

**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 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.

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.¹ 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

¹ 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

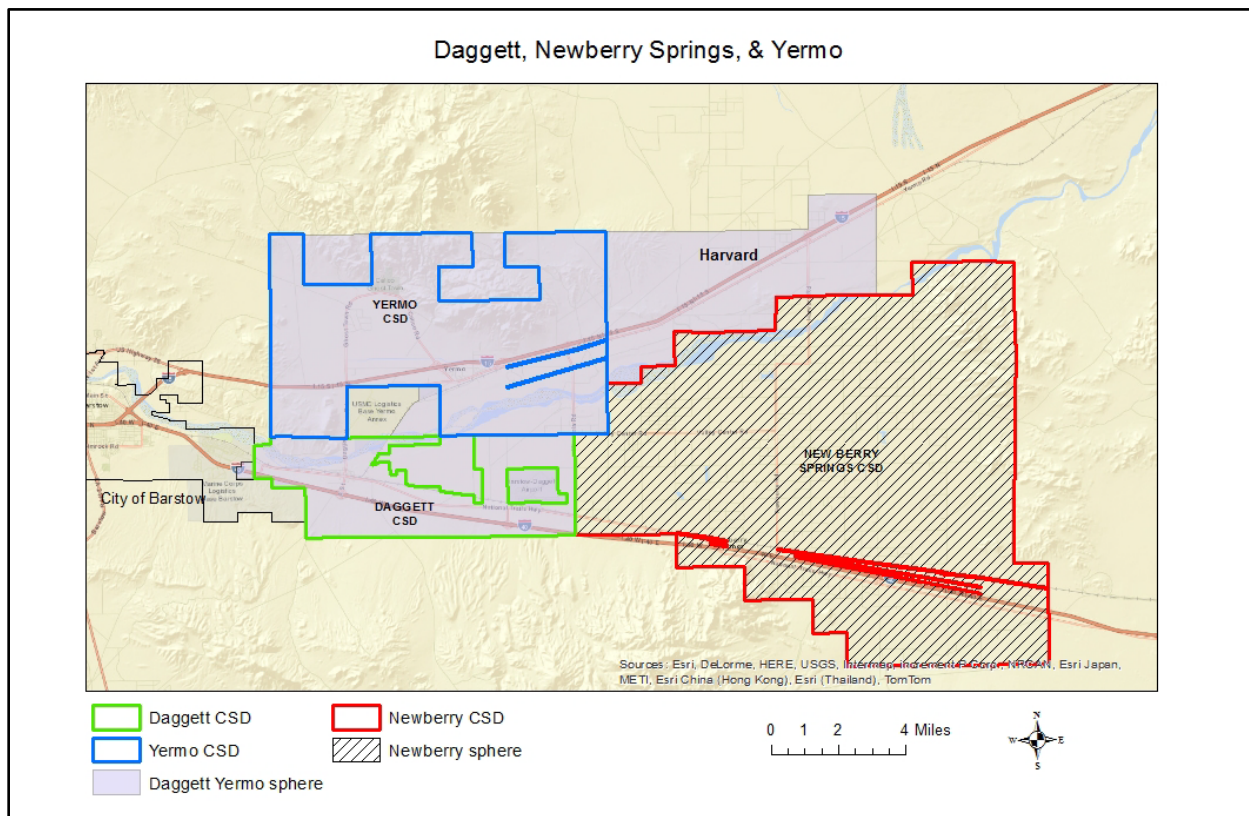
(relevant for this service review), with parallel dialogue regarding other types of districts (i.e. public cemetery districts) worked into the training.

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:

	Daggett CSD	Newberry CSD	Yermo CSD
Year Formed	1955	1958	1962
Enabling Legislation	CSD Law	CSD Law	CSD Law
Current Services Provided	Fire protection Park & recreation Streetlights Water	Fire protection Park & recreation Streetlights	Fire protection Park & recreation Streetlights
General Manager	Full-time 100% office hours	12 hrs/week 100% office hours	9 hrs/week 100% office hours
Fire Chief	Volunteer, also board president	Volunteer	Volunteer, also board president
Service Costs, 2010-13 (avg)			
Fire Protection	\$46,227	\$119,849	\$53,162
Streetlights, Park & Rec	\$57,750	\$81,771	\$63,865
Water	\$123,685	--	--
Population, 2013 est.	487	2,288	1,629
Area (square miles)	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 review² 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

² 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.

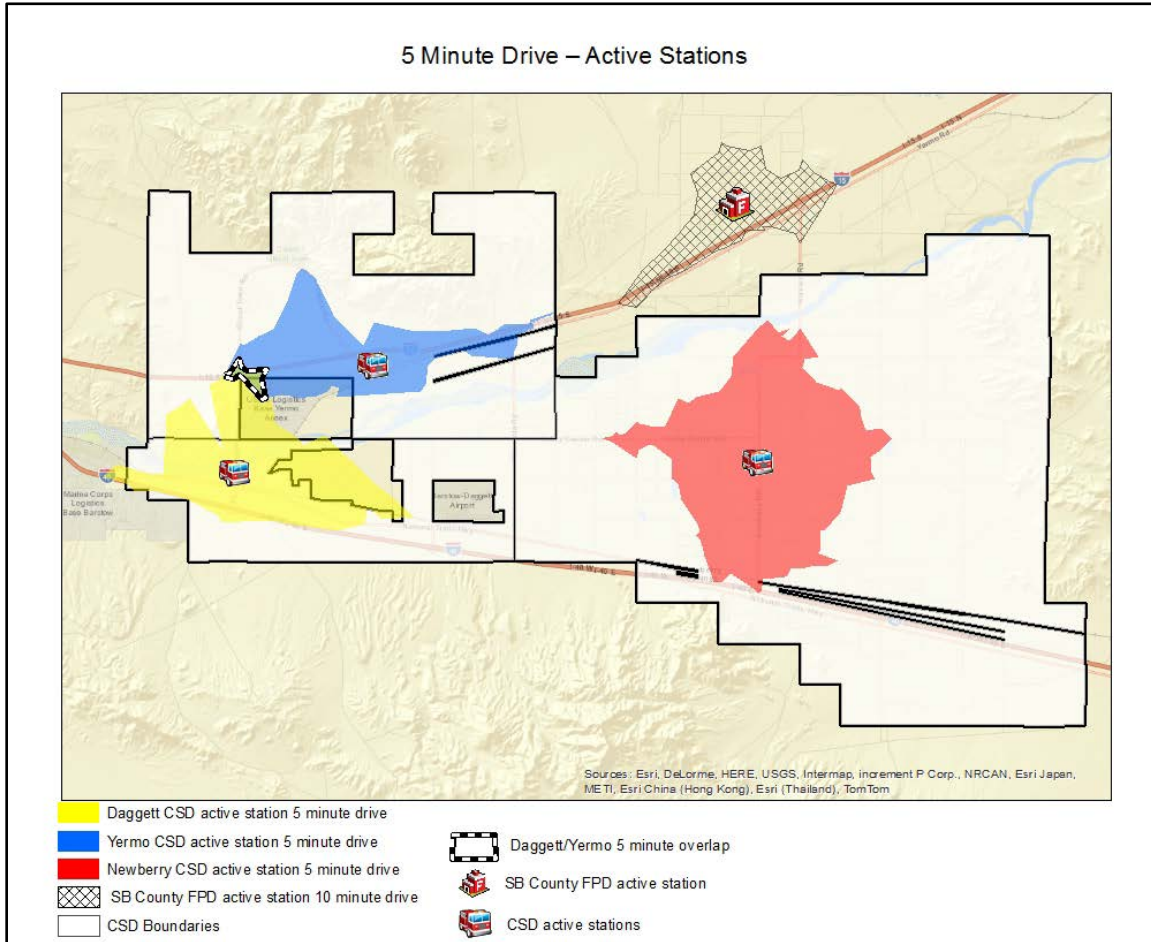
For fire protection and emergency medical response, incident response would be provided from the best available resource within the consolidated district rather than automatic/mutual aid, and resources would be shared equally. All areas would participate in capital costs for new equipment and station 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.³ 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

