California Code and with prior approval.

The deposits of the District are entirely insured or collateralized with securities held by the District or held by its agent in the name of the District.

Property Taxes

Real property taxes are levied on October 15, against owners of record at March 1. The taxes are due in two installments, on November 1 and February 1, and become delinquent after December 10 and April 10, respectively. Tax liens attach annually as of 12:01am on the first day of March in the fiscal year for which the taxes are levied. Property tax revenue is recognized in the fiscal year for which the taxes have been levied on the accrual basis of accounting used in the government-wide financial statements and in the general fund on the modified accrual basis of accounting, provided it is collected within 60 days of the end of the fiscal year.

Accounting Estimates

Management uses estimates and assumptions in preparing financial statements. Those assumptions affect reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could differ from those estimates.

Risk Management

The District is exposed to various risks of loss related to torts; theft of or damage to, or destruction of assets; errors or omissions; injuries to employees and the public; or acts of God. For the year ended June 30, 2010, the District has provided for protection against possible losses with insurance.

YERMO  
COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

Taxes Receivable

Taxes receivable reflect monies due to the District at the fiscal year end that have been levied and an enforceable legal claim exists. Deferred taxes represent the portion of the levied tax revenue that is not expected to be received and available for use within 60 days of the fiscal year end.

	General Fund	Statement of Net Assets
County Tax Revenue	\$ -	\$ 3,108
Deferred Tax Revenue	3,108	-
	<u>\$ 3,108</u>	<u>\$ 3,108</u>

NOTE B: CAPITAL ASSETS

Capital assets have been acquired for general governmental purposes. Assets purchased are recorded as expenditures in the general fund and in the government wide financial statements are capitalized at cost, or at estimated historical costs if original cost is not available, and contributions are recorded at fair value at the date received. Depreciation is provided on depreciable capital assets in the government wide financial statements over their estimated useful lives on the straight-line method.

A summary of changes in capital assets is as follows:

	June 30, 2011	Additions	(Dispositions)	June 30, 2012
Land	\$ 14,240			\$ 14,240
Structures and improvements	229,738	-	-	229,738
Equipment	272,762	-	-	272,762
Office Equipment	3,062	-	-	3,062
Totals	<u>\$ 519,802</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 519,802</u>

A summary of changes in accumulated depreciation for capital assets is as follows:

	July 1, 2011	Additions	(Dispositions)	June 30, 2012
Structures and Improvements	221,818	3,922		225,740
Equipment	206,049	12,615		218,664
Total	<u>\$ 427,867</u>	<u>\$ 16,537</u>	<u>\$ -</u>	<u>\$ 444,404</u>

YERMO  
COMMUNITY SERVICES DISTRICT  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2012

**NOTE C: BUDGETS AND BUDGETARY ACCOUNTING**

Prior to the beginning of each fiscal year, the Board of Directors adopts and prepares an itemized statement of estimated operating expenditures, reserve requirements and anticipated revenues, other than taxes. The source of financing for these costs and reserve requirements are (1) the available fund balance carried forward from the preceding years, (2) revenue other than property taxes, and (3) property taxes. Each year's appropriation lapses at year end. The District's policy is to prepare its budget on the cash basis, which recognizes revenues when they are received and expenditures when they are paid. Interfund transfers are not budgeted.

**NOTE D: BUDGET TO ACTUAL COMPARISON**

As described in Note C, the District prepares its budget on the cash basis of accounting. The following adjustments have been made to bring the actual amounts of the statement of revenues and expenditures budget-to-actual into conformity with this basis of accounting:

Total revenues-financial accounting basis	\$ 279,044
Accrual adjustments	<u>(3,108)</u>
Total revenues-budgetary basis	<u>\$ 275,936</u>

Total expenditures-financial accounting basis	\$ 143,622
Accrual adjustments	<u>16,538</u>
Total expenditures--budgetary basis	<u>\$ 160,160</u>

YERMO  
COMMUNITY SERVICES DISTRICT  
BUDGETARY COMPARISON SCHEDULES  
FOR THE YEAR ENDED JUNE 30, 2012

**REQUIRED SUPPLEMENTARY INFORMATION**

	Budgeted Amounts	Actual Amounts (Budgetary Basis) (See Note A)	Variance with Final Budget  Positive (Negative)
<b>Budgetary Fund Balance, July 1</b>			
<b>Resources (inflows)</b>			
Property Taxes	101,746	100,836	(910)
Investment Earnings	0	222	222
Charges for Services	0	1,543	1,543
Other Revenues	0	173,335	173,335
	<u>101,746</u>	<u>275,936</u>	<u>174,190</u>
Amounts available for appropriation			
<b>Charges to appropriations (outflows)</b>			
Salaries			
Regular Salary	11,000	18,014	7,014
Employee Benefits	3,100	2,254	(846)
Services & Supplies			
Communications	3,100	0	(3,100)
Legal Notices	200	0	(200)
Utilities	17,000	28,440	11,440
Insurance	5,000	8,042	3,042
General Office Expense	3,500	6,701	3,201
Auditing	2,600	4,200	1,600
County Services	100	0	(100)
Professional and Special Services	22,000	12,399	(9,601)
General Maintenance - Equipment	10,000	15,718	5,718
General Maintenance - Structure	6,000	7,626	1,626
Rent Leases Equipment	700	3,134	2,434
Transportation and Travel	500	0	(500)
Motor Pool Charges	7,000	9,176	2,176
Directors fees	0	7,731	7,731
Credit Card Expenses	0	19,009	19,009
Interest	0	1,178	1,178
Capital Outlay			
Structures and Improvements	0	0	0
Sports Park	0	0	0
Equipment	0	0	0
Vehicles	12,000	0	(12,000)
Depreciation	0	16,538	16,538
	<u>103,800</u>	<u>160,160</u>	<u>56,360</u>
Total Charges to appropriations			
<b>Budgetary Fund Balance, June 30</b>	<u>(2,054)</u>	<u>115,776</u>	<u>117,830</u>



YERMO  
COMMUNITY SERVICES DISTRICT  
COUNTY OF SAN BERNARDINO  
JUNE 30, 2012

GENERAL INFORMATION

Type of Governmental District	–	Special District
Date of Formation	–	January 22, 1962
Statutory Authority	–	California Government Code Section 61000, et seq., Division 2, Part 5
Audit period	–	July 1, 2011 thru June 30, 2012
Formed in County of	–	San Bernardino, California
Governing Body	–	Board of Directors

Name	Title	Term Expires
Bob Smith	President - Admin. Officer	December 2012
Geoffrey Berner	Vice President - Financial Officer	December 2014
Loney Weems	Director - Fire Commissioner	December 2012
Paul Ray	Director	December 2014
Mellissa Martin	Director	December 2012

District - Secretary	–	Michelle Bundt
Location of Financial Records	–	District Office 110 McCormick Yermo, CA 92398

Depository

Desert Community Bank  
945 East Armory Road  
Barstow, CA 92311

## **7. Yermo Community Services District**

### **b. State Controller Report Submission for FY 2012-13**

**Attachment 7b**

# SPECIAL DISTRICTS FINANCIAL TRANSACTIONS AND COMPENSATION REPORT

## COVER PAGE

### Yermo Community Services District

SCO Reporting Year: **2013**

ID Number: **12053607100**

Fiscal Year Ended: 06/30/13 (MM/DD/YY)

**Certification:**

I hereby certify that, to the best of my knowledge and belief, the report forms fairly reflect the financial transactions of the district in accordance with the requirements as prescribed by the California State Controller.

District Fiscal Officer

Signature

Title

Name (Please Print)

Date

CLIENT COPY

Per Government Code section 53891, this report is due within 90 days after the end of the fiscal year. If filed in electronic format, the report is due within 110 days after the end of the fiscal year. However, in the case of hospital districts, the report is due within 120 days after the end of the fiscal year.

Per Government Code section 26909, a copy of the independent audit is to be filed with the Controller within 12 months after the close of the fiscal year.

Please complete, sign, and mail this cover page to either address below.

**Mailing Address:**

State Controller's Office  
Division of Accounting and Reporting  
Local Government Reporting Section  
P. O. Box 942850  
Sacramento, CA 94250

**Express Mailing Address:**

State Controller's Office  
Division of Accounting and Reporting  
Local Government Reporting Section  
3301 C Street, Suite 700  
Sacramento, CA 95816



David B. Whitford, Jr.

CERTIFIED PUBLIC ACCOUNTANT

4515 Central Ave., #202, Riverside, CA 92506  
(951) 341-8344 (951) 341-8346 Fax

*Member of the Private Companies  
Practice Section of the AICPA and  
The California Society of Certified  
Public Accountants*

September 19, 2013

Board of Directors  
Yermo Community Services District  
Yermo, California 92398

Board of Directors

I have compiled the balance sheet of *Yermo Community Services District* at *June 30, 2013* and the statements of revenue and expenditures for the year then ended which are included in the accompanying prescribed form in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

My compilation was limited to presenting in the form prescribed by the California State Controller information that is the representation of management. I have not audited or reviewed the financial statements referred to above and accordingly do not express an opinion or any other form of assurance on them.

These financial statements are presented in accordance with the requirements of the California State Controller, which differ from generally accepted accounting principles. Accordingly, these financial statements are not designed for those who are not informed about such differences.

  
David B. Whitford, Jr.

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**Yermo Community Services District**  
**Special Districts Financial Transactions Report**

**General Information**

Fiscal Year 2013

**Mailing Address**

Street 1 38315 McCormick Street ☐ Is Address Changed?  
Street 2 P.O Box 206  
City Yermo State CA Zip 92398-  
Email yermocsd1@verizon.net

**Members of the Governing Body**

	First Name	Middle Initial	Last Name	Title
Member	Robert		Smith	President
Member	Paul		Ray	Director
Member	Geoffrey		Berner	Vice President
Member	Karen		Howard	Director
Member	Melissa		Martin	Director
Member				
Member				
Member				
Member				

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**Other Officials**

First Name	Middle Initial	Last Name	Title
Michelle		Berndt	Secretary

**Report Prepared By**

First Name	Middle Initial	Last Name	Phone No
David	B	Whitford Jr	(951) 341-8344

**Independent Auditor**

First Name	Middle Initial	Last Name	Phone No
David	B	Whitford Jr	(951) 341-8344

**Yermo Community Services District**  
**Special Districts Financial Transactions Report - Consolidated Balance Sheet**

Fiscal Year	2013	Assets						Total Memorandum Only
		General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	
Assets								
Cash and Cash Equivalents		64,552			-1,008			\$63,544
Taxes Receivable		6,016						\$6,016
Interest Receivable								\$0
Accounts Receivable								\$0
Loans, Notes, and Contracts Receivable								\$0
Due from Other Funds								\$0
Inventory of Materials and Supplies								\$0
Other Current Assets								
Lease Payments Receivable								
Unearned Finance Charges								
Investments		300,154						\$300,154
Restricted Assets								
Deferred Charges								
Unamortized Discount on Long-Term Debt								
Other Assets		3,593						\$3,593
Fixed Assets								
Land						37,076		\$37,076
Buildings and Improvements						229,738		\$229,738
Equipment						273,824		\$273,824
Construction in Progress								\$0
<b>Total Fixed Assets</b>					\$0	\$540,638		\$540,638
Accumulated Depreciation						459,082		\$459,082
<b>Net Fixed Assets</b>					\$0	\$81,556		\$81,556
Other Debits								
Amount Available in Debt Service Funds								
Amount to be Provided								
<b>Total Assets</b>		\$374,315	\$0	\$0	(\$1,008)	\$81,556	\$0	\$454,863

**Yermo Community Services District**  
**Special Districts Financial Transactions Report - Consolidated Balance Sheet**

Fiscal Year	2013	Liabilities and Equity						Total Memorandum Only
		General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds	General Fixed Assets	General Long-Term Debt	
Liabilities and Equity								
Accounts/Warrants Payable		5,169						\$5,169
Loans and Notes Payable								\$0
Interest Payable - Matured/Accrued								\$0
Other Current Liabilities								\$0
Compensated Absences Payable								\$0
Due to Other Governments								\$0
Due to Other Funds								\$0
Long-Term Debt								
General Obligation Bonds								\$0
Revenue Bonds								\$0
Certificates of Participation								\$0
Special Assessment								\$0
Federal								\$0
State								\$0
Time Warrants								\$0
Other Long-Term Indebtedness								\$0
Unamortized Premium on Long-Term Debt								
Advances for Construction								
Deferred Revenue		3,108						\$3,108
All Other Non-Current Liabilities								
Total Liabilities		\$8,277	\$0	\$0	\$0		\$0	\$8,277
Fund Equity								
Contributed Capital								
Investments in General Fixed Assets						81,556		\$81,556
Retained Earnings								
Reserved								
Unreserved					-1,008			(\$1,008)
Fund Balances								
Reserved		312,858						\$312,858
Unreserved Designated								\$0
Unreserved Undesignated		53,180						\$53,180
Total Fund Equity		\$366,038	\$0	\$0	(\$1,008)	\$81,556		\$446,586
Total Liabilities and Fund Equity		\$374,315	\$0	\$0	(\$1,008)	\$81,556	\$0	\$454,863

**Yermo Community Services District  
Special Districts Financial Transactions Report  
Consolidation of Fund Equities and Transfers  
Consolidation of Fund Equities and Transfers**

Fiscal Year 2013

	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds	Enterprise Funds
<b>Consolidation of Fund Equities</b>				
<b>Non-Enterprise Activities</b>	\$366,038	\$0	\$0	
<b>Enterprise Fund Equities</b>				
Airport				\$0
Electric				\$0
Harbor and Port				\$0
Hospital				\$0
Waste Disposal				\$0
Water				(\$1,008)
<b>Total Ending Fund Equities</b>	<b>\$366,038</b>	<b>\$0</b>	<b>\$0</b>	<b>(\$1,008)</b>

	Transfers In A	Transfers Out B	Net C
<b>Consolidation of Transfers In and Transfer Out</b>			
<b>General and Special Revenue Funds</b>	\$0	\$10,000	
<b>Debt Service Funds</b>	\$0	\$0	
<b>Capital Projects Funds</b>	\$0	\$0	
<b>Enterprise Activities</b>			
Airport	\$0	\$0	
Electric	\$0	\$0	
Harbor and Port	\$0	\$0	
Waste Disposal	\$0	\$0	
Water	\$10,000	\$0	
<b>Total</b>	<b>\$10,000</b>	<b>\$10,000</b>	<b>\$0</b>



**Yermo Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

<b>Fiscal Year</b>	<b>2013</b>	<b>General and Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>
		<b>A</b>	<b>B</b>	<b>C</b>
<b>Non-Enterprise Activity</b>		<b>Fire Protection</b>		
<b>Taxes and Assessments</b>				
Current Secured and Unsecured (1%)		45,396		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		83		
Penalties and Cost on Delinquent Taxes and Assessments		62		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
<b>Revenue From Use of Money and Property</b>				
Interest Income		148		
Rents, Concessions and Royalties				
<b>Federal</b>				
Aid for Construction				
Other Federal				
<b>State</b>				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		561		
Timber Yield				
Other State				
<b>Other Governmental Agencies</b>				
Redevelopment Pass-Through				
Other				
<b>Charges for Current Services</b>		12,021		
<b>Contributions From Property Owners</b>				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
<b>Other Revenues</b>		2,084		
<b>Total Revenues</b>		<b>\$60,355</b>	<b>\$0</b>	<b>\$0</b>
<b>Expenditures</b>				
<b>Salaries and Wages</b>		8,572		
<b>Employee Benefits</b>				
<b>Services and Supplies</b>		46,072		
<b>Self Insurance Only - Claims Paid</b>				

**Yermo Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

<b>Fiscal Year</b>	<b>2013</b>	<b>General and Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>
		<b>A</b>	<b>B</b>	<b>C</b>
<b>Contributions to Outside Agencies</b>				
<b>Debt Service</b>				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
<b>Fixed Assets</b>		8,470		
<b>Other Expenditures</b>		7,098		
<b>Total Expenditures</b>		\$70,212	\$0	\$0
<b>Revenues Over (Under) Expenditures</b>		(\$9,857)	\$0	\$0
<b>Financing Sources and Uses</b>				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
<b>Other Financing Sources</b>				
<b>Other Financing Uses</b>				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)		10,000		
<b>Total Other Financing Sources (Uses)</b>		(\$10,000)	\$0	\$0
<b>Revenues/Sources Over (Under) Expenditures/Uses</b>		(\$19,857)	\$0	\$0
<b>Fund Equity, Beginning of Period</b>		\$279,738	\$0	\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
<b>Fund Equity, End of Period</b>		\$259,881	\$0	\$0

# Yermo Community Services District

## Special Districts Financial Transactions Report - Non-Enterprise Activity

### Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Non-Enterprise Activity		Lighting and Lighting Maintenance		
Taxes and Assessments				
Current Secured and Unsecured (1%)		10,088		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		19		
Penalties and Cost on Delinquent Taxes and Assessments		14		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
Revenue From Use of Money and Property				
Interest Income		33		
Rents, Concessions and Royalties				
Federal				
Aid for Construction				
Other Federal				
State				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		125		
Timber Yield				
Other State				
Other Governmental Agencies				
Redevelopment Pass-Through				
Other				
Charges for Current Services				
Contributions From Property Owners				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues				
Total Revenues		\$10,279	\$0	\$0
Expenditures				
Salaries and Wages		1,905		
Employee Benefits				
Services and Supplies		10,238		
Self Insurance Only - Claims Paid				

**Yermo Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

<b>Fiscal Year</b>	<b>2013</b>	<b>General and Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>
		<b>A</b>	<b>B</b>	<b>C</b>
<b>Contributions to Outside Agencies</b>				
<b>Debt Service</b>				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
<b>Fixed Assets</b>		1,882		
<b>Other Expenditures</b>				
<b>Total Expenditures</b>		\$14,025	\$0	\$0
<b>Revenues Over (Under) Expenditures</b>		(\$3,746)	\$0	\$0
<b>Financing Sources and Uses</b>				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
<b>Total Other Financing Sources (Uses)</b>		\$0	\$0	\$0
<b>Revenues/Sources Over (Under) Expenditures/Uses</b>		(\$3,746)	\$0	\$0
<b>Fund Equity, Beginning of Period</b>		(\$13,648)	\$0	\$0
Prior Period Adjustments				
Residual Equity Transfers				
Other				
<b>Fund Equity, End of Period</b>		(\$17,394)	\$0	\$0