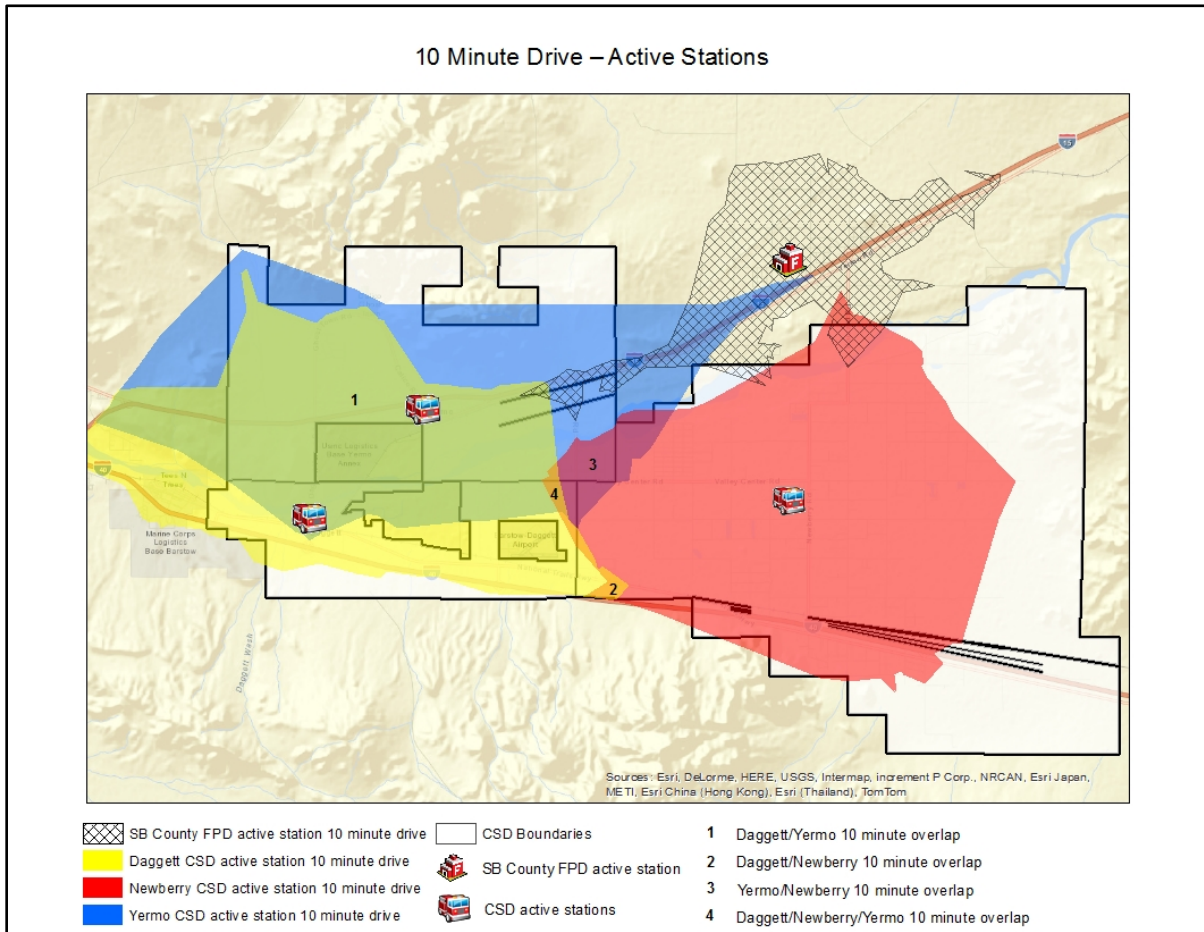
As for drive times from each station, the first figure below identifies a five-minute drive time from each CSD's active station. Please note that this is the time that it takes to drive from each station, not response time which takes into account other factors. As shown, there is only one five-minute overlap area, between Daggett CSD and Yermo CSD. This overlap area is minor and does not cover the core of each district.

³ International Fire Chiefs Association. 2004.

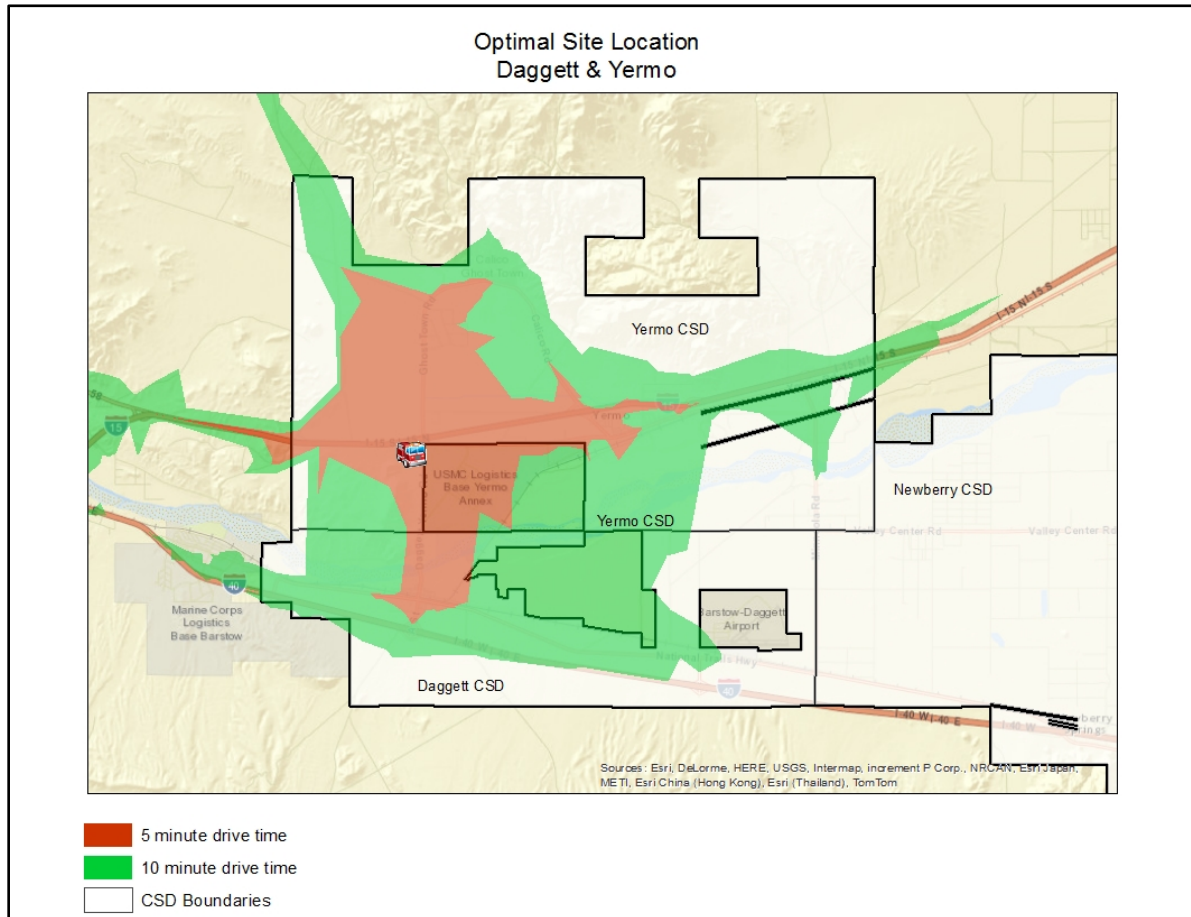


A five-minute drive time from a rural and volunteer fire station exceeds the industry standard.⁴ Increasing the analysis to 10 minutes provides a different picture. In the figure below, which also overlays the SB County FPD Harvard station drive time for reference, the overlap between Daggett CSD and 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.

⁴ 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

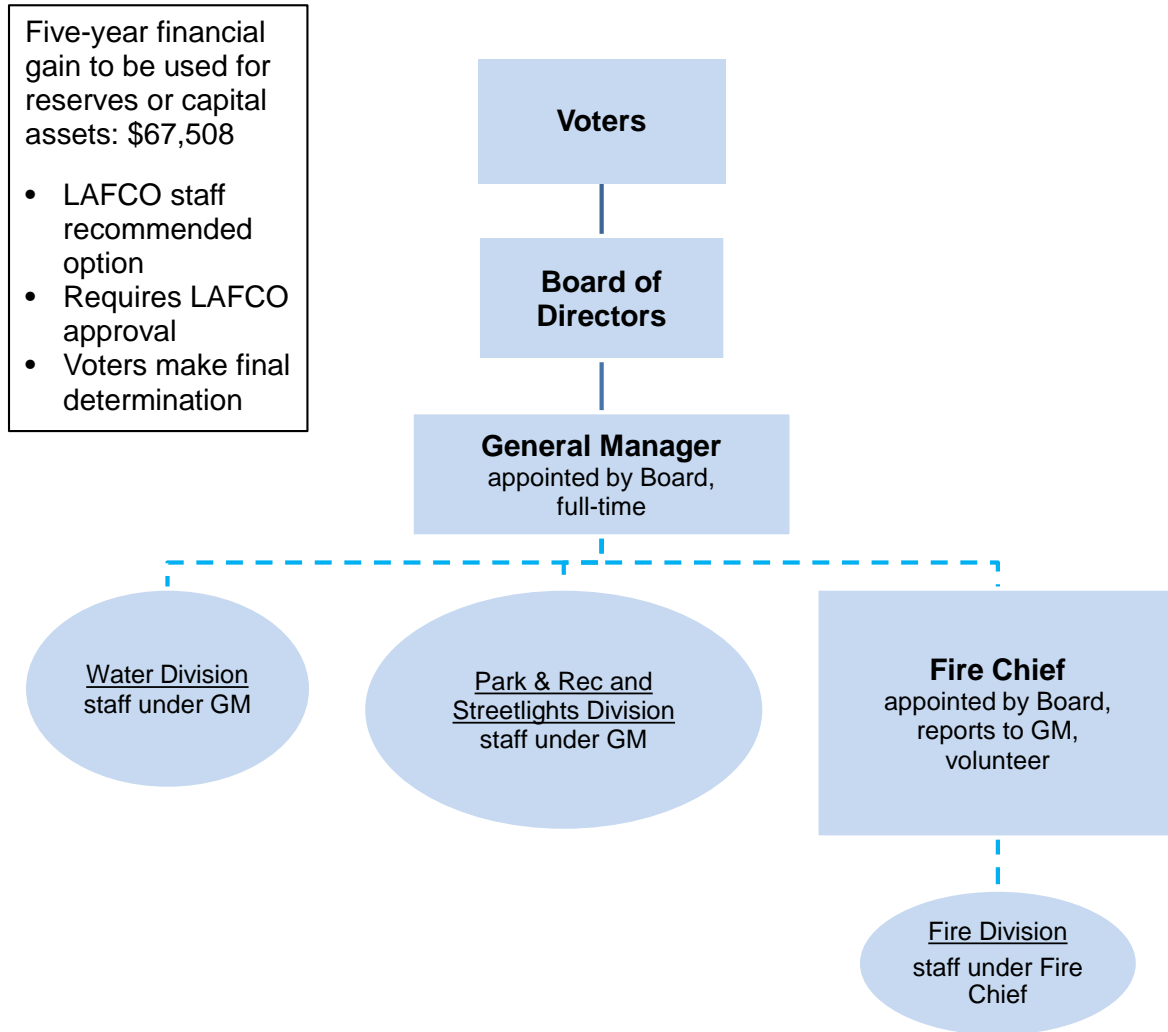
This option considers the Commission's 2009 determination of a single sphere of influence for Daggett CSD and Yermo CSD, being a signal that the two districts should consolidate in the future. The first figure below shows a summary of the revenues and expenditures for this option. A few assumptions in 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
	<i>Water Revenues</i>	<i>178,555</i>	<i>183,019</i>	<i>187,594</i>	<i>193,222</i>	<i>199,985</i>
	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	-	-	-	-
	<i>Water:</i>	<i>176,836</i>	<i>181,257</i>	<i>185,789</i>	<i>191,362</i>	<i>198,060</i>
	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.

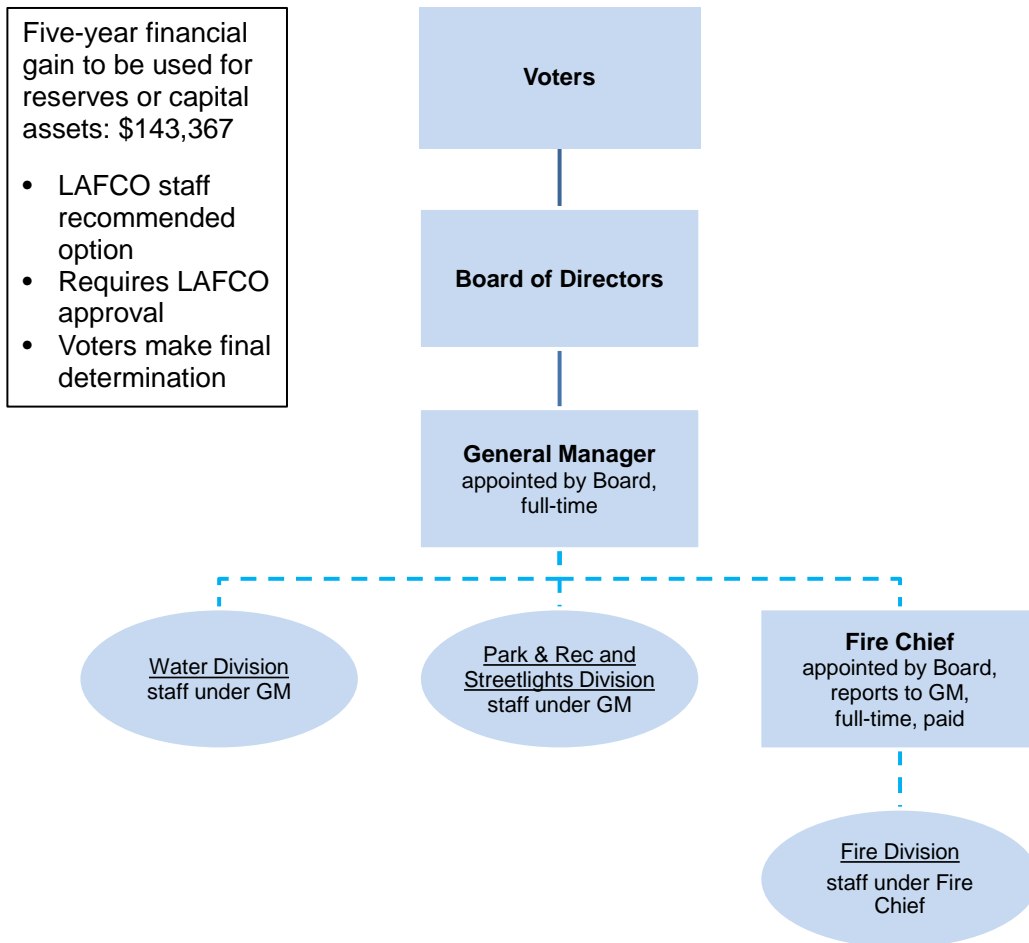
The first chart below shows a summary of the revenues and expenditures for this option. A few assumptions in calculating the financial activity for this option include: hiring a full-time general manager with benefits and a full-time staff person (both positions shared with Daggett water system), hiring 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
Revenues								
	Property Taxes			389,160	396,943	404,882	412,980	421,239
	Other			67,000	67,000	67,000	67,000	67,000
	<i>Water Revenues</i>			<i>178,555</i>	<i>183,019</i>	<i>187,594</i>	<i>193,222</i>	<i>199,985</i>
	Total Revenues			634,715	646,962	659,477	673,202	688,224
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	-	-	-	-
	<i>Water:</i>			<i>176,836</i>	<i>181,257</i>	<i>185,789</i>	<i>191,362</i>	<i>198,060</i>
	Reserve Contribution							
	Capital Outlay:							
	Total Expenditures			616,275	605,420	626,293	637,586	664,569
	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.

JOINT POWERS AUTHORITY					
	Forecast				
	2015-16	2016-17	2017-18	2018-19	2019-20
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

Option 2.	
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.

Option 2a.	
Pros	Cons
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.

Option 2b.	
Pros	Cons
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.

Newberry Fire							
		2011-2013	Forecast				
		Average	2013-14	2014-15	2015-16	2016-17	2017-18
Revenues							
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
Total		131,946	131,859	134,096	136,949	140,457	144,071
Expenditures							
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					
Total		183,183	119,600	122,742	126,424	131,481	138,055
Harvard Station (SB County FPD)							
		2013	2014 (Est)	2015 (Budget)	2015-16	2016-17	2017-18
Revenues							
Net County Cost		68,764	102,288	127,091	130,924	136,161	142,969
Other		8,911	(1,187)	-	-	-	-
Total		77,675	101,101	127,091	130,924	136,161	142,969
Expenditures							
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							
Total		77,585	101,101	127,111	130,924	136,161	142,969

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 \$93,322⁵ (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

⁵ \$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

DAGGETT CSD							
Fire							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
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	
Total	38,501	39,078	39,840	40,616	41,409	42,217	
Expenditures							
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	-						
Total	46,227	46,904	47,768	48,653	49,742	51,051	
Revenue Gain (Loss)	(7,726)	(7,826)	(7,928)	(8,037)	(8,333)	(8,834)	
5-year Gain (Loss)							(40,959)
NEWBERRY CSD							
Fire							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
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	
Total	131,946	131,859	134,096	136,378	138,706	141,080	
Expenditures							
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						
Total	183,183	119,600	121,832	124,120	126,934	130,316	
Revenue Gain (Loss)	(51,237)	12,259	12,264	12,258	11,771	10,764	
5-year Gain (Loss)							59,316
YERMO CSD							
Fire							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
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	
Total	65,294	63,951	64,830	65,726	66,641	67,573	
Expenditures							
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							
Total	53,162	54,065	55,216	56,395	57,846	59,589	
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

DAGGETT CSD							
Streetlights and Park & Recreation							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
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	
Expenditures							
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)	
NEWBERRY CSD							
Streetlights and Park & Recreation							
	2011-13	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
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	
Expenditures							
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	
YERMO CSD							
Streetlights and Park & Recreation							
	2011-2013	Forecast					
	Average	2015-16	2016-17	2017-18	2018-19	2019-20	
Revenues							
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	
Expenditures							
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)	

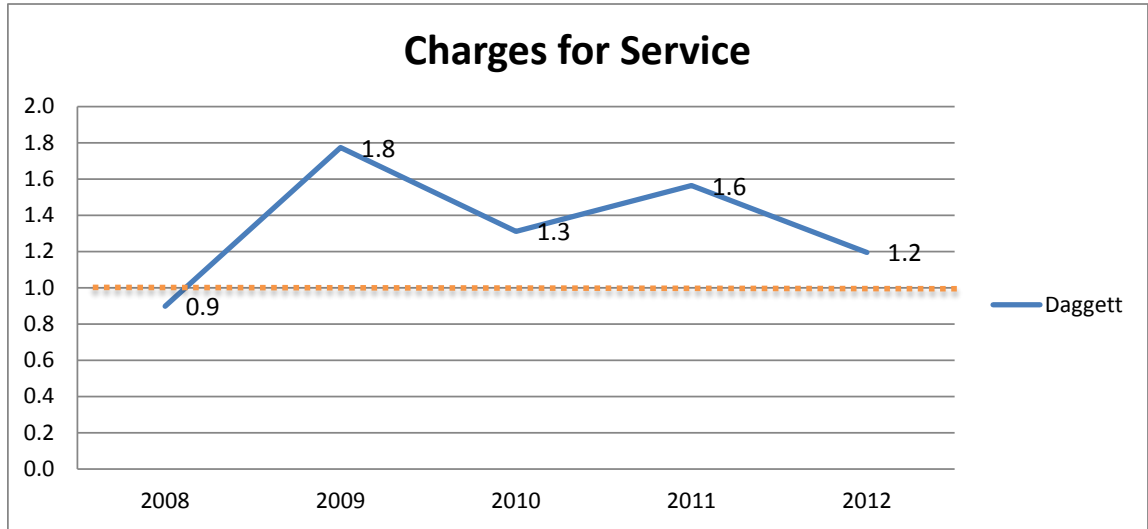
Daggett CSD Water Service

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)

January 12, 2015

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.