**Yermo Community Services District**  
**Special Districts Financial Transactions Report - Non-Enterprise Activity**

**Revenues, Expenditures, Sources and Uses**

<b>Fiscal Year</b>	<b>2013</b>	<b>General and Special Revenue Funds</b>	<b>Debt Service Funds</b>	<b>Capital Projects Funds</b>
		<b>A</b>	<b>B</b>	<b>C</b>
<b>Non-Enterprise Activity</b>		<b>Recreation and Park</b>		
<b>Taxes and Assessments</b>				
Current Secured and Unsecured (1%)		45,396		
Voter Approved Taxes				
Property Assessments				
Special Assessments (Mello/Roos, Mark/Roos)				
Prior Year Taxes and Assessments		83		
Penalties and Cost on Delinquent Taxes and Assessments		62		
Licenses, Permits, and Franchises				
Fines, Forfeits, and Penalties				
<b>Revenue From Use of Money and Property</b>				
Interest Income				
Rents, Concessions and Royalties		4,937		
<b>Federal</b>				
Aid for Construction				
Other Federal				
<b>State</b>				
Aid for Construction				
State Water Project				
Homeowners Property Tax Relief		561		
Timber Yield				
Other State				
<b>Other Governmental Agencies</b>				
Redevelopment Pass-Through				
Other				
Charges for Current Services		5,433		
Contributions From Property Owners				
Self Insurance Only				
Member Contributions				
Claim Adjustments				
Other Revenues				
<b>Total Revenues</b>		<b>\$56,472</b>	<b>\$0</b>	<b>\$0</b>
<b>Expenditures</b>				
Salaries and Wages		8,572		
Employee Benefits				
Services and Supplies		46,072		
Self Insurance Only - Claims Paid				

# Yermo Community Services District

## Special Districts Financial Transactions Report - Non-Enterprise Activity

### Revenues, Expenditures, Sources and Uses

Fiscal Year	2013	General and Special Revenue Funds	Debt Service Funds	Capital Projects Funds
		A	B	C
Contributions to Outside Agencies				
Debt Service				
Retirement of Long-Term Debt				
Interest on Long-Term Debt				
Interest on Short-Term Notes and Warrants				
Fixed Assets	8,470			
Other Expenditures	7,098			
<b>Total Expenditures</b>		\$70,212	\$0	\$0
<b>Revenues Over (Under) Expenditures</b>		(\$13,740)	\$0	\$0
Financing Sources and Uses				
Proceeds of Long-Term Debt				
Proceeds of Refunding Debt				
Payments to Refunded Debt Escrow Agent				
Inception of Lease Purchase Agreements				
Other Financing Sources				
Other Financing Uses				
Operating Transfers In (Intra-District)				
Operating Transfers Out (Intra-District)				
<b>Total Other Financing Sources (Uses)</b>		\$0	\$0	\$0
<b>Revenues/Sources Over (Under) Expenditures/Uses</b>		(\$13,740)	\$0	\$0
<b>Fund Equity, Beginning of Period</b>		\$138,452	\$0	\$0
Prior Period Adjustments	-1,161			
Residual Equity Transfers				
Other				
<b>Fund Equity, End of Period</b>		\$123,551	\$0	\$0

# Yermo Community Services District

## Special Districts Financial Transactions Report - Water Enterprise

### Revenues, Expenses and Changes in Fund Equity

Fiscal Year                      2013

**Operating Revenues**

**Water Sales**

Residential

10,195

Business

Industrial

Irrigation

Sales for Resale

Interdepartmental

All Other Sales

**Water Services**

Fire Prevention

Ground Water Replenishment

Standby or Availability Charges

Service Type Assessments

All Other

**Total Operating Revenues**

\$10,195

**Operating Expenses**

**Source of Supply**

Water Purchases

Ground Water Replenishment

Other

**Other Operating Expenses**

Pumping

5,801

Water Treatment

Administration and General

3,916

Customer Accounts

Transmission and Distribution

10,743

Depreciation and Amortization

Other

743

**Total Operating Expenses**

\$21,203

**Operating Income (Loss)**

(\$11,008)

**Non-Operating Revenues**

Interest Income

Rents, Leases and Franchises

Taxes and Assessments

Current Secured and Unsecured (1%)

Voter Approved Taxes

Property Assessments

# **Yermo Community Services District** **Special Districts Financial Transactions Report - Water Enterprise**

## **Revenues, Expenses and Changes in Fund Equity**

**Fiscal Year**                      **2013**

**Special Assessments**

**Prior Year Taxes and Assessments**

**Penalties and Cost on Delinquent Taxes and Assessments**

**Federal**

**Aid for Construction**

**Other Federal**

**State**

**Aid for Construction**

**State Water Project**

**Homeowners Property Tax Relief**

**Timber Yield**

**State Other and In-Lieu Taxes**

**Other Governmental Agencies**

**Redevelopment Pass-Through**

**Other**

**Other Non-Operating Revenues**

**Total Non-Operating Revenues**

**\$0**

**Non-Operating Expenses**

**Interest on Long-Term Debt**

**Other Interest**

**Other Non-Operating Expenses**

**Total Non-Operating Expenses**

**\$0**

**Non-Operating Income (Loss)**

**\$0**

**Income (Loss) Before Operating Transfers**

**(\$11,008)**

**Operating Transfers In (Intra-District)**

**10,000**

**Operating Transfers Out (Intra-District)**

**Net Income (Loss)**

**(\$1,008)**

**Fund Equity, Beginning of Period**

**Contributed Capital**

**Federal**

**State**

**Other Governmental Agencies**

**Non-Governmental Agencies**

**Prior Period Adjustments**

**Residual Equity Transfers**

**Other**

**Fund Equity, End of Period**

**(\$1,008)**



**8. Fiscal Year 1977-78 Tax Rates for  
Appropriations Limit Requirement**

**Attachment 8**

## VALUATIONS AND TAX RATES

1

FUND, CITY OR DISTRICT	UNSECURED			SECURED		
	NET VALUATION	STATE REIMBURSED EXEMPTIONS	1976-77 TAX RATE	NET VALUATION	STATE REIMBURSED EXEMPTIONS	1977-78 TAX RATE
GENERAL COUNTY*	\$ 188,855,545.	\$ 53,069,010.	\$ 3.0034	\$ 2,485,670,895.	\$ 285,373,500.	\$ 2.6832
COUNTY FREE LIBRARY* (Excludes Cities of Ontario San Bernardino, Upland and Redlands)..	\$ 118,666,930.	\$ 32,550,330.	\$ .1582	\$ 1,831,301,595.	\$ 199,983,805.	\$ .1524
Total County Tax Rate.....			\$ 3.1616			\$ 2.8356#
SPECIAL SCHOOL TAXES						
Equalization Aid.....			\$ .1150			\$ 0
County School Tuition.....			.0027			.0073
Institutional Education.....			.0480			.0560
County Wide Tax.....	\$ 188,855,545.	\$ 53,069,010.	\$ .1657	\$ 2,485,670,895.	\$ 285,373,500.	\$ .0633
Regional Occupational Program*.....	\$ 85,330,275.	\$ 19,635,230.	\$ .0158	\$ 1,395,064,780.	\$ 153,409,290.	\$ .0130
CITIES						
Adelanto.....	\$ 149,815.	\$ 38,670.	\$ 1.0000	\$ 6,066,490.	\$ 365,710.	\$ 1.0000
Barstow*.....	2,861,395.	1,046,600.	1.9000	35,568,770.	5,402,915.	1.8800
Chino*.....	6,458,810.	2,570,870.	1.7476	87,160,850.	11,091,100.	1.7469
Colton*.....	4,670,090.	2,062,100.	1.6139	30,914,625.	6,616,290.	1.8357
Colton Annex.....	1,423,340.	454,095.	1.5735	13,149,100.	1,901,895.	1.8357
Fontana.....	3,533,460.	986,200.	1.0000	57,970,855.	9,554,245.	1.5800
Fontana (Bond) (Land Only).....	200.	0	1.4140	11,903,270.	0	1.2600
Fontana Parking.....	192,445.	109,535.	.1500	2,324,560.	2,270.	.1500
Loma Linda.....	2,578,335.	160,850.	1.2000	24,837,720.	1,924,100.	1.2000
Montclair.....	6,706,010.	2,394,325.	1.7430	55,362,015.	6,631,620.	1.7430
Needles.....	1,129,775.	257,190.	2.7000	7,809,725.	1,349,090.	2.7000
Ontario.....	26,716,315.	6,981,440.	1.9852	180,898,070.	24,679,415.	1.9352
Redlands*.....	6,003,240.	1,712,460.	2.4800	96,998,085.	13,060,835.	2.4500
Rialto.....	6,532,855.	2,225,015.	1.6104	62,453,270.	11,373,050.	1.6000
San Bernardino*.....	28,198,230.	9,939,050.	1.7526	243,094,240.	33,338,540.	1.5513
Upland.....	9,270,830.	1,885,730.	1.8690	133,378,905.	14,310,905.	1.8064
Victorville City Light.....	573,905.	0	.3200	48,782,530.	0	.2200
CEMETERY DISTRICTS						
Barstow*.....	\$ 4,053,310.	\$ 1,341,330.	\$ .0962	\$ 71,353,960.	\$ 8,800,230.	\$ .0852
Needles.....	8,876,890.	481,565.	.1028	19,549,790.	1,475,135.	.1652
Twentynine Palms.....	854,290.	201,230.	.1934		3,452,460.	.1271
COMMUNITY SERVICE DISTRICTS						
Adelanto (Bond).....	\$ 149,815.	\$ 38,670.	\$ .2256	\$ 4,839,970.	\$ 363,960.	\$ .2375
Baker.....	200,065.	22,365.	1.1200	1,562,965.	18,995.	1.1200
Baker (Bond).....	200,065.	22,365.	.8058	1,562,965.	18,995.	.9603
Barstow Heights.....	8,795.	125.	1.1392	1,662,180.	317,175.	1.1730
Big Bear City.....	199,975.	38,840.	1.0000	40,711,960.	1,676,255.	1.0000
Big Bear City (Bond).....	199,975.	38,840.	1.2500	40,711,960.	1,676,255.	.9700
Big River.....	0	0	0	5,460.	0	.4500
Daggett.....	4,120.	1,050.	1.0000	291,270.	103,225.	1.2500
Daggett (Bond).....	4,120.	1,050.	2.6297	291,270.	103,225.	2.5624
Morongo Valley.....	30,435.	9,745.	1.0653	4,627,920.	858,735.	1.0653
Newberry.....	510,970.	118,940.	.8178	5,387,990.	294,315.	.9110
Yermo.....	246,020.	22,520.	.7369	3,081,340.	476,970.	1.0883
COUNTY SERVICE AREAS						
No. 2 Loma Linda (Bond).....	\$ 2,578,335.	\$ 160,850.	\$ .1885	\$ 24,837,400.	\$ 1,924,100.	\$ .1541
No. 8 Twentynine Palms.....	733,275.	195,240.	.1691	14,430,260.	2,516,285.	.1560
No. 9 Phelan.....	78,430.	22,490.	.1257	1,666,320.	145,455.	.2124
No. 17 Apple Valley.....	1,145,335.	264,280.	.1149	44,534,420.	4,438,970.	.0973
No. 18 Cedarapines.....	14,550.	110.	1.2629	3,250,315.	237,500.	2.0363
No. 19 Chino Glenmeade.....	9,060.	0	1.5027	8,831,590.	1,668,100.	1.0598
No. 20 Joshua Tree.....	103,200.	26,155.	.2052	12,411,805.	1,888,875.	.1803
No. 29 Lucerne Valley.....	132,850.	40,930.	.1068	12,548,240.	967,365.	.1440
No. 29 Lucerne Valley (TV).....	132,850.	40,930.	.1970	12,548,240.	967,365.	.1439
No. 30 Red Mountain.....	39,740.	18,860.	1.4387	41,025.	0	4.1700
No. 31 Yucaipa.....	1,830,680.	477,150.	.0764	47,520,270.	8,181,475.	.0618
Zone A.....	10,405.	4,780.	.2012	3,288,770.	576,800.	.1495
No. 34 Calimesa.....	213,485.	102,430.	.1810	3,120,440.	447,460.	.1462
No. 36 Lenwood.....	123,100.	61,505.	.3166	3,655,935.	1,058,705.	.2446

\*Adjusted for Redevelopment Agencies

#Includes Tax Rate Per Education Code 20450(e) \$.0053

**Minutes of the December 10, 2014  
Community Meeting**

**Attachment 2**

**MINUTES OF THE  
DAGGETT, NEWBERRY SPRINGS, YERMO COMMUNITY MEETING  
WEDNESDAY, DECEMBER 10, 2014**

**6:00 P.M.  
SILVER VALLEY HIGH SCHOOL GYMNASIUM  
35484 DAGGETT-YERMO ROAD, YERMO, CA**

**STAFF PRESENT:** Kathleen Rollings-McDonald, Executive Officer  
Samuel Martinez, Assistant Executive Officer  
Michael Tuerpe, Project Manager  
Joe Serrano, LAFCO Analyst

**CALL TO ORDER:**

Executive Officer Kathleen Rollings-McDonald calls the meeting to order at 6:00 p.m. Ms. Rollings-McDonald notifies the audience that hard copies of the presentation and additional materials are available at the entrance of the gymnasium. Ms. Rollings-McDonald clarifies that the community meeting is a result of 2012-2013 Grand Jury Report. The report included recommendations for LAFCO to reevaluate the possible reorganization scenarios presented in LAFCO's 2009 report and explore governance and reorganizational options for the Newberry Community Services District (CSD). Ms. Rollings-McDonald indicates the Commission directed its staff to complete a special study and update the service review for Newberry CSD, and its neighboring Daggett and Yermo CSDs, to analyze all potential reorganizational options identified by the Grand Jury and LAFCO's 2009 report.

**COMPONENTS OF THE STUDY:**

Executive Officer Kathleen Rollings-McDonald explains how LAFCO's draft special study is broken down into two components: Service Review and Plan for Service to include Fiscal Impact Analysis. Ms. Rollings-McDonald discusses how the draft special study should answer questions and provide additional information on all governance options to the residents and the three CSDs.

**Service Review**

Executive Officer Kathleen Rollings-McDonald reviews the six mandatory determinations for consideration in a service review as requested by Government Code Section 56430.

**Determination I - Growth and population projections for the affected area**

Executive Officer Kathleen Rollings-McDonald states that the communities are not anticipated to experience significant growth due to the County land use designations, the large number of publicly owned land, and the decline in population since 1990. However, the transient traffic on Interstates 15 and 40 is expected to increase in volume as goods continue to be transported from the Pacific to the rest of the nation.

**Determination II - The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence**

Executive Officer Kathleen Rollings-McDonald defines a disadvantaged unincorporated community as an area where its resident's income is less than 80% median income of the State of California which is currently \$47,105. Based on the State's mandated criteria, the three communities, in their entirety, are considered disadvantaged unincorporated communities.

Determination III - Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs and deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence

Executive Officer Kathleen Rollings-McDonald indicates that the three CSDs share the service delivery of streetlight, park and recreation, and fire protection. Ms. Rollings-McDonald explains how streetlighting and park and recreation services are adequately provided by the Districts, however, other services such as water and fire protection require further discussion. She described how Daggett CSD (186 active connections) and Yermo Water Company (350 active connections) are the only domestic water service providers within the area. Ms. Rollings-McDonald provides examples on the issues with the water delivery from Daggett CSD and Yermo Water Company.

Executive Officer Kathleen Rollings-McDonald discusses the six active fire stations and four inactive stations. The active stations providing fire protection services to the three districts include three volunteer stations, two military stations by mutual aid agreements, and one San Bernardino County Fire Protection District paid-call station. Ms. Rollings-McDonald reiterates the need to establish sustainable service provision for fire protection and emergency medical response to minimize the reliance on mutual aid agreements through the military which can change based upon command determinations.

Determination IV - Financial ability of agencies to provide services

Executive Officer Kathleen Rollings-McDonald discusses how the three CSDs have experienced financial challenges such as the decline in revenue over total expenditures, not enough revenue to fund capital improvements, annual increases in fire protection costs, and lack of adherence of the constitutional requirements for the establishment of an appropriations limit and other statutes related to finances of a community services district. Ms. Rollings-McDonald explains that water funds cannot be used to subsidize other government activities.

Project Manager Michael Tuerpe outlines the financial health of each CSD based on LAFCO's Fiscal Indicators Program. The fiscal indicators shown to the audience include property tax revenue, service obligation, liquidity, and governmental debt service. Executive Officer Kathleen Rollings-McDonald reiterates how all the financial data utilized for the fiscal indicators were derived directly from each CSD's audited financial statements.

Determination V - Status of, and opportunities for, shared facilities

Executive Officer Kathleen Rollings-McDonald provides examples of current shared services between the Newberry and Yermo CSDs including agreements with the Silver Valley Unified School District for use of its land and the delivery of retail water by the Daggett CSD into the Yermo CSD territory. Ms. Rollings-McDonald explains that additional collaborative opportunities may occur through a consolidation of districts or establishment of a joint powers authority. The benefits from shared services within the communities may continue the levels of service, maximize existing facilities and resources, and increase the economies of scale for the area.

Determination VI - Accountability for community service needs, including governmental structure and operational efficiencies

Executive Officer Kathleen Rollings-McDonald states that there is a high turnover on the CSD boards and lack of interested candidates running for office within the communities. Ms. Rollings-McDonald explains that the lack of interest has resulted in various appointments in lieu of election by the Board of Supervisors.

## **Plan for Service**

Executive Officer Kathleen Rollings-McDonald provides an overview of the Plan for Service and how it discusses several factors including the purpose, objectives, standardized analysis and assumptions, source material, structure options, and additional considerations. Ms. Rollings-McDonald explains that the plan for service includes a fiscal impact analysis and may be used as part of a potential application for a future change of organization by the CSDs or the public should they choose to move forward.

## **Purpose**

Executive Officer Kathleen Rollings-McDonald discusses the intent of the Plan for Service as a resource tool for the CSDs and the residents to evaluate, discuss and understand the governance options available for the Districts.

## **Objectives**

Executive Officer Kathleen Rollings-McDonald describes the establishment of consistent levels of services to the communities as one of the primary objectives of the Plan for Service. Ms. Rollings-McDonald illustrates the other objectives of the Plan for Service such as the improvement of financial mechanisms to provide services by the Districts, standardization of fire apparatus and levels of service and training that meets regulatory standards, and improvement of management efficiency of the CSDs.

## **Standardized Analysis and Assumptions**

Executive Officer Kathleen Rollings-McDonald outlines the assumptions of the Plan for Service. Ms. Rollings-McDonald explains how the report takes into account Daggett CSD water service's fair share of general district overhead and staffing and comparing the governmental services provisions by each CSD. Ms. Rollings-McDonald also explains how cost projections for each governance option do not take into account capital purchases as part of expenditures, historical trends analysis for each district from FY 2008 to 2013 were included, and inflation was taken into consideration and factored at 2.0% for the first year and increased to 3.5% for the fifth year.

## **Sources**

Executive Officer Kathleen Rollings-McDonald explains the various sources used for the Plan for Service including utilization of district audits and Cal Fire response data, review of State Controller reports and interviews with representatives from the CSDs, San Bernardino County Fire Protection District and the military fire departments.

## **Structure Options**

Executive Officer Kathleen Rollings-McDonald explains the different structure options discussed in the Plan for Service. The report provides detailed information on consolidation, with separate analysis of all three CSDs or just two, joint powers authority, dissolution and the status quo options. Ms. Rollings-McDonald differentiates the pros and cons of the two consolidation scenarios: the consolidation of the Daggett and Yermo CSD and the consolidation of all three CSDs. She also points out that a hard copy of the organizational charts for each consolidation scenario is available at the meeting. Ms. Rollings-McDonald discusses the differences between a functional and an administrative joint powers authority. She mentions that while the joint powers authority provides some benefits to the communities, this option does add a new layer of government to the area which already has three CSDs providing similar services.

Executive Officer Kathleen Rollings-McDonald discusses how the dissolution of Newberry CSD and annexation to the San Bernardino County Fire Protection District (FPD) would result in economies of

scale and other factors, however, this option would require support from all affected agencies. Ms. Rollings-McDonald explains that if San Bernardino County FPD costs continue to increase, then LAFCO could not support this option due to the uncertainty regarding maintenance of the current service level to Newberry Springs.

Executive Officer Kathleen Rollings-McDonald describes the Status Quo as the final governance option available for the Districts and the communities. Ms. Rollings-McDonald explains that under this option, the organization of service provisions would not change, however, due to the current financial positions and forecasted expenditures, it is expected that service levels will decrease in the future. She demonstrates the current and forecasted financial trends for each CSD and illustrates the inadequate funds projected to be received to maintain current levels of service.

#### Additional Consideration

Executive Officer Kathleen Rollings-McDonald states the addition of paramedic services and formation of a municipal advisory council were also considered as potential service options. Ms. Rollings-McDonald indicates that a full-time medic unit would cost residents approximately \$107-\$258 per vacant parcels and \$216-\$516 per developed parcels. Additionally, a full-time fire unit would cost residents approximately \$45-\$108 per vacant parcel and \$90-\$216 developed parcel. She explains that the cost would be determined on whether the consolidated fire delivery includes only Daggett and Yermo CSDs or all three CSDs (Daggett, Newberry, and Yermo).

Executive Officer Kathleen Rollings-McDonald discusses the structure of a municipal advisory council which may not provide additional benefits to the residents.

#### NEXT STEPS:

Executive Officer Kathleen Rollings-McDonald requests all residents to participate in LAFCO's survey which is available online and due on Wednesday, January 7 at 5:00pm. Ms. Rollings-McDonald states that the draft special study will be considered by the Commission on Wednesday, January 21 at 9am at the San Bernardino City Hill. She also describes how LAFCO may continue offering future training sessions to all San Bernardino special districts.

#### CLOSING REMARKS:

Executive Officer Kathleen Rollings-McDonald reiterates the intent of the draft special study and explains that there is no application to initiate any of the discussed governance options. Ms. Rollings-McDonald states that if an application is submitted and approved by the Commission, ultimately the residents have the power to approve or deny any proposed change of organization.

#### QUESTIONS/COMMENTS:

Executive Officer Kathleen Rollings-McDonald opens the floor for questions and comments from the audience.

The following are questions inquired by the audience members:

- **Question:** Does the property tax revenue include sales tax?  
**Response:** Executive Officer Kathleen Rollings-McDonald explains that the property tax revenue does not include sales tax as only a city or the county receives these revenues. Ms. Rollings-McDonald elaborates on the assessment value and its losses during the recession and restrictions on property tax revenue following the enactment of Proposition 13.
- **Question:** Why does the draft report include 2012 but not 2014 data?

**Response:** Executive Officer Kathleen Rollings-McDonald explains how the latest audited financial data was used for the draft report so that the comparisons were apples to apples. All three districts had 2012 audits available but not the later documents.

- **Question:** Have there been any recent consolidations? Were any successful?

**Response:** Executive Officer Kathleen Rollings-McDonald describes several successful consolidations including the consolidation of the Victor Valley and Baldy Mesa Water Districts, Resource Conservation Districts.

- **Question:** Does Daggett CSD own the community center?

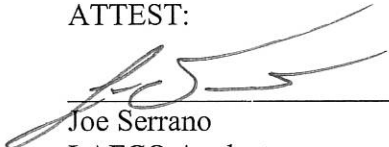
**Response:** Kathleen Rollings-McDonald indicates that there is no record of Daggett CSD owning the community center building.


Several audience members, including Daggett, Newberry and Yermo Board Members, expressed support of the Status Quo option. Some members of the audience expressed support for the consolidation option but were in the minority.

Executive Officer Kathleen Rollings-McDonald reminds the audience to review the report and provide their feedback by completing the LAFCO survey. Ms. Rollings-McDonald thanks everyone for attending the meeting.

The meeting is adjourned at 7:51 p.m.

ATTEST:

  
\_\_\_\_\_  
Joe Serrano  
LAFCO Analyst

LOCAL AGENCY FORMATION COMMISSION  
  
\_\_\_\_\_  
KATHLEEN ROLLINGS-McDONALD, Executive Officer

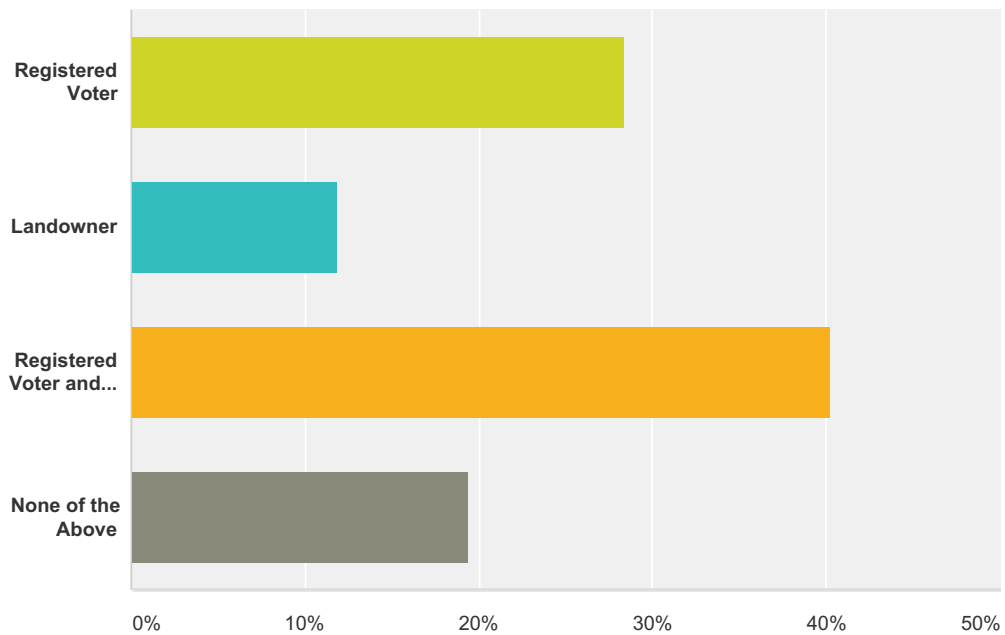


# **Results from Survey**

**Attachment 3**

### Q1 I am a (choose one):

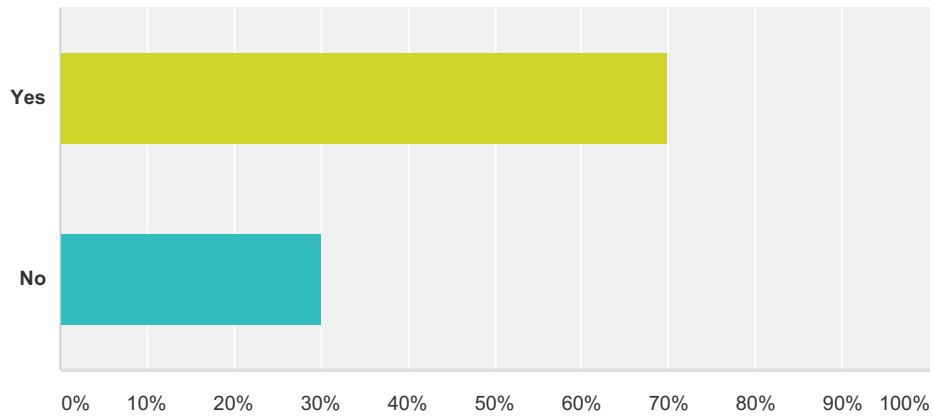
Answered: 67 Skipped: 0



Answer Choices	Responses	
Registered Voter	28.36%	19
Landowner	11.94%	8
Registered Voter and Landowner	40.30%	27
None of the Above	19.40%	13
Total		67

## Q2 I have read the draft LAFCO staff report

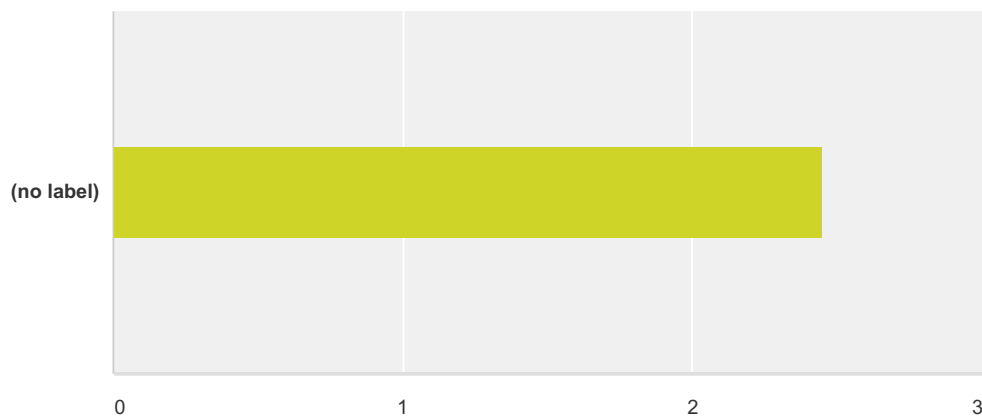
Answered: 60 Skipped: 7



Answer Choices	Responses	
Yes	70.00%	42
No	30.00%	18
Total		60

**Q3 The Draft Staff Report adequately describes the level of services provided to the overall community as well as the finances and operations of the districts.**

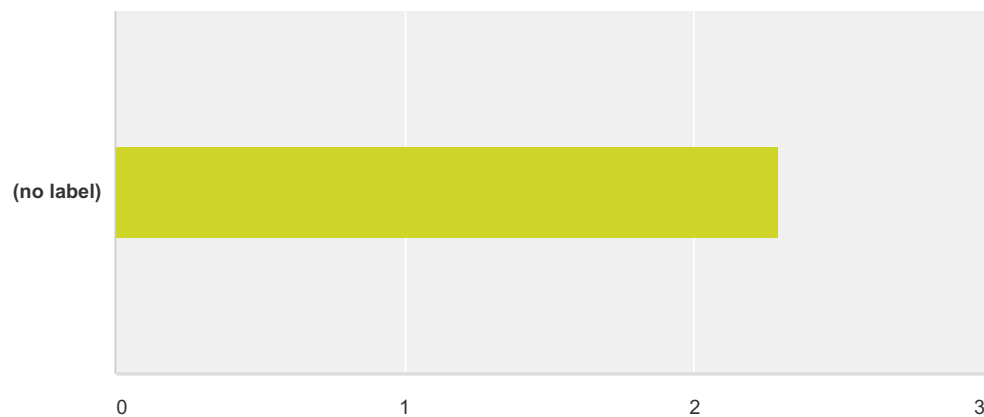
Answered: 39 Skipped: 28



	Not at All	Somewhat Agree	Agree	Strongly Agree	No Opinion	Total	Weighted Average
(no label)	12.82% 5	38.46% 15	35.90% 14	10.26% 4	2.56% 1	39	2.45

**Q4 The Draft Plan for Service clearly outlines the governance structure options and describes the pros and cons of each option.**

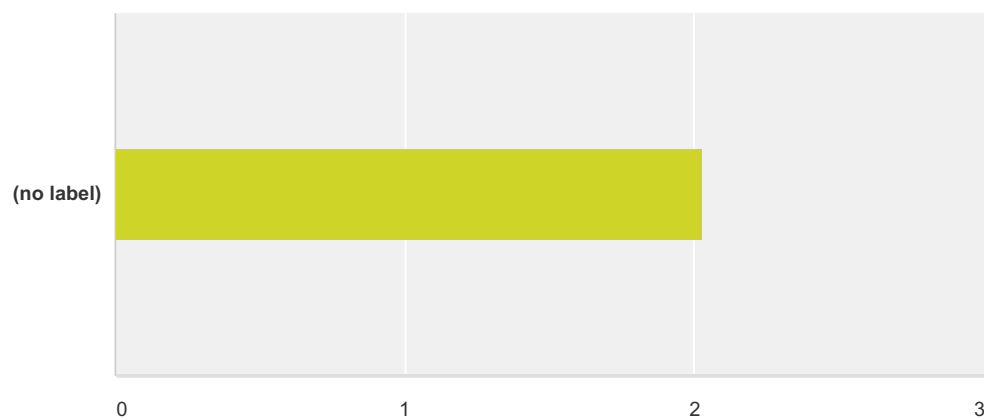
Answered: 39 Skipped: 28



	Not at All	Somewhat Agree	Agree	Strongly Agree	No Opinion	Total	Weighted Average
(no label)	25.64% 10	30.77% 12	28.21% 11	12.82% 5	2.56% 1	39	2.29

**Q5 The Draft Plan for Service clearly identifies that the levels of service as presently provided would not decrease in a consolidation.**

Answered: 39 Skipped: 28



	Not at All	Somewhat Agree	Agree	Strongly Agree	No Opinion	Total	Weighted Average
(no label)	43.59% 17	15.38% 6	25.64% 10	10.26% 4	5.13% 2	39	2.03

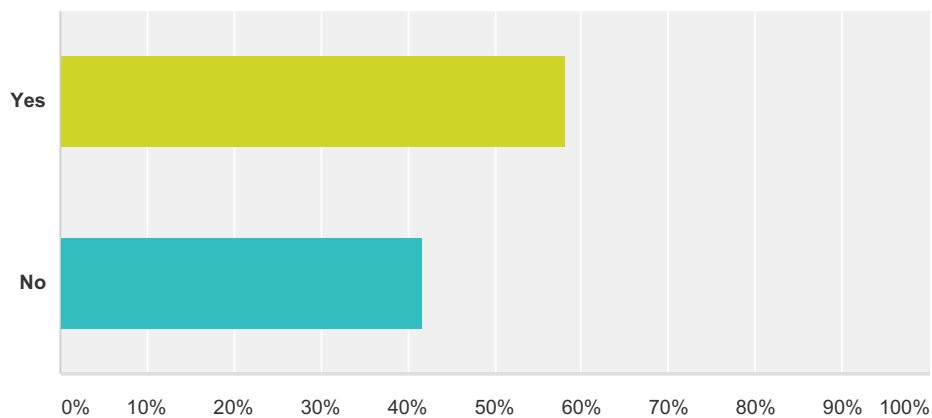
## Q6 Please add any comments on the staff report.