Consolidated Fire Delivery	Full-time fire unit \$400,000	Full-time medic unit \$957,000
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.

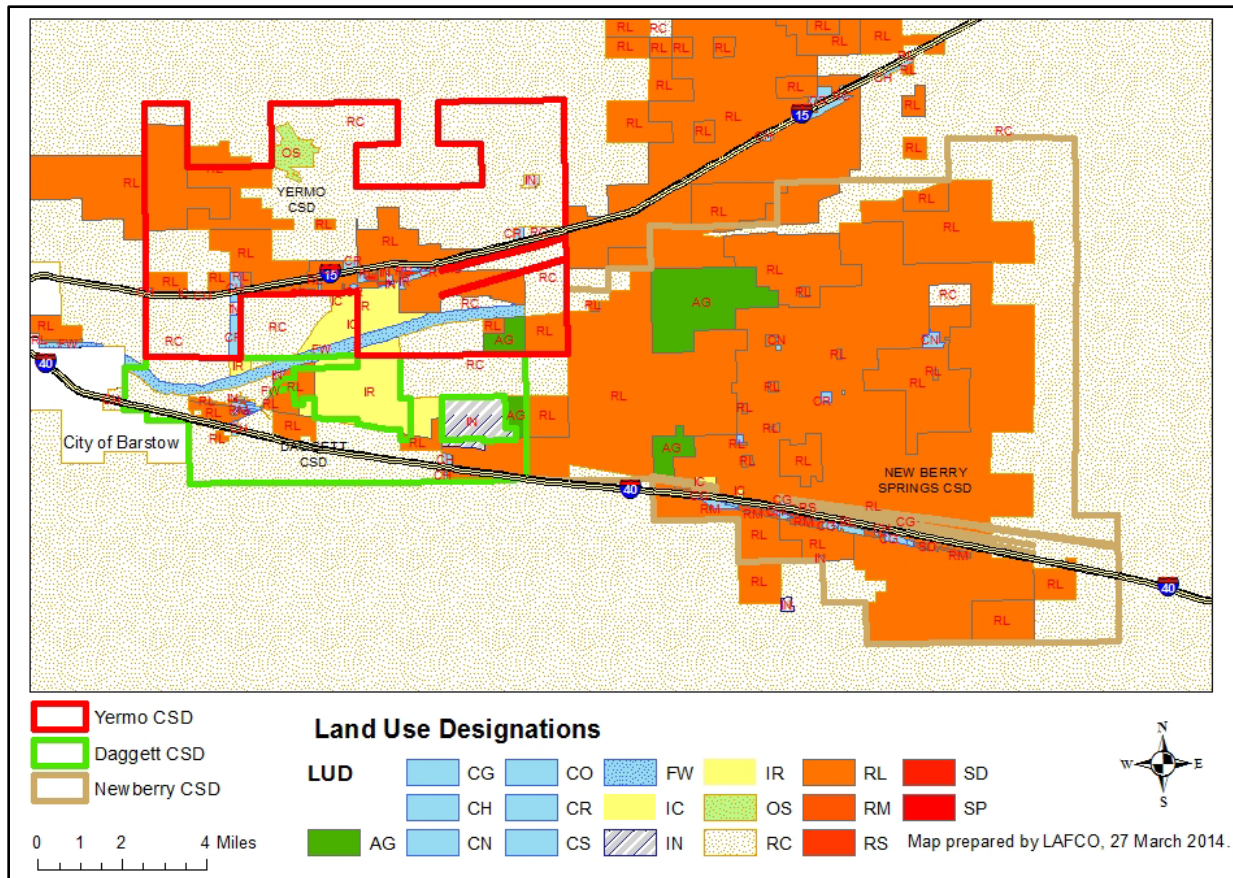
A. Land Use Designations

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

Land Use Designation	Daggett CSD	Newberry CSD	Yermo CSD	Total
Agricultural (AG)	0.4	5.0	0.7	6.1
General Commercial (CG)	0.0	0.5	0.0	0.5
Highway Commercial (CH)	0.2	0.1	0.4	0.7
Neighborhood Commercial (CN)	0.0	0.3	0.0	0.3
Rural Commercial (CR)	0.1	0.1	0.7	0.9
Floodway (FW)	1.2	0.0	1.2	2.4
Community Industrial (IC)	0.0	0.1	0.6	0.7
Institutional (IN)	0.3	0.1	0.2	0.6
Regional Industrial (IR)	1.3	0.0	0.8	2.1
Open Space (OS)	0.0	0.0	0.8	0.8
Resource Conservation (RC)	13.2	25.7	27.7	66.6
Rural Living (RL) *	3.8	81.4	15.3	100.5
Multiple Residential (RM)	0.0	0.5	0.0	0.5
Single Residential (RS)	0.1	0.4	0.2	0.7
Special Development (SD)	0.0	0.1	0.0	0.1
Total	20.6	114.3	48.6	183.5
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
Total	20.6	114.3	48.6	39.8	0.6	223.9
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 Year	Census		Projected (ESRI & LAFCO)				
	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.

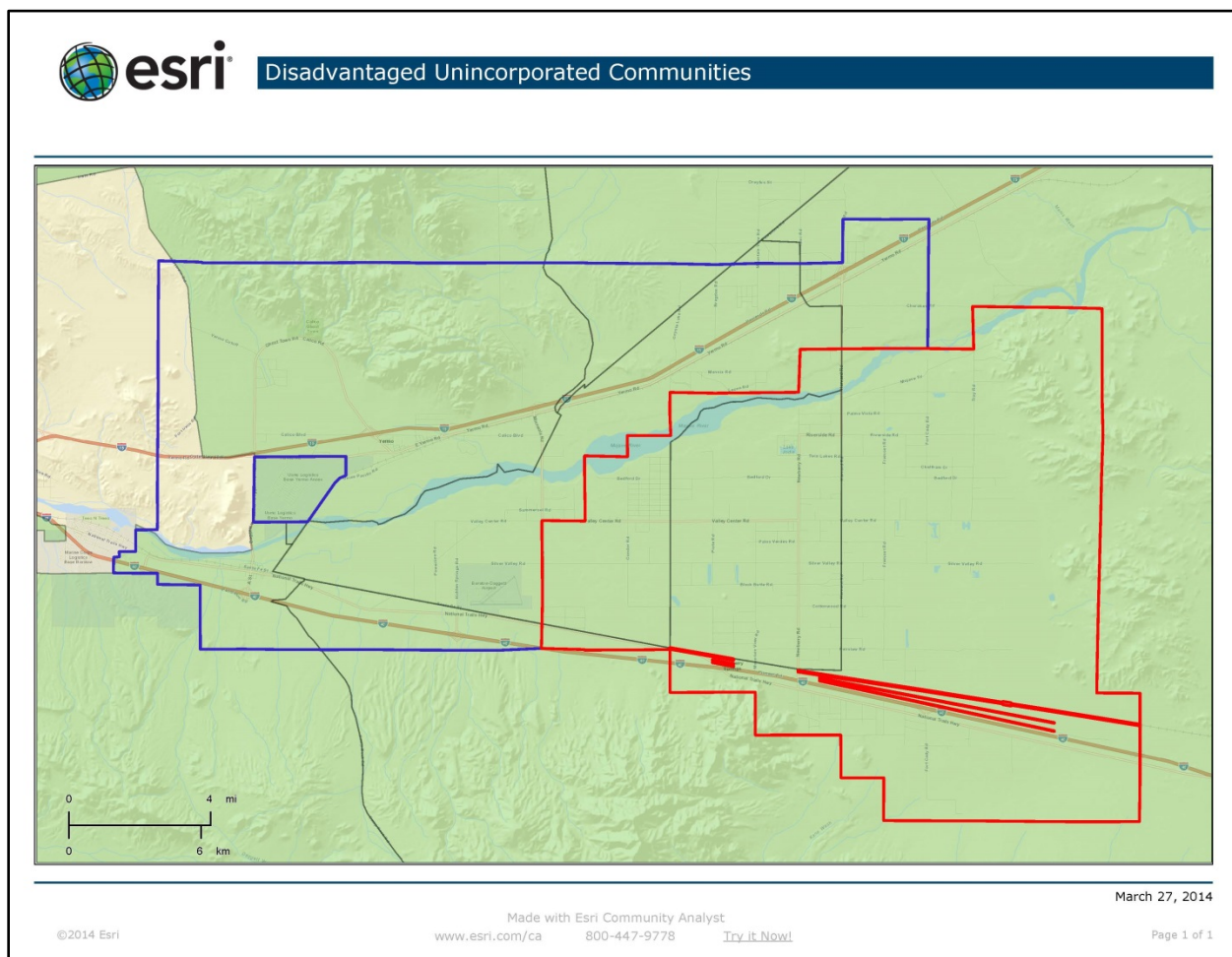
These areas are not anticipated to experience significant growth within the coming years (including Harvard within the Daggett/Yermo CSD sphere). This determination is made due to the land use designations assigned by the County, about one-third of the land being publicly owned, the historical divide 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.⁶ A DUC is defined by two criteria: median household income and if the area is inhabited.⁷ 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 \$47,105⁸.