Answered: 14 Skipped: 53

#	Responses	Date
1	I agree that status quo is not a great plan for the future. However, I would think a 9 member board for the three districts to consolidated would allow for a more equal voice for each area. Until the New Dagmo identity and pride would allow for a smaller board.	1/12/2015 10:51 AM
2	The staff report raises a lot of questions about the support of this proposal. But we don't need it.	1/12/2015 10:42 AM
3	The three towns need to stay separate.	1/6/2015 11:11 AM
4	It is very clear that the people of the communities do not want to combine. Since any action requires the approval of the communities, stop wasting your time trying to push an agenda that isn't welcome or wanted.	1/4/2015 8:41 AM
5	The information provided takes only into account the FINANCIAL benefits from consolidation, without consideration for the people that reside in the reports areas. We are in a grey area; living in one CSD, but receiving services from another, leaving us with great services, but technically associated with the governance of a CSD we have little exposure to and with. These "grey area" residents have the least input, and potentially the most to lose. As a proponent, you will most likely state we "grey area" residents have the most to gain. But in reality, the CSD we are a part of has serious issues far beyond anything stated in the consolidation plan, which need to be dealt with before considering such a monumental change; we need to fix the major problems before we should even be TALKING about consolidation!	1/3/2015 11:36 AM
6	Much has happened since the Staff Report was compiled.	12/28/2014 10:22 PM
7	Staff report good	12/21/2014 11:00 AM
8	The staff report only revealed the issues that each district had at the time. Each district has been working diligently to resolve those issues. In addition, the report did not reveal the steps that each district and their fire departments are taking to ensure this does not happen again. Further research should be done to show proposed future endeavors of each district and their fire departments and adequately reflect that information as well. Yermo is a perfect example. With the fire department taking over the fire prevention and inspections for their own district that will be a source of revenue that will assist the fire department in cutting down their expenditures to the CSD thus providing a larger profit gain every year in the budget. Things like this were not disclosed or even discussed.	12/15/2014 1:33 PM
9	I have a clearer idea than before the meeting, however it (understandably) appears the details are not up to date... Also these facts do not take human nature into consideration. I don't believe everything I read.	12/12/2014 11:07 AM
10	Personally I think the way you have worded it is to purposely pull the wool over our towns people's eyes.	12/12/2014 10:52 AM
11	I believe that Line 5 is incorrect - the plan DID show a Decrease in Service Levels.	12/12/2014 10:31 AM
12	Do not consolidate the districts. Thanks.	12/12/2014 8:16 AM
13	I get my water from Daggett Water and they run it outstandingly - in over 6 years living here I've never once had a problem. And the price for the water is reasonable. Now Daggett is not a rich community by any means and I don't want a Water Company coming in here and taking it over and arbitrarily just jacking up the prices. I live on 5 acres and have over 120 trees and 50 bushes to water. Exceedingly high water prices would ruin me. Leave the running of the Daggett Water Company alone. Otherwise to be honest I really have no interaction with the Daggett CSD.	12/12/2014 7:43 AM
14	The purpose if the draft report appears to be the perpetual campaign by LAFCO to cultivate support for an uncalled-for obsession with combining the three CSDs by demeaning the districts as much as possible to make it seem that the combination is some kind of blessing from Heaven rather than what is, arbitrary and unnecessary interference in community affairs. I've been a homeowner in the Newberry District for nigh-on to thirty-five years now, and the problems that we have experienced are not the result of any kind of actionable malfeasance that you purport to identify, unlike the County itself with orders of magnitude more malfeasance than has ever occurred in Newberry.	12/11/2014 9:55 AM

### Q7 I attended the December 10 community meeting at the Silver Valley High School.

Answered: 55 Skipped: 12

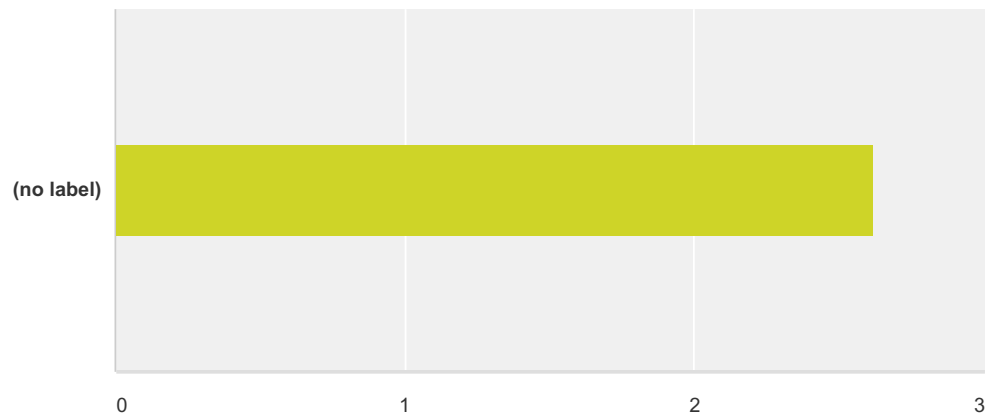


Answer Choices	Responses
Yes	58.18% 32
No	41.82% 23
Total	55



**Q8 LAFCO staff adequately outlined the  
information in the staff report.**

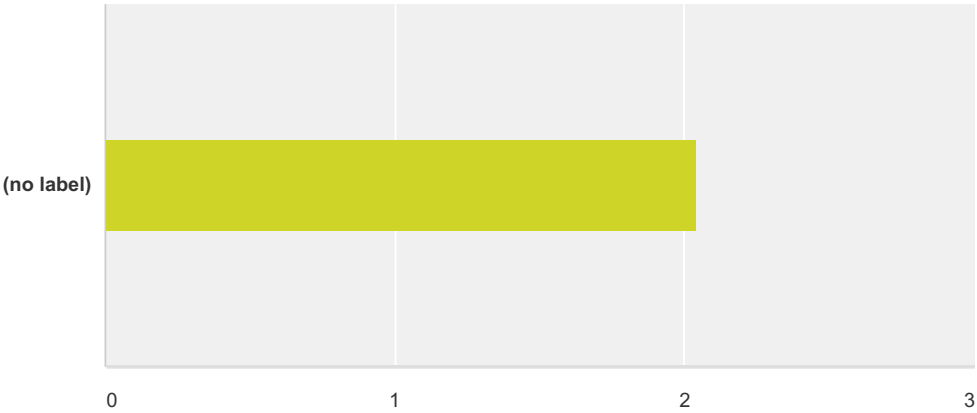
Answered: 29 Skipped: 38



	Not at All	Somewhat Agree	Agree	Strongly Agree	No Opinion	Total	Weighted Average
(no label)	13.79% 4	24.14% 7	48.28% 14	13.79% 4	0.00% 0	29	2.62

**Q9 LAFCO staff addressed my concerns  
and questions.**

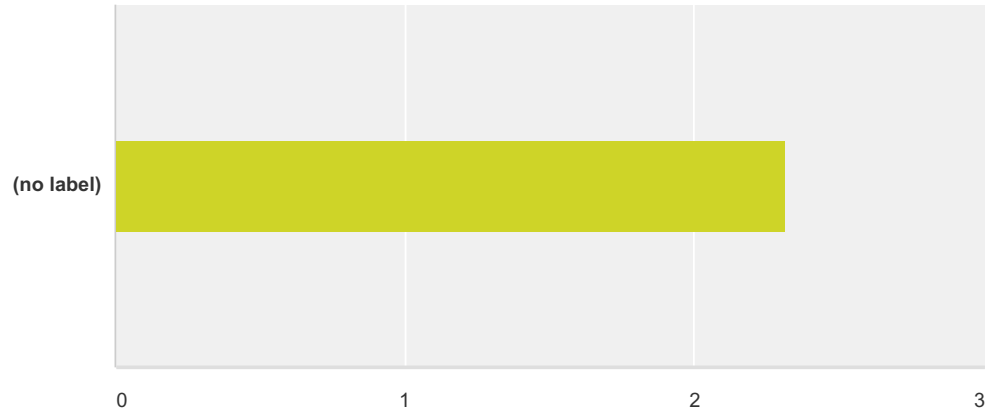
Answered: 28 Skipped: 39



	Not at All	Somewhat Agree	Agree	Strongly Agree	No Opinion	Total	Weighted Average
(no label)	32.14% 9	42.86% 12	14.29% 4	10.71% 3	0.00% 0	28	2.04

**Q10 I feel informed as to the governance  
options that LAFCO identified for my  
community and the other communities.**

Answered: 28 Skipped: 39



	Not at All	Somewhat Agree	Agree	Strongly Agree	No Opinion	Total	Weighted Average
(no label)	21.43% 6	39.29% 11	25.00% 7	14.29% 4	0.00% 0	28	2.32

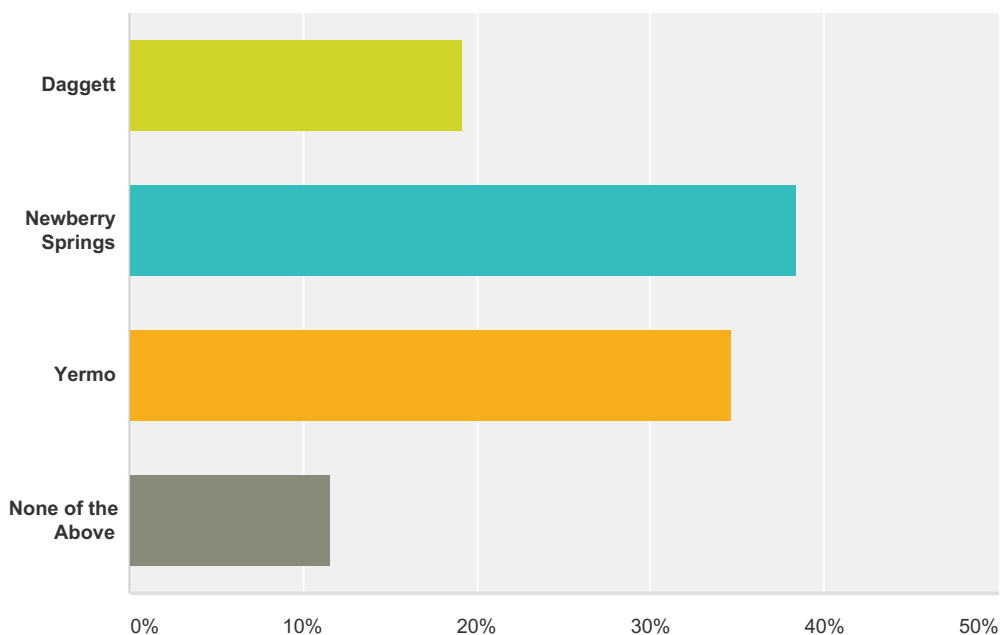
## Q11 Please add any comments on the community meeting.

Answered: 10 Skipped: 57

#	Responses	Date
1	Regarding #9, I wish my concern about the proposed 5 member board and suggestion of (initially at least) a 9 member board consisting of 3 members voted on from each area had been addressed less politically and more directly.	1/12/2015 10:53 AM
2	Thank you for your concern and information.	1/6/2015 11:40 AM
3	I want Newberry to stay the same as it is now.	1/6/2015 11:18 AM
4	Though the staff maintained order and admirably kept their composure, many of the residents were merely allowed to state opinions rather than asking pertinent questions. When a resident asked the staff a question regarding representation, the staff responded with an answer that seemed to indicate little thought was put into the particular needs of the communities affected. Additionally, the staff seemed surprised that a resident would be aware of the particular options, even though, the staff clearly stated these options were well within LAFCOs power to recommend.	1/3/2015 11:51 AM
5	The formation of a Joints Powers Authority for fire protection and emergency response might be the best option. If people were better inform. To many egos as far as Fire Chief, not enough information on if monies can be saved, how these monies could be used to better the service. Working with the CSFA as they have had programs to help rural areas volunteer fire departments. This has gone on deaf ears as far as the CSD'S. etc. Believe with more information that the joint powers for fire might be good for the whole.	12/21/2014 11:29 AM
6	Several questions seemed to be brought up but not addressed in the report. Audience members commented that LAFCO did not know about certain things, and since I don't know, either, I feel there's more work to be done.	12/15/2014 10:16 AM
7	I commend Kathy for sticking to topic and for fielding abrasive questions and comments... It was a 'just the facts' meeting, which I think raised more questions than actually provided answers, which in my opinion is a good thing; 'Status Quo' having its high points also generates a lethargy and complacency within our communities.	12/12/2014 11:17 AM
8	LAFCO Staff tried to accommodate all the audience questions, but were out-manned by the audience inquiries. Nice try though Kathy!	12/12/2014 10:34 AM
9	As a comment rather than a question, I made the observation that I was very dissatisfied with with this process and implied that we out here are a little tired of being told what is best for us by city people that have no clue what it is like to live as we do and are chronically overstepping their bounds. I also mentioned to the audience that this persecution has been going on for many years, and the only way that we have to show our dissatisfaction is to hold a single member of the Commission, our First District Supervisor responsible at the ballot box next time around. McDonald replied that these were not all city people and somehow that the commissioners are absolutely blameless. Her definition of rural must then be an area where it takes more than two minutes to get to the local burger joint. I can see the merit in consolidating the CSDs, however that consolidation should be initiated by the people of our area, not by a report from a grand jury that contains unnecessary and arbitrary recommendations precipitated by a few discontented conspiracy-theory prodigals having a tantrum because thry couldn't have their way in the majority Democratic process. These tantrums have resulted in almost constant persecution of our local districts for many years now. And the meetings between directors and LAFCO reps precipitated by this patently questionable innuendo have been characterized by arrogant, prefunctory, and condescending attitudes on the part of LAFCO. LAFCO, very frankly, should be reined in by the State of California. The agency, seeking to expand its powers, has entered realms that threaten the very fabric of democracy at the community level in order to satisfy grasping authority at county level. It's time to stop this travesty.	12/11/2014 11:05 AM
10	Methods for maintaining "The Status Quo" were not sufficiently addressed. Too much time was spent on doom and gloom options that would dissolve the sense of community many of us hold dear.	12/11/2014 8:16 AM

## Q12 I reside in or own land in (you may choose more than one):

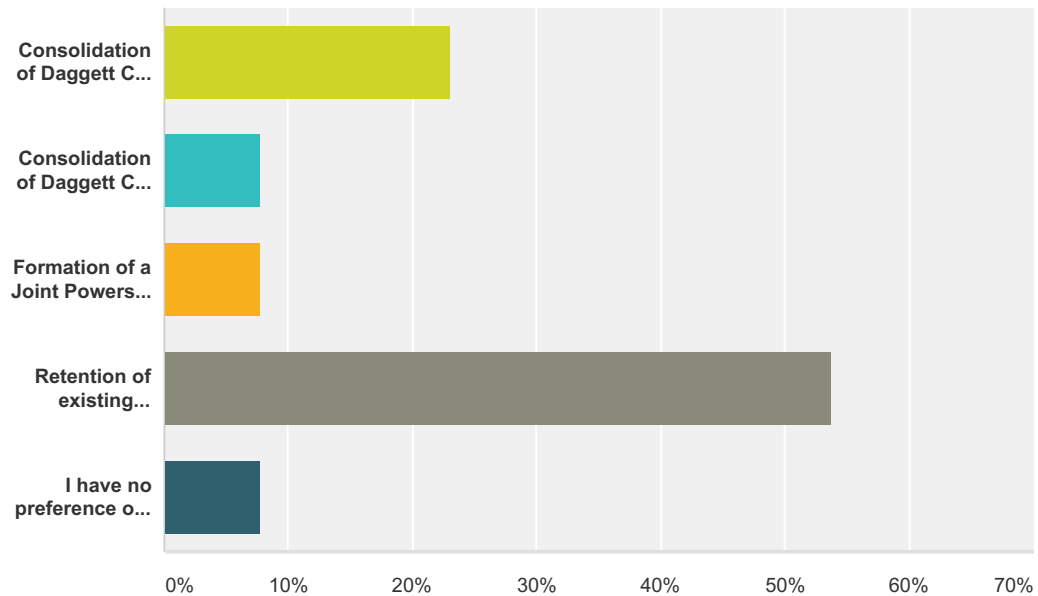
Answered: 52 Skipped: 15



Answer Choices	Responses	
Daggett	19.23%	10
Newberry Springs	38.46%	20
Yermo	34.62%	18
None of the Above	11.54%	6
Total Respondents: 52		

**Q13 My preference for continuing  
streetlighting, park & recreation, and fire  
protection & emergency medical response  
services for the Daggett and Yermo  
communities is:**

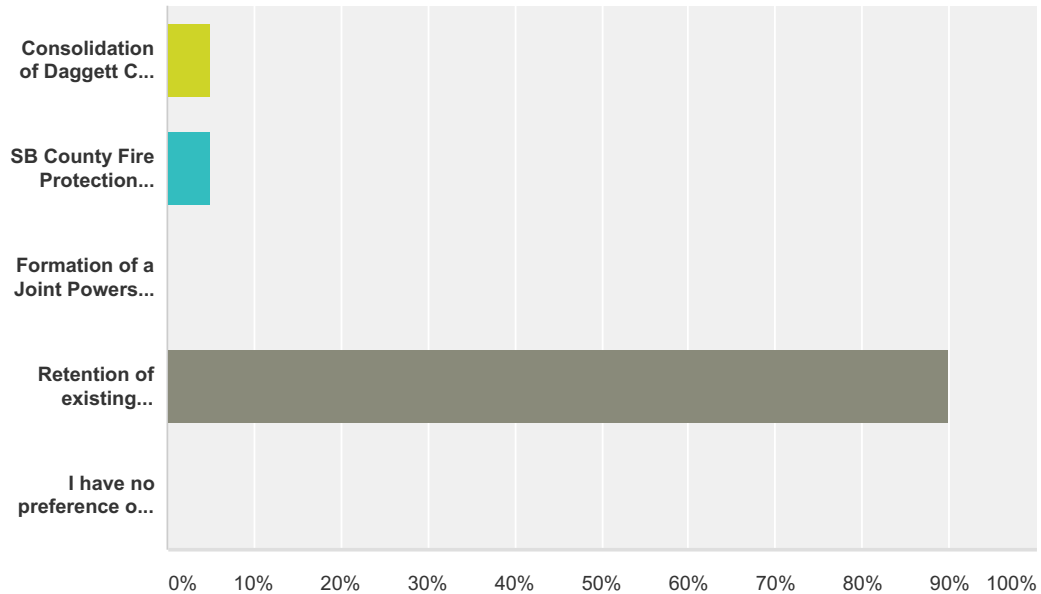
Answered: 26 Skipped: 41



Answer Choices	Responses	
Consolidation of Daggett CSD, Newberry CSD, and Yermo CSD	23.08%	6
Consolidation of Daggett CSD and Yermo CSD	7.69%	2
Formation of a Joint Powers Authority for fire protection and emergency response	7.69%	2
Retention of existing separate districts - Daggett, Newberry, and Yermo CSDs	53.85%	14
I have no preference or opinion on the matter	7.69%	2
<b>Total</b>		<b>26</b>

**Q14 My preference for continuing  
streetlighting, park & recreation, and fire  
protection & emergency medical response  
services for the Newberry Springs  
community is:**

Answered: 20 Skipped: 47



Answer Choices	Responses	
Consolidation of Daggett CSD, Newberry CSD, and Yermo CSD	5.00%	1
SB County Fire Protection District providing fire protection & emergency response to Newberry Springs	5.00%	1
Formation of a Joint Powers Authority for fire protection and emergency response	0.00%	0
Retention of existing separate districts - Daggett, Newberry, and Yermo CSDs	90.00%	18
I have no preference or opinion on the matter	0.00%	0
<b>Total</b>		<b>20</b>