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).



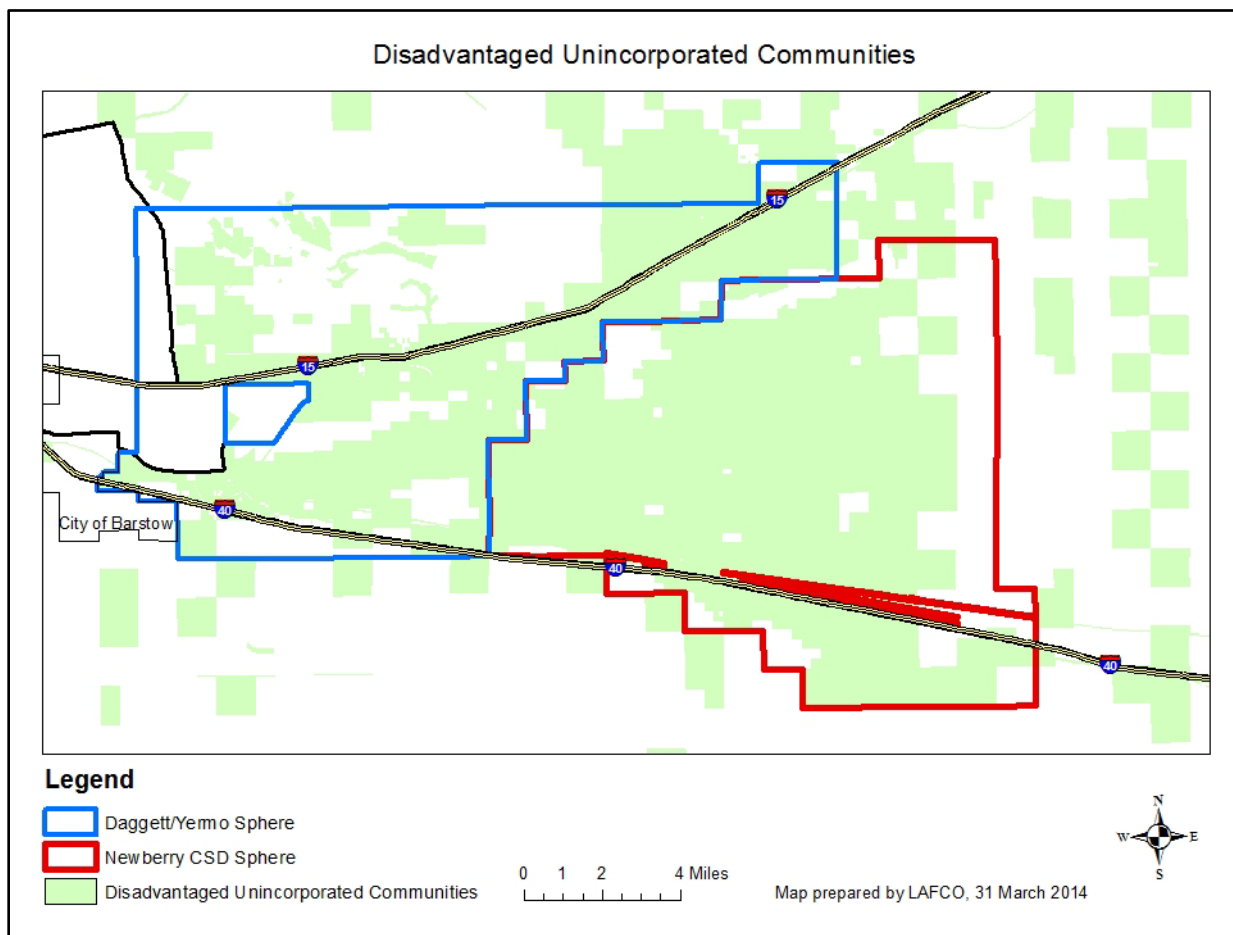
⁶ Government Code §56430(a)(2).

⁷ §56033.5

⁸ 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.⁹ 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.

⁹ 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."¹⁰ 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.¹¹ The project was completed in 2011, so Yermo CSD is to maintain this facility for the area at-large at least until 2021.

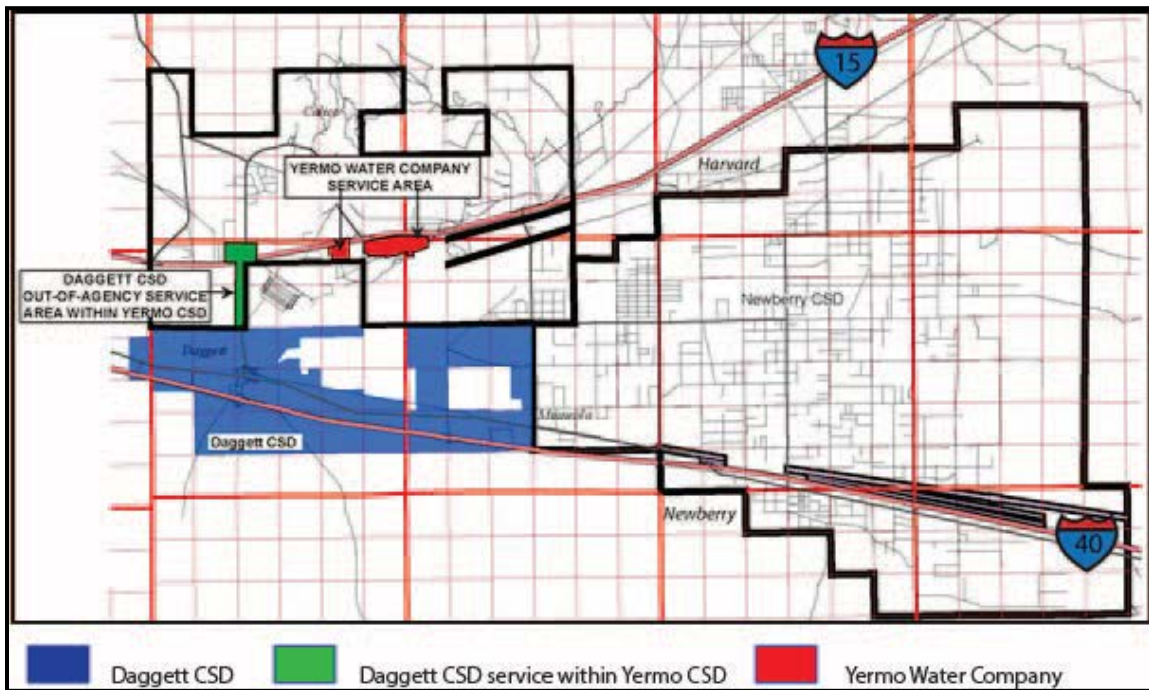
C. Water

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.

¹⁰ County of San Bernardino. Board Agenda Item 4. 22 March 2011.

¹¹ 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 adjudicated¹² 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.¹³ In other words, for 2014-15 producers in Baja may pump up to 55% of its water rights.

¹² 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).

¹³ Mojave Basin Area Watermaster, Draft 20th 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	13,862
Newberry	0	0	0	1,227	433	0	0	156	602	0	0	2,418
TOTAL	1,890	1,488	3,114	5,395	916	0	1	311	2,665	500	0	16,280

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 ¹ 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 ²	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%]					

¹ Unused FPA is equal to the total FPA (Base FPA, carryover, and transfers) minus total Verified Projection, but not greater than FPA.

² 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 Company¹⁴ 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.¹⁵ The remaining funds for the purchase were subsequently allocated by the Mojave Water Agency.

¹⁴ *California Public Utilities Commission v. Donald Walker, and Yermo Water Company* in the Superior Court of California, County of San Bernardino (Case No. CIVBS1200448).

¹⁵ 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

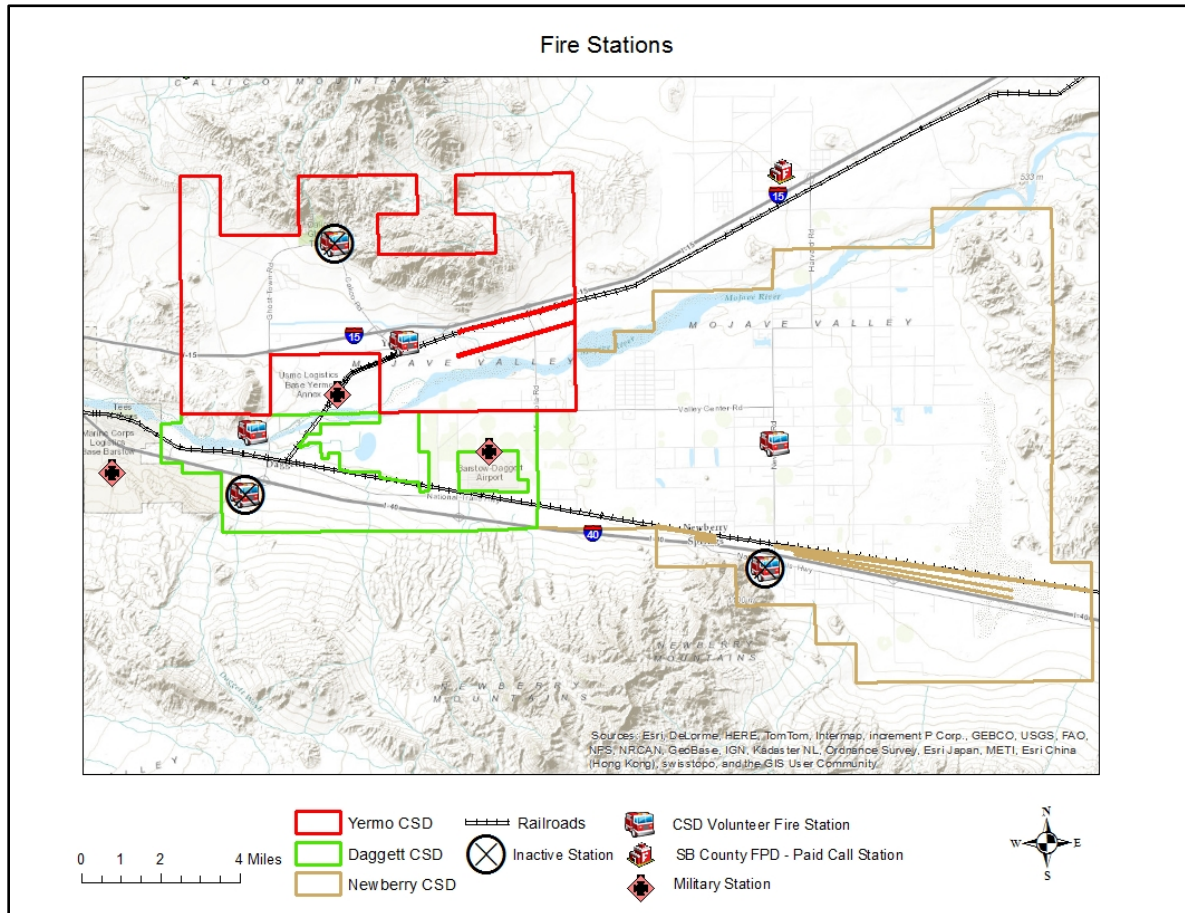
The districts do not currently provide sewer service, and the landowners utilize septic tanks or leach field systems. Areas with dense development could benefit from an organized system; however, the costs for installation, transportation, and treatment would be borne by the landowners within the benefiting 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.¹⁶ 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.

¹⁶ 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%
Total	323	768	1010	2,101	100%

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%
TOTAL	323	768	1,010	2,101	100%

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%
TOTAL	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%
TOTAL	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%
TOTAL	182	353	338	319	333	1,525	100%

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%
TOTAL	182	353	338	319	333	1,525	100%

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%
TOTAL	188	377	346	352	364	1,627	100%

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%
TOTAL	188	377	346	352	364	1,627	100%

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%	20%
Newberry CSD	1%		2%	2%	5%
Yermo CSD	0%	1%		1%	2%
Harvard (County Fire)	1%	8%	5%		14%
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).¹⁷ 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 5,200.¹⁸ 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

¹⁷ National Fire Protection Association. Standard 1720, 2010 Edition.

¹⁸ 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.¹⁹

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.

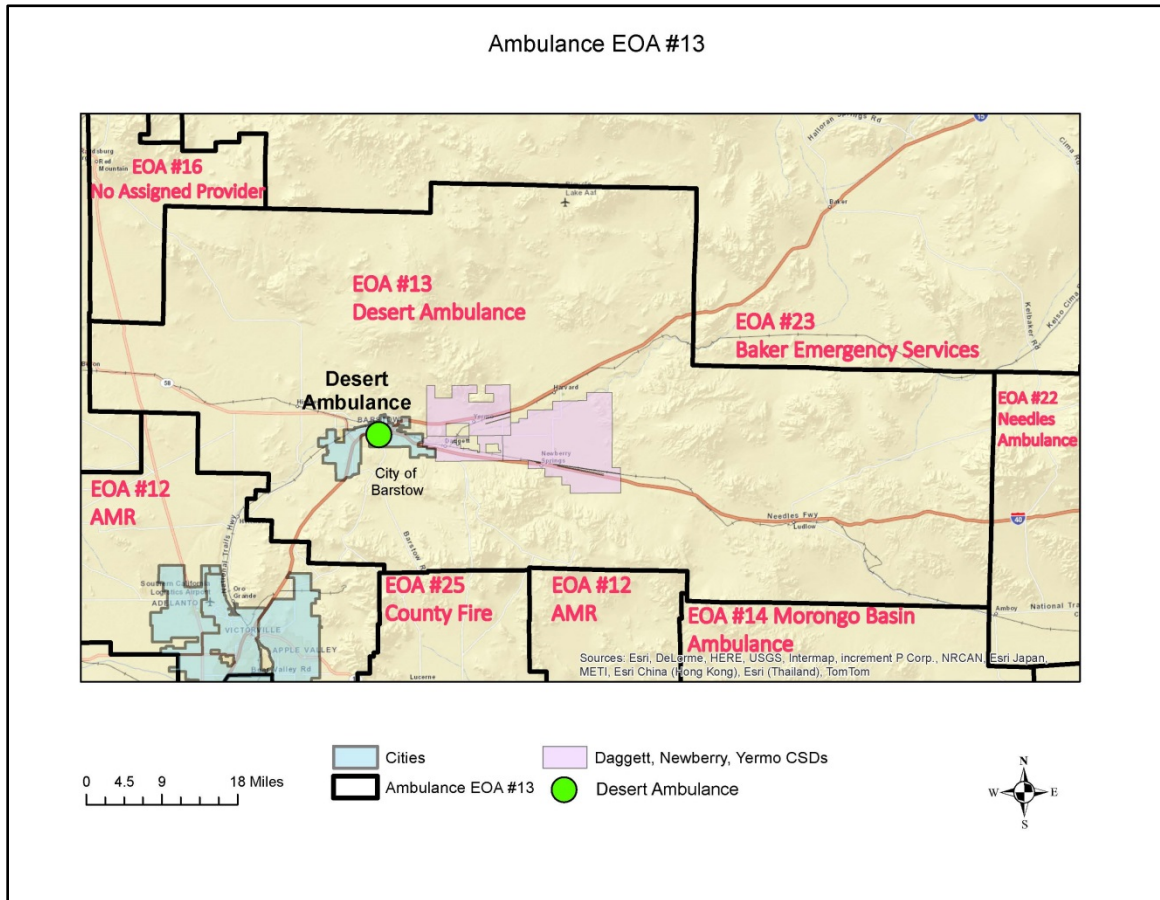
The downgrade of the San Bernardino County Fire Protection District's Harvard station from a full-time force to paid-call status has compounded the issue. The downgrade has placed a burden upon the three CSDs to be the primary responder along the heavily traveled interstates traversing the communities. 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").²⁰ 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.

¹⁹ California Department of Transportation.

²⁰ 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.²¹ 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.²² In addition, the costs associated with new apparatus and equipment has increased exponentially.²³

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.

²¹ National Volunteer Fire Council. "Retention & Recruitment Guide." 2008. www.nvfc.org/index.php?id=1056.

²² Yuba City Fire Department. "Consolidation – Training Issues for Volunteers". Submitted to the National Fire Academy. 2001.

²³ 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 donation²⁴ 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.

²⁴ 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 audits²⁵; 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.

²⁵ 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 Auditor²⁶. 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

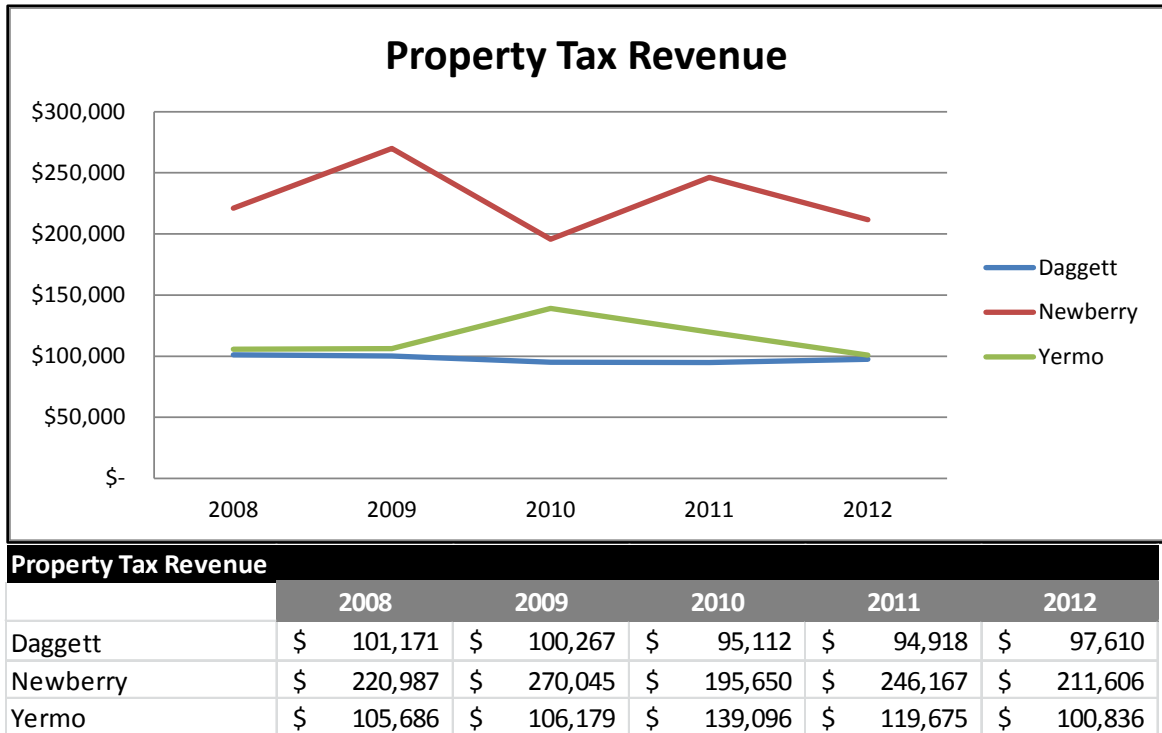
A review of CalPERS and SBCERA member listings do not identify the districts as a member. The districts' financial statements do not identify any other post-employment obligations. Therefore, there are no identified unfunded liabilities that could have a future impact on the districts' financial condition.