## Q15 Please submit any additional comments below:

Answered: 24 Skipped: 43

#	Responses	Date
1	Please note that if only Yermo & Daggett were to combine, then #14 would be retention of existing district for Newberry Springs (not an option on your survey). Thank you for your efforts to work towards a better community in our perceived future and this survey.	1/12/2015 10:54 AM
2	I would like 3 separate CSDs. However, some change in the fire protection and EMS services would probably be a good idea. All the pros and cons of each choice definitely need to be explained clearly in detail for anyone to make a choice. Thank you.	1/12/2015 10:49 AM
3	It is my opinion that large entity take overs are never good because of special interests hiding in the woodwork. We don't want hundred dollar water bills down the road, which is what happens when big companies take control of stuff. To put it bluntly, we don't want this proposal. Thanks, but no thanks.	1/12/2015 10:45 AM
4	Don't steal our money or water. Fix Cadiz. Don't let Orange County take water from the desert.	1/6/2015 11:50 AM
5	My preference is to keep Newberry Springs the way it is.	1/6/2015 11:45 AM
6	Just the way the Fire Dept. works, each district needs to be separate the way it is now. PLEASE keep things the way they are.	1/6/2015 11:43 AM
7	I feel and so do some others that you are trying to combine the three towns to make Newberry Springs residents pay for Yermo and Daggett. That is not right, keep the three towns separate. If you want to help, weed out the crooks and crackheads. That sounds pretty reasonable. Thanks for reading.	1/6/2015 11:16 AM
8	I left the meeting somewhat confused as to the overall goal of consolidation, beyond the economic side, as the staff clearly stated. I am, however, acutely aware now of the personalities involved, and why the communities have garnered such scrutiny! It may be helpful instead, if the county oversight authority sought to help and encourage the affected communities to solve their individual problems, before tasking LAFCO for a 'bandaid fix' proposal. Thank you for the opportunity to respond.	1/3/2015 12:01 PM
9	Newberrians are country people, self-reliant, resourceful, and independent. We have little in common with Daggites or Yermites. Most Daggites and Yermites are town people, need government to take care of them, dependent, and un-resourceful and no one a proper Newberrian would want to have much to do with. After all, that is why most of us are in Newberry to begin with; to escape the antics of city minded people. Newberry has our own 4th of July parade and fireworks, Pistachio Festival, Senior Center(Family Center), four churches, We have some light manufacturing unknown to county because of the confiscatory conditional use fees. We would have more if they could afford to be visible. What have those town people done for their communities? Unfortunately, Newberry does have some vegetables living here. You should spend your resources moving them to Dagget and Yermo where they would be more comfortable.	12/28/2014 11:41 PM
10	You seem to have no respect for the rural lifestyle many in the areas have chosen to live. Not everyone chooses to live with streetlights and sidewalks. According to your job description you are to protect the rural areas not push them to "citify" themselves. You harp on lack of "water system" as keeping the area from growing. The MWA says we are in overdraft. You are working against our correcting this overdraft. We need a good Community Plan and have tried 2 times to accomplish this. Both times County defeated our efforts. Help us -- don't harass us.	12/28/2014 10:32 PM
11	To many people that bitch, that don't partake in the process. To many years of hearing the CSD's. different groups and people not getting any response from LAFCO or San Bernardino Co.	12/21/2014 11:41 AM
12	Daggett CSD is doing fine, the only thing that is fire, but that is why we have mutual aid to and from each other's area.	12/16/2014 7:01 AM
13	Although the material was presented well by the LAFCO representatives they admitted that recent changes and improvements by the CSDs was not factored in their assessment. I understand some of the reasons they could not use more current data but these recent changes show me that the CSDs are fixing the problems these consolidation plans are addressing. I don't think all of the potential problems with consolidation were presented. Money management is only one dimension of the CSD.	12/15/2014 11:42 PM



14	I am a volunteer firefighter with Yermo VFD. I have worked for other paid call and VFD's, as well as contract agencies. I can tell you from my own experience that Yermo has a professional and well run department, and having met personnel and seen equipment from Daggett and NS there is no comparison with the other 2 departments. While consolidation of the 3 may benefit Daggett and NS, in my personal opinion it would be detrimental to the residents of Yermo. Yermo has many firefighters who travel great distance to work there, myself included, as I have a 98 mile drive 1 way. Some of my fellow firefighters travel from LA County. If Daggett and NS want well trained personnel they need to provide professional leadership. Don't penalize Yermo for Daggett and NS lack of leadership.	12/15/2014 3:11 PM
15	The staff report was incomplete and felt very biased in its determinations. No mention of leaving the districts status quo and providing further education to each district to eliminate these issues in the future was ever proposed. It was simply consolidate, form a JPA, or stay the way you are. There are better, more cost effective options that would cause less resistance and achieve the desired result which should be to allow the people to govern themselves and have their voices heard in a small/manageable setting.	12/15/2014 1:37 PM
16	Newberry Springs is totally different from Yermo and Daggett. We would lose if we consolidated. And we would gain their problems. Fire Dept response times would be longer and our resources would be stretched thinner. So no to consolidation.	12/15/2014 10:19 AM
17	Newberry Springs is fine financially and performs service to the community well. I like leaving things that are working alone, if you believe merging Daggett and Yermo will help them, please do. But leave Newberry as is.	12/13/2014 4:09 PM
18	I am frightened at the prospect of not knowing the outcome of consolidating all three Districts, however I am an advocate for change for the better. WHAT I WOULD LIKE TO SEE: I believe additional equipment and training for the Fire Departments is crucial; Community Interest Advisory Liaisons must be put into place to represent the community public and their needs (public also to be encouraged to attend regular Board Meetings); an effective, safe and efficient Water Service securely in place and additional Streetlights to remove completely the fear of burglary and drug abuse in our streets. This safety factor to include maintenance of and safe space in our public parks and upgrade to our community centers, I do not believe there should be just ONE park, ONE fire station or ONE Community Center...but that all communities work together for the greater good.	12/12/2014 12:08 PM
19	The town of Daggett has been doing just fine. Paperwork and all of it legalities are properly taken care of, the parks are maintained, as are the community services and water. The town of Daggett has been able to keep it's own for generations and it will continue to do so for many generations to come.	12/12/2014 10:56 AM
20	After discussion with others, it is my opinion that the 'Status Quo' has had it's day and we need to try something else.	12/12/2014 10:35 AM
21	We simply need better resources and training for the management of these districts individually. People already in these positions genuinely do what is best for their community with what they already have.	12/12/2014 8:21 AM
22	BOTTOM LINE UP FRONT: Daggett CSD is run exceedingly well and Yermo from all accounts is a train wreck from their water services to scandals in their Fire Department et al. I DO NOT want Daggett to be corrupted also. Keep them separate. I get my water from Daggett Water and they run it outstandingly - in over 6 years living here I've never once had a problem. And the price for the water is reasonable. Now Daggett is not a rich community by any means and I don't want a Water Company coming in here and taking it over and arbitrarily just jacking up the prices. I live on 5 acres and have over 120 trees and 50 bushes to water. Exceedingly high water prices would ruin me. Leave the running of the Daggett Water Company alone.	12/12/2014 7:47 AM
23	In the three communities, there are three completely unique needs. Daggett is a VERY small rural community. I could see merging Daggett and Yermo. The two of them share resources and overlap in many ways. Yermo is a bedroom community or suburb of Barstow. They are beginning to have much more urban development. This is a completely different direction from Newberry. Newberry is an agricultural community. We produce world renowned koi fish at two different koi farms, alfalfa, ostrich, and we are known for our pistachios. Our area is much greater than that of the combined Yermo/Daggett area. Our needs are different because our area is greater and much more spread out. By consolidating the three CSD's, LAFCO would be doing a disservice to all three communities. Yes, there has been mismanagement. There needs to be more accountability and more oversight. Those who have been in charge of the CSD(s) in the past should be prohibited from participating in any way. There should be an investigation into the individual leaders. But combining the three communities is not the answer. Its like saying there is corruption in San Bernardino so lets combine it with Loma Linda and Redlands. It just doesn't make sense. I am against combining the CSD's. The fire protection should be with SB County fire to maximize the effectiveness and safety of protecting our homes against fire. But the parks and street lights, etc needs to remain in our community.	12/12/2014 6:14 AM
24	The Newberry Springs Volunteer Fire Department has a strong identity in our community. LAFCO doesn't seem to understand that proposals to dissolve it is viewed as a personal attack on our right to self-governance and sense of community.	12/11/2014 8:26 AM

**Recorded Grant Deed and Information  
from County Assessor related  
to Daggett Community Center Parcel**

**Attachment 4**

UNINCORPORATED AREA

81-053122

Township	9N	Range	1E	Sec	20
Project Name Work Order No. N00434 <del>XXXXXX</del> DAGGETT DAGGETT NEIGHBORHOOD FACILITY (OCD)					
This is to certify that the interest in real property conveyed by the within instrument to the County of San Bernardino, State of California, a body corporate and politic, is hereby accepted by the undersigned officer, agent on behalf of the Board of Supervisors pursuant to authority conferred by resolution of the Board of Supervisors adopted on December 18, 1972, and the Grantee consents to recordation thereof by its duly authorized officer, agent.					
Dated <u>3/22/81</u>					
By <u>[Signature]</u> Special Districts Officer					

RECORDED IN  
INDEXED

151 MAR 12 PM 3:34

CLERK  
C.J. CAHILL



A.P. #516 011-21

For Recorder's Use

Recording requested by the  
Board of Supervisors

GRANT DEED  
NO TAX DUE

When recorded return to  
1 Transportation Dept. R.W. 1  
2 Real Property Div. ☒

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged  
VERLA HART FULLER, a widow,

do hereby GRANT to the COUNTY OF SAN BERNARDINO, a body corporate and politic of the State of California, the real property in the County of San Bernardino, State of California, described as

That portion of the Northeast quarter of Section 20, Township 9 North, Range 1 East, SAN BERNARDINO MERIDIAN, according to Official United States Government Survey, said portion being a rectangular shaped parcel of land, described as follows:

The East half of the Northeast quarter of the Southeast quarter of the Northeast quarter of said Section 20.

SUBJECT TO: All restrictions, reservations, rights and rights of way of record.

NOTE: Excluding mineral rights as reserved by the United States of America.

NOTE: The hereinabove described parcel contains 5.000 acres of land, more or less.

Dated 3-23-81  
[Signature]  
VERLA HART FULLER

State of California

County of Los Angeles

On February 22, 1981

Before me, the undersigned a Notary Public in and for said County and State, personally appeared VERLA HART FULLER

[Signature]

Known to me to be the person whose name

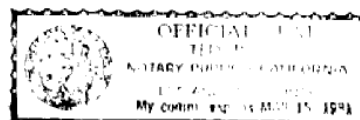
is subscribed to the within instrument and acknowledged to me that VERLA HART FULLER executed the same.

WITNESS my hand and official seal.

Notary Public in and for said County and State

Print or type name of Notary

(SEAL)



State of California

County of Los Angeles

On

Before me, the undersigned a Notary Public in and for said County and State, personally appeared

Known to me to be the

President and

Known to me to be the

Secretary of the

The Corporation that executed the within and foregoing instrument and known to me to be the person who executed the within instrument on behalf of the Corporation therein named and acknowledged to be that such Corporation executed the within instrument pursuant to its by laws or a resolution of its board of directors.

WITNESS my hand and official seal.

Notary Public in and for said County and State

Print or type name of Notary

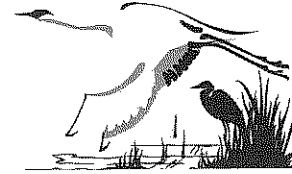
(SEAL)

81-053122

**Environmental Recommendation  
from Tom Dodson**

**Attachment 5**

**TOM DODSON & ASSOCIATES**  
2150 N. ARROWHEAD AVENUE  
SAN BERNARDINO, CA 92405  
TEL (909) 882-3612 • FAX (909) 882-7015  
E-MAIL tda@tdaenv.com



January 6, 2015

Ms. Kathleen Rollings-McDonald  
Local Agency Formation Commission  
215 North "D" Street, Suite 204  
San Bernardino, CA 92415-0490

**RECEIVED**  
JAN 08 2015

**LAFCO**  
San Bernardino County

Dear Kathy:

LAFCO 3176 consists of a Special Study of the Daggett, Newberry, and Yermo Community Services Districts (CSDs) including a Plan for Service and Service Review Update. The Special Study will be received and filed by the Commission without taking any action that could change the environment. As we have learned from previous sphere of influence updates and service reviews, only when the subsequent step is taken to physically revise the jurisdictional boundary or to provide new services does a potential for physical change in the environment occur. Thus, the proposed action presented above is not judged to pose any adverse changes to the physical environment.

Therefore, I recommend that the Commission find that a Statutory Exemption (as defined in the California Environmental Quality Act, CEQA) applies to LAFCO 3176 under Section 15061 (b) (3) of the State CEQA Guidelines, which states: "A project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects which have the potential for causing significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA." It is my opinion, and recommendation to the Commission, that this circumstance applies to LAFCO 3176.

In this case, adopting the proposed action does not alter the existing operations or obligations of the CSDs and does not adversely affect any existing physical facilities. Based on this review of LAFCO 3176 and the pertinent sections of CEQA and the State CEQA Guidelines, I conclude that LAFCO 3176 does not constitute a project under CEQA and adoption of the Statutory Exemption and filing of a Notice of Exemption is the most appropriate determination to comply with CEQA for this action. The Commission can approve this review and finding for this action and I recommend that you notice LAFCO 3176 as statutorily exempt from CEQA for the reasons outlined in the State CEQA Guideline section cited above. The Commission needs to file a Notice of Exemption (NOE) with the County Clerk to the Board for this action once the action is completed.

A copy of this memorandum and the NOE should be retained in the LAFCO project file to serve as verification of this evaluation and as the CEQA environmental determination record. If you have any questions, please feel free to give me a call.

Sincerely,

A handwritten signature in cursive script that reads "Tom Dodson".

Tom Dodson

# 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)

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**DATE:** JANUARY 13, 2015

**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
MICHAEL TUERPE, Project Manager

**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #9: Mid-Year Financial Review for Period July 1 through December 31, 2014

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## **RECOMMENDATION:**

Staff recommends that the Commission:

1. Note receipt of this report and file;
2. For the Commission's Reserves:
  - a) Rescind action taken by the Commission at the October 22, 2014 hearing from Agenda Item #10, Recommendation #5 (First Quarter Financial Review for FY 2014-15) to establish a separate reserve fund within the County Treasury;
  - b) Convert the existing COWCAP Reserve (Account 6010) to a Net Pension Liability Reserve in line with LAFCO Accounting and Reserve Policy #7 amended October 22, 2014; and
  - c) Increase Account 6010 (Net Pension Liability Reserve) by \$15,929 from \$40,503 to \$56,432 per the Commission's intent from October 22, 2014;
3. To address the relocation of the County's Workforce Development Department from 215 North "D" Street and the need to retain communications at the current level:
  - a) Decrease Account 2445 (Other Professional Services) by \$15,000 from \$61,196 to \$46,196;

- b) Decrease Account 2450 (System Development) by \$5,000 from \$22,500 to \$17,500.
  - c) Add Account 2040 (Relocation Charges) with a \$10,000 appropriation;
  - d) Increase Account 2125 (Inventoriable Equipment) by \$5,000 from \$12,500 to \$17,500; and
  - e) Increase Account 2041 (Phone Service/Outside Company) by \$5,000 from \$540 to \$5,540.
4. Provide direction to staff on items of concern for the balance of the fiscal year;

**BACKGROUND:**

Staff is presenting the Commission with the FY 2014-15 mid-year financial report which includes a discussion of three specific issues identified as:

1. A review of the mid-year financial activities and the presentation of a spreadsheet (Attachment #1) outlining expenditures and revenues through December 31, 2014. The spreadsheet also provides a forecast of anticipated expenditures and revenues through the end of the fiscal year.
2. The need to rescind the actions taken at the October 2014 hearing to establish a separate reserve fund within the County Treasury. This in response to a determination by the County to not allow the creation of additional funds for such a purpose. Address the conversion of the COWCAP Reserve to Net Pension Liability Reserve to retain the Commission's determination from the October hearing.
3. Discussion of the relocation of the sole County department at the building where the LAFCO office is located. This affects LAFCO because our communications (telephone and internet/email/county internal databases) extend from that Department's infrastructure. The infrastructure burden will now be placed wholly upon the Commission, which means that LAFCO will have to purchase and lease equipment and pay directly for the services. However, since there are budgeted activities that have will not take place this fiscal year or are no longer necessary, the existing Services and Supplies budget can absorb these costs through a reallocation of expenditure authority.



## **MID-YEAR REVIEW**

The report details the expenditure and revenue activities for the first half of Fiscal Year 2014-15. The following information includes a description of expenditures and reserves, revenue and proposal activity, an update on special project activities, and a breakdown of the fund balance through the mid-year.

### **Expenditures and Reserves**

Expenditures are comprised of two categories of accounts: 1) Salaries and Benefits, and 2) Services and Supplies. Through the mid-year, total expenditures are at 44% of Adopted Budget authority. In October the Commission authorized the transfer of \$11,000 from Contingencies to account for the increase in County Information Services Department charges. Additionally, this report will detail a request for processing another transfer from Contingency funds. A more detailed analysis of the categories is as follows:

#### **1. Salaries and Benefits (1000 series)**

##### *A. Mid-Year Activity*

The Salaries and Benefits series of accounts (1000 series) had expenditures of \$335,876 through the mid-year, representing 49% of Adopted Budget authority.

##### *B. Projected Remaining Activity*

There are no extraordinary activities anticipated for the second half of the Fiscal Year. Salaries and Benefits are forecast to end the year at 97% of budget authority.

#### **2. Services and Supplies (2000 and 5000 series)**

##### *A. Mid-Year Activity*

For the mid-year, the Services and Supplies series of accounts (2000 and 5000 series) had expenditures of \$137,549 or 36% of Final Budget authority. Below is an explanation of the activities that have not taken place to date:

- Outstanding payments not yet processed by the County (\$8,300)
- Supplementary costs for service by the County's Information Services Department (\$2,000)
- Cancellation of the August and November hearings (\$8,000 savings)

*B. Projected Remaining Activity*

Services and Supplies are projected to end the year at 91% of budget authority. Budgeted and anticipated activities for the second half include significant expenditures, identified as:

- Those costs identified above that were anticipated during the first quarter (\$10,300).
- Consultant payments for the feasibility study for the incorporating the Rim of the World communities (\$15,000).
- Subscription to the County Street Network and Google Earth (\$14,000) for maintenance of digital mapping.
- Remaining payments for COWCAP (\$3,154).
- Authorized equipment purchases (\$6,800).
- Significant legal advertisement, publication, and printing costs as the Commission considers proposals and service reviews for the Valley communities.

*C. Status of Ongoing Commission-approved Projects*

The following provides an update on expenditures and progress on projects approved by the Commission during the budgetary process or in response to recommendations of the County Grand Jury.

**FISCAL INDICATORS:**

The Fiscal Indicators development project is nearing completion. All contracted work through the County's Information Services Department (ISD) is complete, and currently the Valley and Mountain Regions (through FY 2011-12) are active on the LAFCO website. The North Desert and South Desert Regions are anticipated to go live by the end of January. The project allocation (with contingency) is \$14,497. To date, \$12,858 of this amount has been expended.

Once the project for all regions is live, it will transition from a special project to an ongoing maintenance activity. This project will be included in the annual budgeted for maintenance and preparation of the annual updates. The internal operating practice is that an annual update of the site will occur in July of each year.

**SPECIAL STUDY FOR DAGGETT, NEWBERRY, AND YERMO  
COMMUNITY SERVICES DISTRICTS:**

At the October hearing the Commission conducted a workshop to review the draft staff report and provide direction to staff. On December 10, a community meeting was held to review the draft staff report with the community. At this hearing the final staff report will be presented to the Commission for action.

The special study allocation is \$20,000; however, the special study has incurred costs of \$29,393 to date. Below is a breakdown of those costs:

<b>Activity</b>	<b>LAFCO Contribution</b>	<b>First District Contribution</b>
Contribution	\$15,000	\$5,000
Expenses		
staff time	17,671	
processing costs	4,446	
community meeting		7,276
<b>Total Expenses</b>	<b>22,117</b>	<b>7,276</b>
<b>Excess Costs</b>	<b>\$7,117</b>	<b>\$2,276</b>

As shown, the special study has exceed its allocation by \$9,393. The LAFCO contribution of \$15,000 was mostly for staff time and is already a part of the budget. The excess costs of \$2,276 for the Community Meeting will be absorbed by the Services and Supplies series of accounts.

**FEASIBILITY STUDY FOR INCORPORATION OF THE RIM OF THE WORLD  
COMMUNITIES:**

At the September hearing the Commission authorized the contract with Rosenow Spevacek Group (RSG) to prepare the financial projections for this project with the notation that no work would begin until receipt of the County's payment for the project. On September 25, the funds were transferred, and LAFCO staff finalized the contract with RSG. Following the Annual Conference at the end of October staff met with RSG principal Jim Simon to begin the study process. To date, LAFCO has received an invoice for \$2,515 which was processed in January.

At this time, a request for information from various County departments is being processed with a meeting scheduled for the end of January to review status on the receipt of sales tax, transit occupancy tax information, to review property tax information and review the boundaries proposed for discussion in the feasibility study.

### 3. Contingency and Reserves (6000 series)

In October the Commission authorized the transfer of \$11,000 from Contingencies to account for the increase in County Information Services Department charges. No other activities are anticipated at this time for supplemental funding for the remainder of the fiscal year.

## **Revenues and Proposal Activity**

### 1. Revenues

#### *A. Mid-Year Activity*

The Commission has received 108% of Budget revenues through the mid-year. The items below outline the revenue activity:

- Interest (Account 8500) – Forty-six percent of the budgeted interest has been received from the Commission's cash in the County Treasury. However, the bulk of LAFCO's revenues are received during the first quarter of the fiscal year through receipt of the annual apportionment; therefore, staff anticipates that the January interest payment will be close to the amount of the October payment. It is anticipated that the annual interest rate will remain low for the balance of the year providing limited resources.
- Apportionment (Account 8842) - 100% of the mandatory apportionment payments from the County, cities, and independent special districts billed by the County Auditor have been received.
- Fees and Deposits (Accounts 9545 – 9800) – Through mid-year, the Fees and Deposits series of accounts has received 111% of its budgeted revenue (\$65,069). Of this amount, 51% is related to proposals, 2% to service contracts, 9% to cost recovery for completed actions, and 38% for the special feasibility study for the Rim of the World Incorporation. Staff anticipates the receipt of 161% of budget projected fees and deposits for the year.

#### *B. Projected Remaining Activity*

This LAFCO has historically taken a conservative approach to projecting revenues. Keeping with this practice, staff is projecting receipt of limited interest payments for the remaining two quarters and three proposals for the balance of the Fiscal Year. Total Revenues are projected to end the year at 108% of budget authority.

## 2. Proposal Activity

The figure below identifies the number of proposals and service contracts received through December 31, 2014. The figure identifies that four proposals and two service contracts were received through the mid-year. Attachment #2 to this report includes a chart showing the yearly comparison of proposal, service contracts, and completed service review activity. Staff is conservatively anticipating the receipt of three additional proposals in the coming months, to bring the anticipated year-end total to seven proposals. Beginning last fiscal year, it appears that proposal receipts are emerging from many years of stagnant activity.

Activity	Budget	Thru Mid-Year		Projected	
		No.	% of Budget	No.	% of Budget
Proposals	9	4	44%	7	78%
Service Contracts - Development	2	0	0%	0	0%
Service Contracts - Admin (E.O.) approval	5	2	40%	4	80%
Protest Hearing Deposits	9	3	33%	3	33%

The remainder of the year anticipates the completion of the special study for the Daggett, Newberry Springs, and Yermo communities (related to the Grand Jury report), and second cycle service reviews for water conservation, water (wholesale, retail, and recycled), sewer (collection, treatment, and reclamation), streetlights, and habitat conservation. An additional item is the probable special study for the Morongo Valley Community Services District (pending Commission initiation).

## **Fund Balance**

As of December 31, 2014, the Commission's cash in the County Treasury was \$1,185,521. A breakdown of this amount is shown below. Taking into account expenditure and revenue projections, staff is projecting that all of the Reserves and Contingencies will carry forward into FY 2014-15.

<b>Dec 31, 2014 Balance</b>		<b>\$1,185,521</b>
<b>Balance is composed of the following:</b>		
<b>Liabilities</b> (as of Jan 9, 2015)		
	Unearned Revenue from open applications	24,801
	Deposits Payable/(Receivable) from open applications	30,083
<b>Committed</b> (constrained to specific purposes)		
	Net Pension Liability Reserve (Account 6010)	40,503
	Compensated Absences Reserve (Account 6030)	72,897
<b>Assigned</b> (intended for specific purposes)		
	Contingency (Account 6000)	87,356
	General Reserve (Account 6025)	300,000
	Remaining Projected Expenditures	538,664
<b>Estimated Unassigned Carryover Revenue into FY 2015-16</b>		<b>91,218</b>
<b>BALANCE</b>		<b>\$1,185,521</b>

### **LAFCO RESERVE ACCOUNTS**

During the First Quarter Budget Review in October 2014, LAFCO staff recommended that the Commission's reserve funds be placed in a separate account in the County Treasury. Doing so was to segregate the reserve funds from the operating funds and reinforcing the position that the reserve funds are for restricted activities. The Compensated Absences Reserve and General Reserve would transfer to the new account without changes in purpose, name, or amount. For the COWCAP Reserve, it was no longer required and was to be converted to a Net Pension Liability Reserve. Additionally, \$15,929 of the cash carryover into FY 2014-15 that was unassigned was to be placed in the Net Pension Liability Reserve, setting the total at \$56,432. The Commission also amended its Reserve Policy to identify the Net Pension Liability.

Unfortunately, staff was notified by the County Auditor office that final approval for establishment of the separate reserve account would not occur – this after a preliminary review and assumed greenlight. To maintain staff's and the Commission's intent for segregation of the reserves, staff is proposing to account for the reserve accounts in the same manner as currently done – as separate account codes under LAFCO's single account in the County Treasury. Staff will continue to show this segregation in its budget reports and audits. The steps that need to be taken are as follows:

- Rescind Action taken by the Commission at the October 22, 2014 hearing for Agenda Item #10, Recommendation #5 (First Quarter Financial Review for FY 2014-15) to establish a separate reserve fund within the County Treasury (shown below);

5. *Approve establishment of a separate reserve fund within the County Treasury and direct the Executive Officer to take following actions:*
    - a. *Establish a new fund account with the County Auditor-Controller-Treasurer-Tax Collector.*
    - b. *Transfer \$429,329 from LAFCO's Operating Fund in the County Treasury (NHY 890) to the newly established Reserve Fund as follows:*
      - 1) *COWCAP Reserve (Expenditure Account 6010) - \$40,503, and Other Carryover Unassigned Revenue (Revenue Account 9970) - \$15,929 into a newly defined Net Pension Liability Reserve Account (Account 6010)*
      - 2) *General Reserve (Expenditure Account 6005) - \$300,000*
      - 3) *Compensated Absences Reserve (Expenditure Account 6030) - \$72,897*
- Convert the COWCAP Reserve (Account 6010) to the Net Pension Liability Reserve in line with LAFCO Accounting and Reserve Policy #7 amended October 22, 2014; and
  - Increase Account 6010 (Net Pension Liability Reserve) by \$15,929 from \$40,503 to \$56,432 per the Commission's intent from October 22, 2014;

By taking these actions, the Commission's intent from the October hearing will be addressed and the Reserve Policy that was amended in October will be complied with.

### **RELOCATION OF COUNTY DEPARTMENT FROM BUILDING**

Just recently staff heard through the grapevine that the sole County department at the building where the LAFCO office is located, the County's Workforce Development Department, will be moving by the end of June. This relocation affects LAFCO because our communications infrastructure (telephone and internet/email/county internal databases) extend from that Department's infrastructure.

Staff has hurriedly been in contact with County Information Services Department which has indicated that it will continue to provide service to LAFCO. However, the infrastructure burden will now be placed upon LAFCO, which means that LAFCO will have to purchase and lease equipment and pay for all direct services.

An option would be to consider the private market for such services. However, LAFCO would lose access to the County's internal information systems (Assessor, Accounting, Auditor, Payroll, etc.), email system, and GIS programs. By using private vendors

LAFCO would forgo the economies of scale of the County system. Further, acquisition of the GIS program and hardware alone would cost more than the necessary equipment to remain on the County system. The use of GIS and access to the County's internal databases are central to LAFCO's operations.

Consideration of this matter cannot wait until the Commission's review of the budget in April since coordination of communication matters can take months. Staff has met with ISD staff which has provided a preliminary estimate on the upfront and continuing costs. The preliminary estimate FY 2014-15 for all services and supplies is \$15,000 with an additional expenditure for additional labor from Verizon for the fiber optic line.

In reviewing the funding options for presentation to the Commission, staff has determined that the budgeted activities that will not take place this fiscal year (Executive Officer recruitment) or are no longer necessary allow the Services and Supplies budget to absorb these costs. Therefore, staff is recommending that the Commission authorize the fund transfers outlined below.

- Decrease Account 2445 (Other Professional Services) by \$15,000. The budget allocated \$15,000 for the recruitment of the Executive Officer position. However, with Commission approval of the Executive Officer contract extension, recruitment will not occur for a few more years. Therefore, these funds can be moved to cover these unanticipated costs;
- Decrease Account 2450 (System Development) by \$5,000. The budget allocated \$5,000 for maintenance of the database that LAFCO uses to generate parcel listings for proposals. With the access to the GIS system of the County, the database is no longer necessary. Therefore, these funds can contribute towards this project;
- Add Account 2040 (Relocation Charges) with \$10,000 Appropriation;
- Increase Account 2125 (Inventoriable Equipment) by \$5,000; and
- Increase Account 2041 (Phone Service/Outside Company) by \$5,000 to address Verizon IT equipment.

As a part of the FY 2015-16 Budget review, staff will update the Commission on the status of this project.

### **CONCLUSION AND REQUESTED COMMISSION ACTION**

The mid-year financial report identifies that the expenditures of the Commission are within budget targets, and proposal activity revenues are at full-year anticipated amounts. Of importance is that the report identifies that proposal activity revenues have reached full-year targets, an indication that proposal activity is on the uptick after many



years of stagnation. All in all the staff is providing a positive financial forecast for the balance of the fiscal year.

Due to the County not allowing for the creation of additional funds for reserve purposes, staff is recommending that the Commission rescind the actions taken at the October 2014 hearing to establish a separate reserve fund within the County Treasury. However, staff is recommending actions to convert the COWCAP Reserve to Net Pension Liability Reserve along with a transfer to the account of unassigned funds from prior year to implement the Commission's intent from October to begin to address its unfunded pension liability.

Relocation of the County's Workforce Development Department from the LAFCO office building will require the Commission to purchase and lease equipment and pay for all information services directly. The existing Services and Supplies budget can absorb these costs and a transfer from Contingency is not necessary.

Staff recommends that the Commission take the actions identified in the recommendation section on pages 1 and 2 of this report. Staff will be happy to answer any questions from the Commission prior to or at the hearing.

KRM/MT

Attachments:

1. Spreadsheet of Mid-Year Expenditures, Reserves, and Revenues
2. Chart Illustrating Yearly Proposal, Service Contract, and Service Review Activity

# **Spreadsheet of Mid-Year Expenditures, Reserves, and Revenues**

**Attachment 1**

ACCT.	ACCOUNT NAME	ACTUAL	FINAL	THRU	THRU	PERCENT	PROJECTED	PROJECTED	PROJECTED
#		YEAR-END	BUDGET	1st	MID YEAR	TO DATE	REMAINING	YEAR-END	YEAR-END
		FY 13-14	FY 14-15	Quarter		YEAR-END		TOTAL	PERCENT
	<b>SALARIES AND BENEFITS</b>								
1010	Regular Salary, Cell Phone, and Bilingual	\$ 408,248	\$ 437,522	\$ 101,024.07	\$ 217,248.13	50%	\$ 214,552.03	\$ 431,800.16	99%
1030	Merit Incentive (Auto)	15,062	14,881	3,923.10	8,500.05	57%	7,300.02	15,800.07	106%
1035	Overtime	361	-	94.56	153.66		-	153.66	
1110	General Member Retirement	81,993	99,625	22,454.55	51,804.41	52%	48,878.02	100,682.43	101%
1130	Survivors Benefits	160	178	52.95	117.70	66%	87.10	204.80	115%
1135	Indemnification - General	16,641	20,163	4,565.10	10,743.08	53%	9,891.05	20,634.13	102%
1200	Employee Group Insurance (Health Subsidy)	41,141	50,040	10,527.78	22,810.19	46%	24,547.90	47,358.09	95%
1205	Long-Term Disability	994	1,099	246.27	537.36	49%	539.08	1,076.44	98%
1207	Vision Care Insurance	759	837	189.60	410.80	49%	410.80	821.60	98%
1215	Dental Insurance & Health Subsidy	1,466	1,557	352.28	764.65	49%	763.62	1,528.27	98%
1222	Short-Term Disability	3,312	3,658	820.14	1,788.84	49%	1,794.57	3,583.41	98%
1225	Social Security Medicare	5,128	5,637	1,293.38	2,767.47	49%	2,763.79	5,531.26	98%
1235	Workers' Compensation	1,573	4,782	462.00	1,060.34	22%	2,344.59	3,404.93	71%
1240	Life Insurance & Medical Trust Fund	4,546	5,289	1,063.75	2,306.84	44%	2,594.38	4,901.22	93%
1305	Other (Medical Reimbursement Plan)	2,600	6,920	540.00	1,100.00	16%	4,220.00	5,320.00	77%
1314	401a Defined (LAFCO Contribution)	1,451	1,650	372.18	809.73	49%	12,950.91	13,760.64	834%
1315	401k Contribution	22,983	26,400	5,952.78	12,952.36	49%	-	12,952.36	49%
1000	Salary Reserve	-	9,000	-	-	0%	-	-	0%
	<b>TOTAL SALARIES &amp; BENEFITS</b>	<b>\$ 608,417</b>	<b>\$ 689,235</b>	<b>\$ 153,934.49</b>	<b>\$ 335,875.61</b>	<b>49%</b>	<b>\$ 334,447.30</b>	<b>\$ 670,322.91</b>	<b>97%</b>
	Staffing (Full time equivalent units)		5.5						
	<b>SERVICES AND SUPPLIES</b>								
	<b>Services:</b>								
2037	COMNET Charge (ISF)	\$ 2,532	\$ 2,874	\$ 600.81	\$ 1,211.28	42%	\$ 1,437.25	\$ 2,648.53	92%
2038	Long Distance Charges	86	120	21.42	42.60	36%	\$ 60.00	102.60	86%
2041	Phone Service/Outside Company	366	540	189.47	266.76	49%	\$ 5,360.00	5,626.76	1042%
2043	Electronic Equipment Maintenance	140	-	100.37	121.24		-	121.24	
2075	Membership Dues	8,324	8,515	7,428.00	8,509.00	100%	-	8,509.00	100%
2076	Tuition Reimbursement	1,100	2,000	-	-	0%	1,100.00	1,100.00	55%
2080	Publications	2,054	3,600	402.28	1,402.92	39%	1,983.87	3,386.79	94%
2085	Legal Notices	9,223	26,000	3,757.60	7,336.56	28%	12,500.00	19,836.56	76%
2110	Facilities Management Charges	304							
2115	Computer Software	6,427	3,346	1,313.00	2,477.36	74%	872.60	3,349.96	100%
2125	Inventoriable Equipment	-	12,500	1,919.71	4,659.65	37%	10,000.00	14,659.65	
2195	Reimbursement Services and Supplies	4,304		-				-	
2245	Other Insurance	7,074	7,012	7,077.60	7,077.60	101%	7,012.00	14,089.60	201%
	<b>Supplies:</b>								
2305	General Office Expense	11,621	19,391	1,515.90	3,591.95	19%	11,351.45	14,943.40	77%
2308	Credit Card Clearing Account	(85)	-	2,469.38	(151.92)		-	(151.92)	
2310	Postage - Direct Charge	12,352	10,662	2,972.48	9,978.28	94%	5,106.00	15,084.28	141%
2315	Records Storage	581	570	47.52	237.60	42%	332.64	570.24	100%
2323	Reproduction Services	870	-	58.43	58.43		-	58.43	
2335	Temporary Services	13,311	-	-	-		-	-	