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.

²⁶ 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

	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)

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 & Benefits		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.

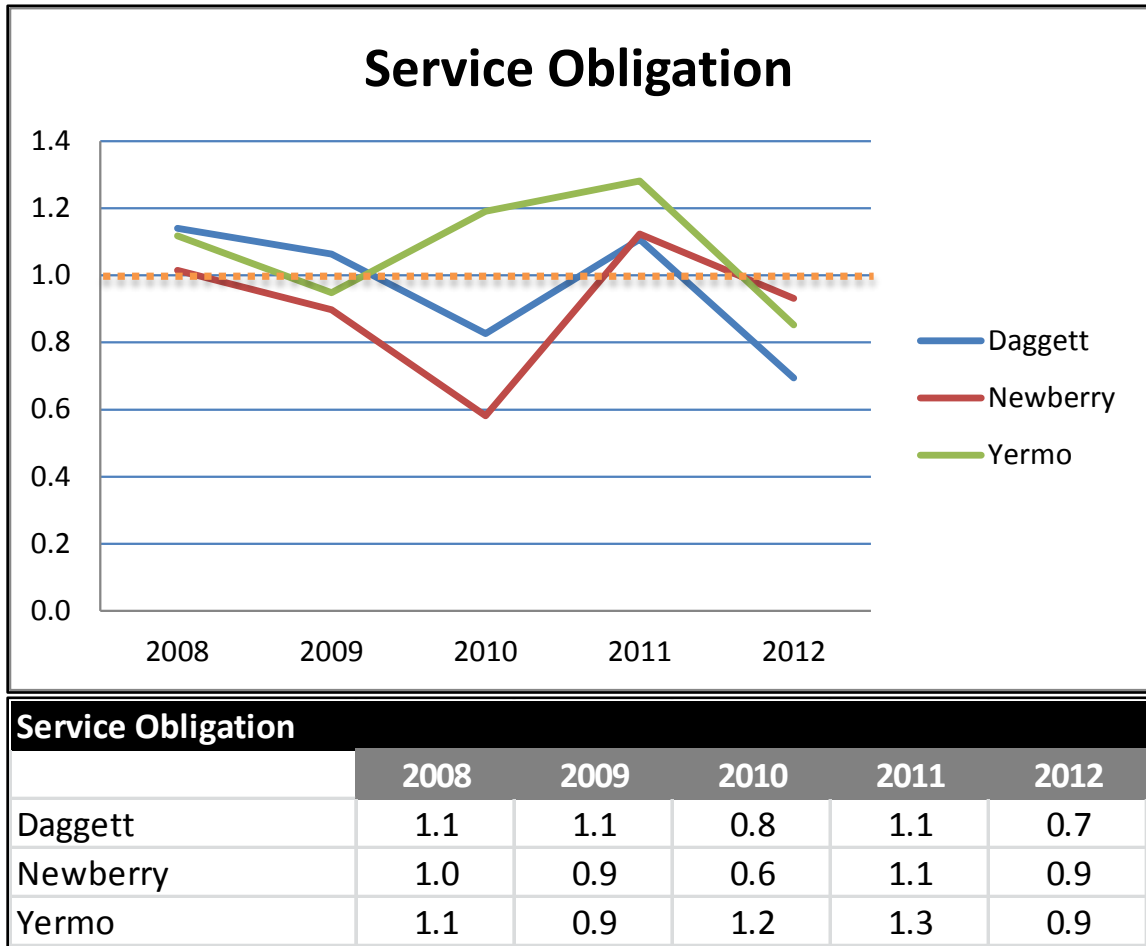
NEW BERRY CSD						
		2008	2009	2010	2011	2012
Revenues						
	Property Taxes	220,987	270,045	195,650	246,167	211,606
	Other	22,262	31,216	41,692	14,416	27,082
	Total Revenues	243,249	301,261	237,342	260,583	238,688
Expenditures						
	Current:					
	Fire Protection	90,634	85,529	53,196	80,315	117,088
	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.

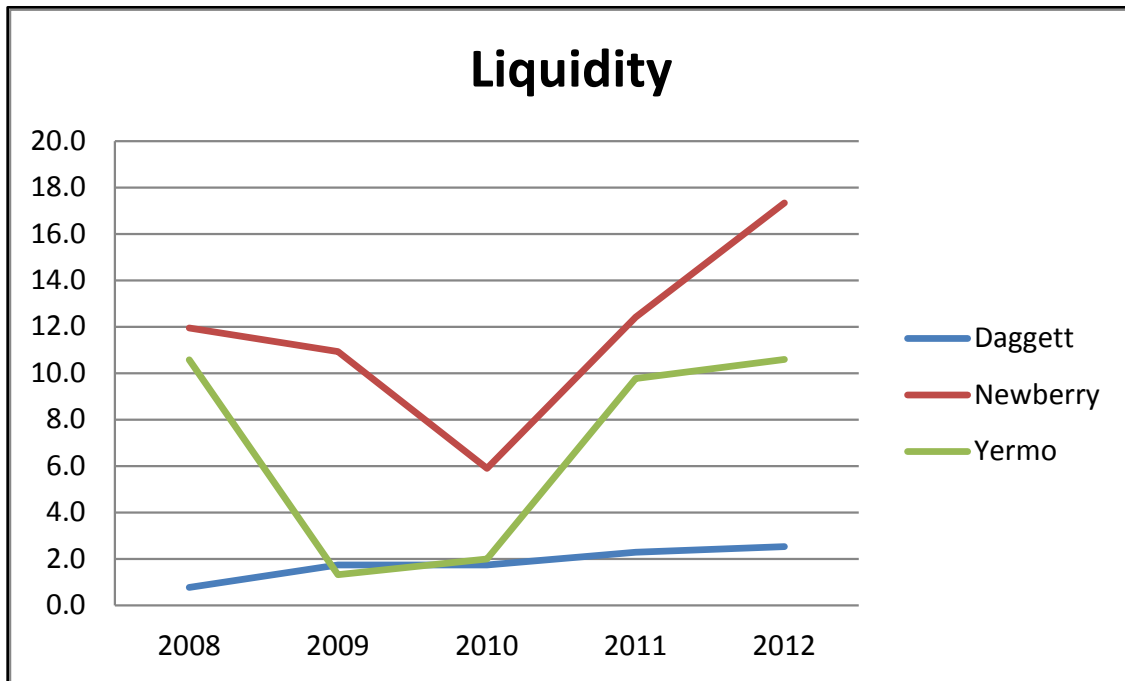
Service Obligation measures whether or not a government’s annual revenues were sufficient to pay for annual operations. In most cases, as the percentage of general revenues decreases, an agency loses its ability to respond to changing conditions and to citizens’ needs and demands. It is calculated by 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.