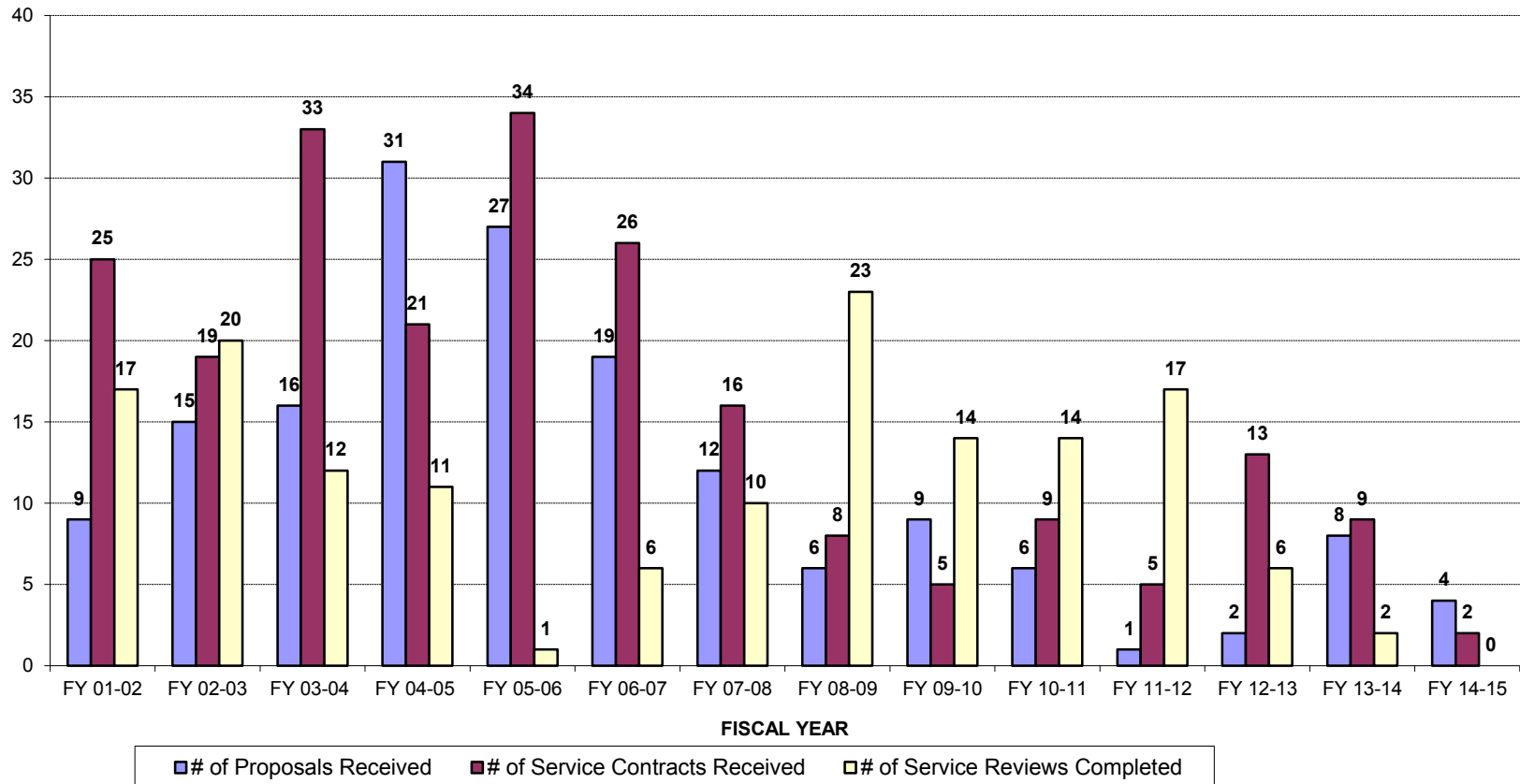
ACCT.	ACCOUNT NAME	ACTUAL	FINAL	THRU	THRU	PERCENT	PROJECTED	PROJECTED	PROJECTED
#		YEAR-END	BUDGET	1st	MID YEAR	TO DATE	REMAINING	YEAR-END	YEAR-END
		FY 13-14	FY 14-15	Quarter		YEAR-END		TOTAL	PERCENT
	<b>Consultant &amp; Special Services:</b>								
2400	Prof & Special Service (Legal Counsel)	24,048	36,800	14,779.86	15,717.17	43%	15,500.00	31,217.17	85%
2405	Auditing	7,527	11,799	-	6,000.00	51%	6,225.00	12,225.00	104%
2410	Data Processing	7,142	7,611	1,944.36	3,850.94	51%	3,805.56	7,656.50	101%
2414	Application Development Maintenance	-	-	-	-	-	-	-	-
2415	COWCAP	6,053	6,308	1,577.06	3,154.12	50%	3,154.00	6,308.12	100%
2420	ISD Other IT Services	344	1,008	197.76	373.08	37%	350.64	723.72	72%
2421	ISD Direct	1,772	12,800	-	-	0%	1,800.00	1,800.00	14%
2424	Mgmt & Tech (Environmental Consultant)	15,339	9,800	5,431.25	6,091.25	62%	8,200.00	14,291.25	146%
2444	Security Services	578	408	102.00	204.00	50%	204.00	408.00	100%
2445	Other Prof (Commission, Surveyor, ROV)	32,275	61,196	6,972.76	11,513.40	19%	39,549.72	51,063.12	83%
2449	Outside Legal (Litigation & Special Counsel)	2,909	10,000	-	2,552.21	26%	1,404.00	3,956.21	-
2450	Application Development Support	19,709	22,500	-	215.50	1%	2,500.00	2,715.50	12%
2460	GIMS Charges	11,877	14,600	-	-	0%	14,600.00	14,600.00	100%
	<b>Lease/Purchases:</b>								
2895	Rent/Lease Equipment (copier)	2,610	4,800	-	-	0%	4,800.00	4,800.00	100%
2905	Office/Hearing Chamber Rental	53,576	51,270	13,179.86	25,859.72	50%	25,359.75	51,219.47	100%
	<b>Travel Related Expenses:</b>								
2940	Private Mileage	5,135	6,418	711.80	1,198.89	19%	2,648.00	3,846.89	60%
2941	Conference/Training	4,225	7,950	4,740.00	5,164.00	65%	1,300.00	6,464.00	81%
2942	Hotel	5,264	5,486	2,502.84	5,207.88	95%	1,500.00	6,707.88	122%
2943	Meals	923	1,900	392.13	553.88	29%	650.00	1,203.88	63%
2944	Car Rental	653	500	34.29	34.29	7%	100.00	134.29	27%
2945	Air Travel	4,241	2,400	670.00	670.00	28%	1,350.00	2,020.00	84%
2946	Other Travel	1,061	600	258.77	263.77	44%	300.00	563.77	94%
	<b>Other Charges:</b>								
5012	Services Out (Staples)	4,146	3,600	1,626.53	2,106.49	59%	1,800.00	3,906.49	109%
	<b>TOTAL SERVICES &amp; SUPPLIES</b>	<b>\$ 291,993</b>	<b>\$ 376,884</b>	<b>\$ 84,995.24</b>	<b>\$ 137,549.90</b>	<b>36%</b>	<b>\$ 204,216.48</b>	<b>\$ 341,766.38</b>	<b>91%</b>
	<b>TOTAL EXPENDITURES</b>	<b>\$ 900,410</b>	<b>\$ 1,066,119</b>	<b>\$ 238,929.73</b>	<b>\$ 473,425.51</b>	<b>44%</b>	<b>\$ 538,663.78</b>	<b>\$ 1,012,089.29</b>	<b>95%</b>
6000	Contingency	-	\$ 87,356	-	-	0%	-	\$ -	0%
6010	Net Pension Liability Reserve	-	40,503	-	-	0%	-	\$ -	0%
6025	General Reserve	-	300,000	-	-	0%	-	\$ -	0%
6030	Compensated Absences Reserve	-	72,897	-	-	0%	-	\$ -	0%
	<b>TOTAL CONTINGENCIES &amp; RESERVES</b>	<b>\$ -</b>	<b>\$ 500,756</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0%</b>	<b>\$ -</b>	<b>\$ -</b>	<b>0%</b>
	<b>TOTAL APPROPRIATION</b>	<b>\$ 900,410</b>	<b>\$ 1,566,875</b>	<b>\$ 238,929.73</b>	<b>\$ 473,425.51</b>	<b>30%</b>	<b>\$ 538,663.78</b>	<b>\$ 1,012,089.29</b>	<b>65%</b>

ACCT #	ACCOUNT NAME	ACTUAL YEAR-END FY 13-14	FINAL BUDGET FY 13-14	THRU 1st Quarter	THRU MID YEAR	PERCENT TO DATE	PROJECTED REMAINING	PROJECTED YEAR-END TOTAL	PROJECTED YEAR-END PERCENT
	<b>CONTRIBUTION REVENUES</b>								
	Use of Money:								
8500	Interest	\$ 3,066	\$ 4,000	\$ 737.48	\$ 1,848.47	46%	\$ 1,500.00	\$ 3,348.47	84%
	Mandatory Contribution from Governments:								
8842	Local Government -- For FY 2013-14 apportionment to County, Cities, and Independent Special Districts of approximately \$288,274 each	864,822	864,821	864,822.01	864,822.01	100%	-	864,822.01	100%
	Fees and Deposits (Current Services):								
9545	Individual Notice	11,200	4,900	-	1,700.00	35%	2,100.00	3,800.00	78%
9555	Legal Services	8,625	7,475	-	3,042.50	41%	3,450.00	6,492.50	87%
9655	GIMS Fees	3,235	2,400	2,795.00	3,895.00	162%	3,500.00	7,395.00	308%
9660	Environmental	12,580	4,950	-	6,708.75	136%	2,250.00	8,958.75	181%
9800	LAFCO Fees	99,656	38,750	27,223.00	49,723.00	128%	18,000.00	67,723.00	175%
		135,296	58,475	30,018.00	65,069.25	111%	\$ 29,300.00	\$ 94,369.25	161%
	<b>TOTAL CONTRIBUTION REVENUES</b>	<b>\$ 1,003,185</b>	<b>\$ 927,296</b>	<b>\$ 895,577.49</b>	<b>\$ 931,739.73</b>	<b>100%</b>	<b>\$ 30,800.00</b>	<b>\$ 962,539.73</b>	<b>104%</b>
	<b>OTHER REVENUES</b>								
9910	Refunds from Prior Year Revenue	\$ 1,761	\$ (2,000)	\$ (450.00)	\$ (2,472.03)	124%	-	(2,472.03)	124%
9930	Miscellaneous Revenues	3,538	1,500	1,589.84	10.00	1%	-	10.00	1%
	Carryover from Prior Year								
9970	Contingencies	84,730	99,872	99,872.00	99,872.00	100%	-	99,872.00	100%
9970	COWCAP Reserve	46,780	46,780	46,780.00	46,780.00	100%	-	46,780.00	100%
9970	General Reserve	200,000	250,000	250,000.00	250,000.00	100%	-	250,000.00	100%
9970	Comp. Absences Reserve	66,620	66,620	66,620.00	66,620.00	100%	-	66,620.00	100%
9970	Ongoing Approved Projects			16,510.00	16,510.00		-	16,510.00	
9970	Other Carryover	223,425	176,807	249,887.00	249,887.00	141%	-	249,887.00	141%
9995	Residual Equity	40		-				-	
	<b>TOTAL OTHER REVENUES</b>	<b>\$ 626,895</b>	<b>\$ 639,579</b>	<b>\$ 730,808.84</b>	<b>\$ 727,206.97</b>	<b>114%</b>	<b>\$ -</b>	<b>\$ 727,206.97</b>	<b>114%</b>
	<b>TOTAL REVENUES</b>	<b>\$ 1,630,079</b>	<b>\$ 1,566,875</b>	<b>\$ 1,626,386.33</b>	<b>\$ 1,658,946.70</b>	<b>106%</b>	<b>\$ 30,800.00</b>	<b>\$ 1,689,746.70</b>	<b>108%</b>
	Note: Spreadsheet utilizes the cash basis of accounting and does not include accrual/reversal data which do not affect fund balance.								

**Chart Illustrating Yearly Proposal,  
Service Contract, and Service  
Review Activity**

**Attachment 2**

**Number of Proposals & Service Contracts Received, and Service Reviews Completed by Fiscal Year**



Through Dec 2014

# 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)

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**DATE:** JANUARY 13, 2015

**FROM:** KATHLEEN ROLLINGS-McDONALD, Executive Officer  
MICHAEL TUERPE, Project Manager



**TO:** LOCAL AGENCY FORMATION COMMISSION

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**SUBJECT:** Agenda Item #10: Request for Authorization for Special Study of the  
Morongo Community Services District

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## **RECOMMENDATION:**

Staff recommends that the Commission initiate a special study for the Morongo Valley Community Services District.

## **BACKGROUND:**

On August 18, 2014, LAFCO received a complaint from a director of the Morongo Valley Community Services District dated August 11, 2014 (included as Attachment #1). The complaint was also distributed to the Grand Jury and the Third District Supervisor. The complaint states that since LAFCO's service review/sphere update of November 2012, the district's expenses have increased dramatically. The director requested LAFCO's assistance to review the district's operations and determine the District's ability to preserve fire protection services and avoid bankruptcy.

At the September 17, 2014, LAFCO hearing, the Executive Officer notified the Commission in the Executive Officer's Oral Report that staff will be looking into the complaint and would return at the January 21, 2015 hearing with a report. Staff conducted a site visit on January 5 with the general manger and fire chief. It was agreed by all those at the site visit that with all things remaining equal and constant that the district would exhaust all funds within two years. Based upon LAFCO staff's preliminary review of materials gathered as well as information obtained during the site visit, this report to the Commission requests authorization to conduct a special study of the Morongo Valley CSD.



### **LAFCO Staff's Initial Review to the Complaint**

Below is an initial review to the director's complaints, a summary of the interview with the current general manager and fire chief, and the need for further study of the District.

**Comment #1:** *"Since the LAFCO's sphere review of November 2012, the Morongo Valley Community Services District's (MVCSD) expenses have increased dramatically."*

**LAFCO Staff Response:** Based on the District's audits, the actual expenditures have increased 23% since the FY 2011-12 audit while revenues have increased 4%.

**Comment #2:** *"At the July 17, 2014 regular monthly meeting (Hearing), the MVCSD adopted a budget with deficit over \$105,000, balanced with a transfer from current cash on hand, calling it reserve."*

**Comment #3:** *"As of June 2014 MVCSD fund balance was less than \$360,000. After budget approval 7/17/2014 cash on hand/reserves is less than \$260,000."*

**LAFCO Response:** Following LAFCO's 2012 service review recommendation, the District approved the establishment of designated reserve accounts. Nearing the end of FY 2013-14, the District transferred approximately \$105,000 from its reserve account to balance the budget. For FY 2014-15, the District's budget was adopted with the same deficit as the previous year - \$105,000. Based upon the FY 2014-15 adopted budget, staff estimates the fund balance to be approximately \$251,000; this is a 56% decrease in fund balances since FY 2011-12.

**Comment #4:** *"The MVCSD board majorities of 2012 thru 2014 repeatedly stated fire department expense increases are largely due to LAFCO & ISO requirements that must be met in order to be in compliance."*

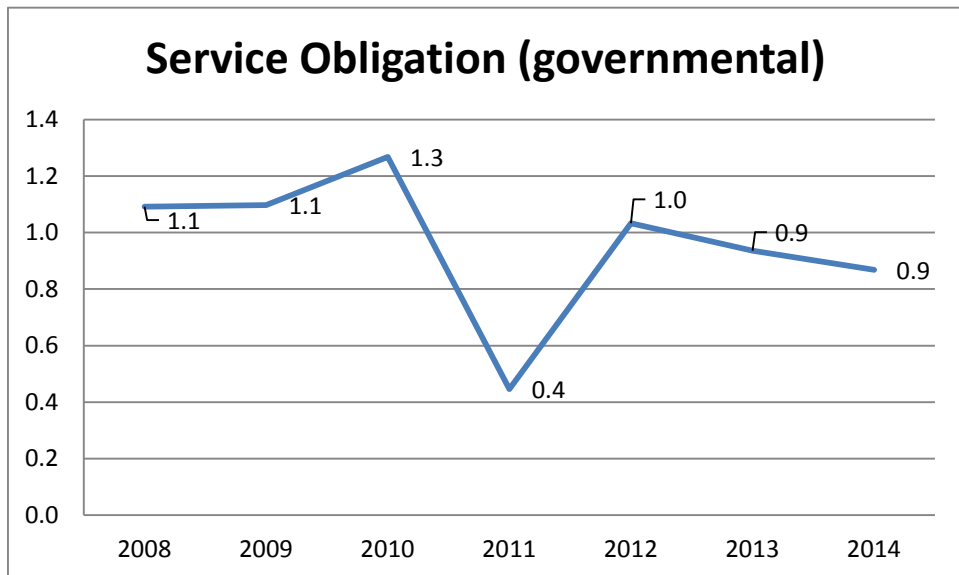
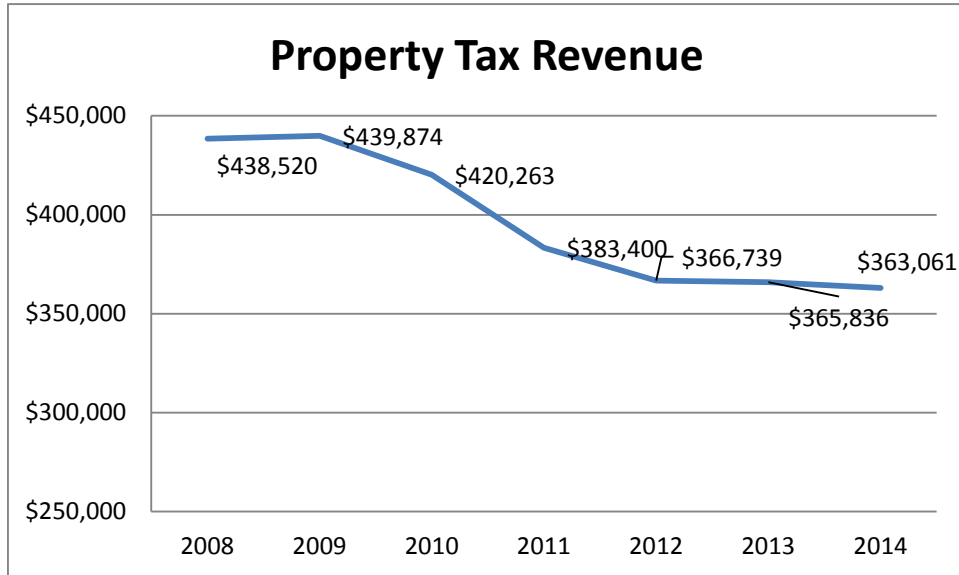
**LAFCO Response:** The LAFCO Commission has not set any requirements on the District's fire staffing.

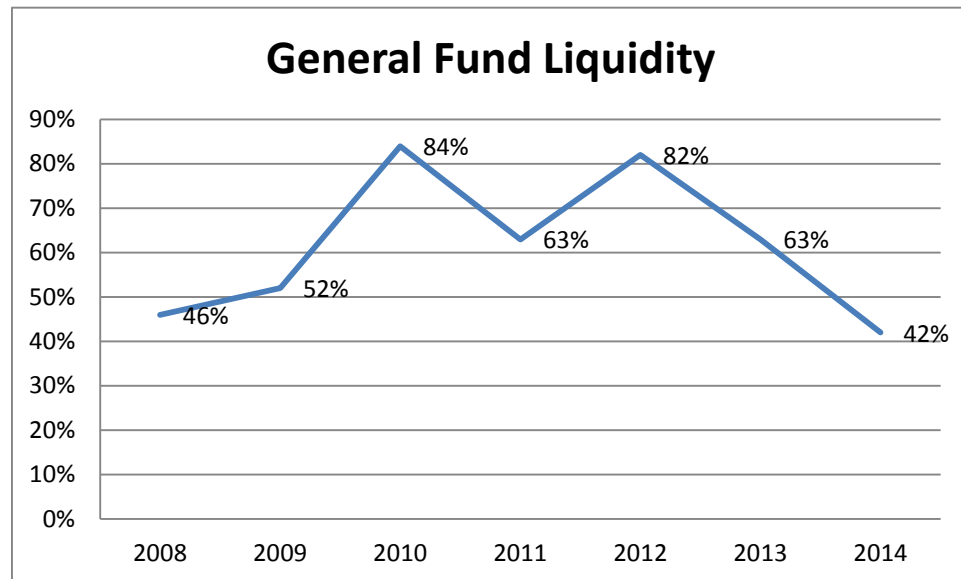
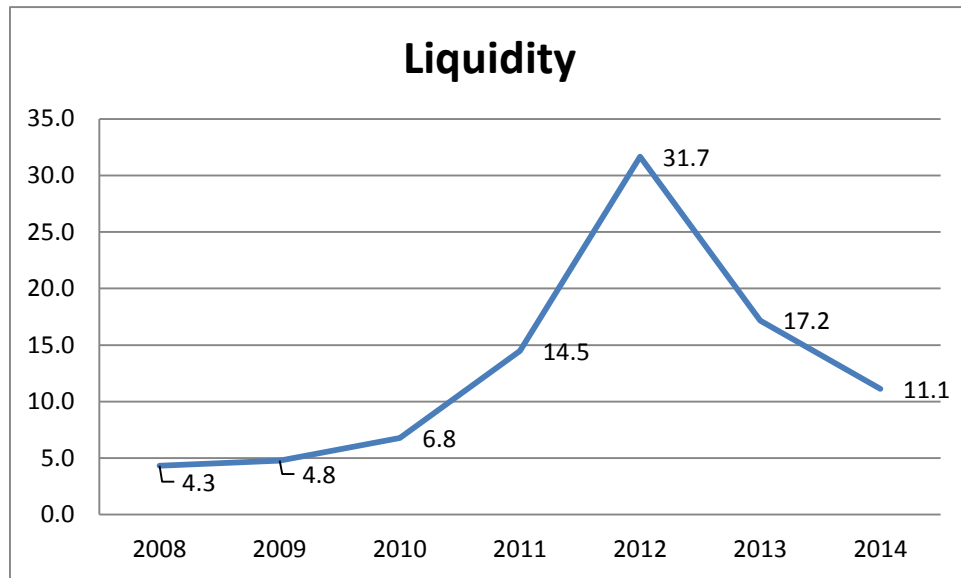
**Comment #5:** *"I hope you can evaluate the MVCSD's trend of operating deficits and prevent the current board majority from bankrupting the community."*

**LAFCO Response:** For FY 2010-11 and FY 2011-12 the district operated at or near its means. However, beginning FY 2012-13 the District began to constantly operate with an annual deficit. The first chart below shows the District's activities to include revenue detail, expenditure detail, and fund balance. The subsequent charts show fiscal indicator data, each showing a downward trend.

MORONGO VALLEY CSD FUND BALANCE								
	2007-08 Actual	2008-09 Actual	2009-10 Actual	2010-11 Actual	2011-12 Actual	2012-13 Actual	2013-14 Actual	2014-15 Budget
Revenues:								
Property tax	438,520	439,874	420,263	383,400	361,994	365,836	363,061	360,452
Fire assessment	214,573	263,798	269,762	280,605	286,528	292,076	313,913	300,535
Grant income	7,629	69,537	-	186,044	31,971	13,951	11,516	3,500
Fire service	56,354	6,111	15,900	4,992	1,542	9,222	25,482	26,300
Park revenue	2,355	2,686	101,042	4,992	3,332	4,279	9,398	5,000
Other*	6,300	2,243	14,483	3,463	27,034	8,993	15,293	117,658
Total Revenues	\$ 725,731	\$ 784,249	\$ 821,450	\$ 863,496	\$ 712,401	\$ 694,357	\$ 738,663	\$ 813,445
Expenditures:								
General government	91,887	87,677	81,440	86,016	105,302	184,718	126,095	146,123
Fire operations	487,666	534,118	473,141	504,787	500,731	517,123	624,702	645,656
Park & recreation	57,246	64,707	64,747	247,417	67,078	34,767	90,360	11,850
Streetlights	3,546	3,837	4,091	4,116	4,074	4,237	4,080	4,000
Debt service/replacement	24,680	24,627	24,626	24,627	12,313	1,454	5,816	5,816
Total Expenditures	\$ 665,025	\$ 714,966	\$ 648,045	\$ 866,963	\$ 689,498	\$ 742,299	\$ 851,053	\$ 813,445
Revenues less Expenditures:	\$ 60,706	\$ 69,283	\$ 173,405	\$ (3,467)	\$ 22,903	\$ (47,942)	\$ (112,390)	\$ -
Fund Balances, Beginning	242,517	303,223	372,506	545,911	542,444	517,511	469,569	357,179
Fund Balances, Ending	\$ 303,223	\$ 372,506	\$ 545,911	\$ 542,444	\$ 565,347	\$ 469,569	\$ 357,179	\$ 251,354
Change from prior year	25.0%	22.8%	46.6%	-0.6%	4.2%	-16.9%	-23.9%	-29.6%

\*Notes: (1) FY 2012-13 Fund Balance had adjustment to Beginning Balance of \$47,836  
(2) District transferred \$105,825 from reserves for FY 2014-15





### **Interview with General Manager and Fire Chief**

In response to the complaint, staff conducted a phone interview with the general manager in September followed by a site visit in January. The interviews revealed management issues related to the District's operations and finances going back many years during the tenure of the two previous general managers. Items of significance discussed at the site visit include:

- Previous misuse of grant funds. The funds from some grants were not used for the intended purpose which resulted in the district being blacklisted from future grant applications. To be eligible once again required the closing of the previous grants, which means that the District had to spend other district funds to comply with the original grant purpose (2008-2012).

- Whistle blower and hostile work environment lawsuits which included undisclosed settlements (2012-2014).
- OSHA issues. The District states that it is now in compliance (2012-2014).
- Special Districts Risk Management Authority representative conducted a site-visit and issued a 63-page report on liability and risk exposure, which resulted in an increase in the district's deductible from \$5,000 to \$25,000 (2014).
- To balance the FY 2013-14 budget, the District transferred \$105,000 from reserves. However, there is no record of the transfer being approved by the Board of Directors nor does the audit identify a budget adjustment.
- FY 2014-15 begins with a \$105,000 deficit – the same deficit as the previous year. The District hopes to narrow the deficit by half by the end of the year. Even if the deficit is cut in half, the two-year shortfall would be \$157,500.
- From 2009 through 2012, the District may have deferred capital and maintenance expenditures which would have artificially increased past fund balances.
- It was agreed by all those at the site visit that with all things remaining equal and constant that the district would exhaust all funds within two years.
- The board is considering placing a ballot measure to convert its current benefit assessment into a special tax with an increase in total amount generated and an annual inflation factor to continue, not augment, current levels of fire protection and paramedic service.

### **Authorization to Conduct a Special Study**

It is the position of LAFCO staff at this time that the District is entering the realm where it will not have the ability to continue to meet its service obligations without substantial disposition of assets, decrease or divestiture of its fire protection and EMS function, and/or adoption of a special tax to continue the current level of service.

Therefore, staff recommends that the Commission initiate a special study of the Morongo Valley Community Services District. Should the Commission initiate the special study, work would begin immediately with the desire that it be heard by the Commission before the end of the fiscal year, likely the May hearing. Staff estimates the total costs for completing the study would be roughly \$10,000 in staff time and \$2,000 for study processing (the 2012 service review incurred processing costs of \$1,235). The \$10,000 for staff time is derived as follows: site visit for additional interviews and data collection, project manager research and staff report preparation (2 weeks), internal review of the draft report, and site visit to review the draft staff report with the District.

KRM/MT

Attachment:

Letter to LAFCO dated August 11, 2014 from a Director of the Morongo Valley CSD

Date: 08/11/2014

To: Kathleen Rollings-McDonald, Executive Officer  
LAFCO San Bernardino  
215 North D Street, Suite 204,  
San Bernardino, CA 92415-0490

RECEIVED  
AUG 18 2014

LAFCO  
San Bernardino County

From: Chuck Osborne  
10888 West Drive #12  
Morongo Valley, CA 92256  
Ph. (760) 363-6308

Re: July 17, 2014 the MVCSD 2014/15 Budget was passed intentionally spending  
\$105,000.00 plus over income.

Dear Ms. Rollings-Mc Donald,

Since LAFCO's sphere review of November 2012, the Morongo Valley Community Services District's (MVCSD) expenses have increased dramatically. The MVCSD voted to pass a 2014 budget with Fire Service operations 27% over your projections for the FY2014/15. As an 18 yr elected member of the MVCSD, I request your assistance to review our operations and determine our ability to preserve fire protection services and avoid bankruptcy.

**Complaint**

At the July 17, 2014 regular monthly meeting (Hearing), the MVCSD adopted a budget with deficit over \$105,000, balanced with a transfer from current cash on hand, calling it reserves. The current cash on hand/reserves sustain the districts operating costs through December 2014. At that meeting I presented the board with 3 balanced budgets scenarios. The board refused to discuss my balanced options. In fact, the only written response I received was from President Johnny Tolbert. He wrote the word "Joke" on the budgets I distributed.

The following contains the LAFCO financial projections and current financial status.

	2011-12	2012-13	2012-13	2013-14	2013-14	2014-15	2014-15
					Actual		
	AUDIT	Adopted	AUDIT	LAFCO	expenditures	LAFCO	Budget
		Budget.		Projection.	as of	Projection.	July
					June 27, 2014		17, 2014
<b>Revenues:</b>							
Property Tax	366,739	365,516	365,836	365,516	356,136	365,516	360,452
Fire Assessment	286,528	291,915	292,076	297,753	300,193	303,708	300,535
Grant Income	31,971	5,293	13,951	0	11,516	0	3,500
Fire Service	1,542	27,900	9,222	3,638	34,192	3,711	26,300
Park Revenue	3,332	5,200	4,279	5,304	9,268	5,410	5,000
Other	22,289	1,500	8,993	1,500	5,484	1,530	11,833
<b>Total Revenue</b>	<b>\$712,401</b>	<b>\$697,324</b>	<b>\$694,357</b>	<b>\$673,711</b>	<b>\$716,789</b>	<b>\$679,875</b>	<b>\$707,620</b>
<b>Expenditures:</b>							
General							
Government	105,302	179,877	158,718	183,475	161,596	187,144	118,623
Fire Operations	500,731	485,323	517,123	495,029	597,690	504,930	645,656
Park & Recreation	67,078	12,924	60,767	13,182	72,436	13,446	39,350
Streetlights	4,074	4,200	4,237	4,284	3,699	4,370	4,000
Debt Service	12,313	15,000	1,454	0	5,816	0	5,816
<b>Total Expenditures</b>	<b>\$689,498</b>	<b>\$697,324</b>	<b>\$742,299</b>	<b>\$695,970</b>	<b>\$841,237</b>	<b>\$709,890</b>	<b>\$813,445</b>
Total Rev	\$712,401	\$697,324	\$694,357	\$673,711	\$716,789	\$679,875	\$707,620
Total Exp	\$689,498	\$697,324	\$742,299	\$695,970	\$841,237	\$709,890	\$813,445
Balance	\$22,903	0	<b>\$-47,942</b>	\$-22,259	<b>\$-124,448</b>	\$-30,015	<b>\$-105,825</b>
<b>Trans from fund balance</b>			<b>\$47,942</b>		<b>\$124,448</b>		<b>\$105,825</b>

As of June 2014 MVCSD fund balance was less than \$360,000.00. After budget approval 7/17/2014 cash on hand/reserves is less than \$260,000.00. Approximate monthly expenditures are \$70,000.00 plus per month.

The MVCSD majority board financial plan to solve budget deficits is to put forth an assessment in 2015, although the cost for review to obtain it has not been voted on by the Board at this time, the plan is being reviewed by Legal Counsel.

Budget deficit can be solved by reducing expenses, specifically the Fire Department staffing from 6 employees daily to 4 employees daily, including the Chief as one of the four, 4 days a week and providing one reserve daily for 3 days a week. I have been told by the Board Directors since 2012 that 4-0 staffing is required because of the 2 in-2out law. I have not found a LAW that requires Fire Departments to have 4-0 staffing to be in lawful compliance.

San Bernardino County Battalion Chief Dave Benfield reported at the Morongo Basin Municipal Advisory Committee meeting (MAC) the County of San Bernardino Fire Departments in his jurisdiction will be raising their staffing levels from 2-0 to 3-0 in some of their stations as of September 2014. The minutes from the M.A.C. in May 2014 meeting do not reflect details of the County Fire staffing. The Chief's report and full meeting can be found on YouTube : <https://www.youtube.com/watch?v=FJVOJsbuYr8>. MVCSD Director & Fire Commissioner, Gail Swarat, the appointed Morongo Valley MAC Representative was present for the Chief's report. When I quoted the Chief on July 17,

2014 in MVCSD meeting, Director Gail Swarat told the Board of Directors that this was not true, that the Battalion Chief did not say that, she disputed the fact that our mutual aid is dispatched at the same time we receive the 911 call for fire. I personally called and spoke to BC Benfield to verify this MAC report re: staffing and the 2in-2out rule is covered by mutual aid. He reiterated the same facts relayed in the MAC meeting. Swarat voted for a budget based on 6 staff on duty.

MVCSD Fire Department current staffing levels are determined by the adoption of NFPA Standards: Agenda Item J-4: A recommendation put forth by former MVCSD General Manager Rick Lebel Re: The adoption of NFPA Standards as follows:

“That the Board of Directors take action for review and approval of Standard Operating Guidelines (SOG) No. 22 and 23 relative to standardized staffing as recommended by the 2013 ISO Review and National Fire Protection Association (NFPA) response standards as adopted by State and Federal agencies.”

This proposal was passed with the caveat of “As long as we have the money in the budget”.  
At the time of this proposal and passing of SOG’s, I was all for it as long as our budget could sustain it.

**Due Diligence:**

July 2014 I contacted the State Fire Marshal’s Office and found out:

1. State Of California and San Bernardino County have not adopted NFPA Standard’s. When I asked why I was told: Adoption of NFPA Standards would cause a major cost and hardship to the communities.


The MVCSD board majorities of 2012 thru 2014 repeatedly stated fire department expense increases are largely due to LAFCO & ISO requirements that must be met in order to be in compliance. I did not find any requirements imposed by either agency.

During my 18 plus year tenure as an elected official, most boards worked to improve the financial stability and enhance services. In the early 2000’s the Fire Department transitioned from all volunteer to 24/7 combination paid/volunteer department. During the period covered by your 5 year service review, with careful budgeting, grant funding and model volunteer training programs, we were able to obtain apparatus, add paramedic services and construct park facilities. In the past two years we have decreased services (State brush clearance inspections) and closed a station. I hope you can evaluate the MVCSD’s trend of operating deficits and prevent the current board majority from bankrupting the community.

Substantiation documentation is available upon request, including DVD’s of MVCSD meetings.

Thank you for your consideration.

Sincerely,

  
Chuck Osborne

8/11/14  
Date

**Distribution List:**

- SB County Grand Jury
- SB LAFCO
- James Ramos, Third District Supervisor, SB County Board of Supervisors