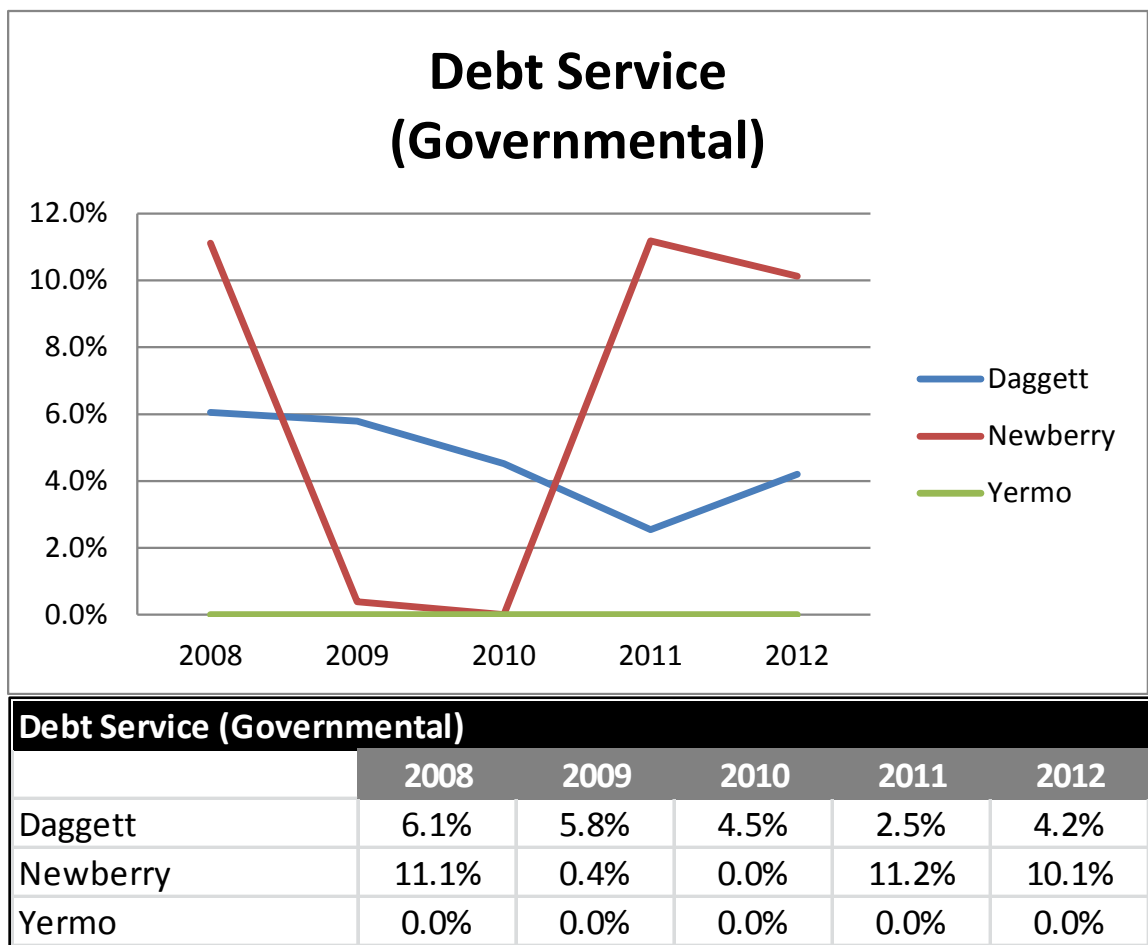
Liquidity					
	2008	2009	2010	2011	2012
Daggett	0.8	1.7	1.7	2.3	2.5
Newberry	12.0	10.9	5.9	12.4	17.3
Yermo	10.6	1.3	2.0	9.8	10.6

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.

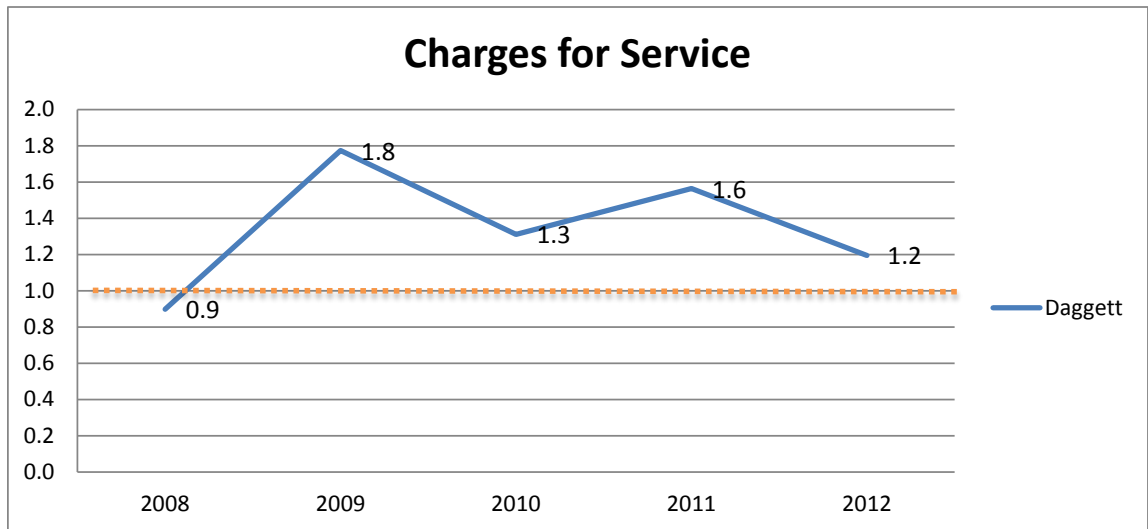
Yermo CSD has not reported any debt for this timeframe.



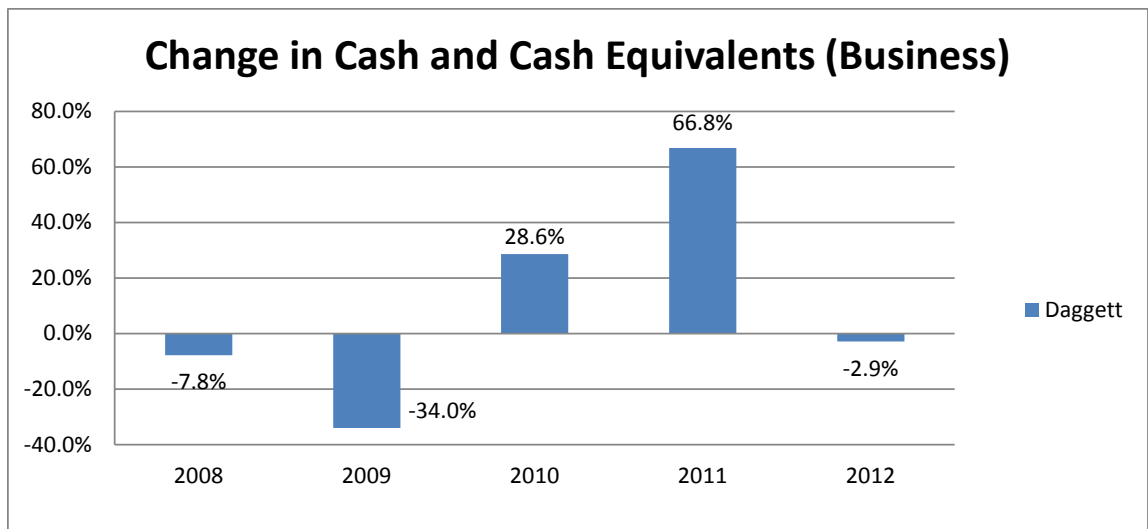
F. Fiscal Indicators – Business-type Activities (Daggett CSD Water)

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.

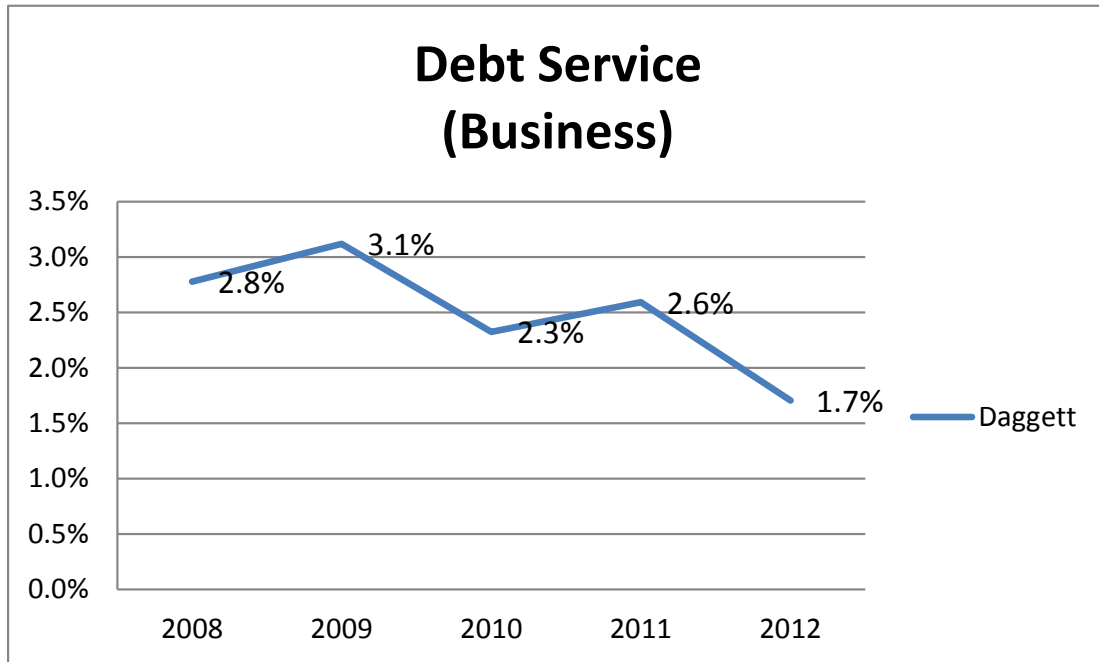


Cash and Cash Equivalents are the most liquid assets of an agency's assets and can be readily converted into cash. A positive percent change from the prior year indicates that a government's cash position has improved.



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)²⁷, 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.

²⁷ 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 7910²⁸ 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.

²⁸ 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."²⁹ 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.³⁰ 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

²⁹ California Senate Local Government Committee, *What's So Special about Special Districts?*, Fourth Edition, October 2010.

³⁰ 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:

Board Member	Title	Term	Elected/Appointed as of last election
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:

Board Member	Title	Term	Elected/Appointed as of last election
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.³¹ 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 manger 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

³¹ 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.”³² 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.

³² 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](#)